
**Authorities Budget Office
Review of Activities and Expenditures
Cohoes Local Development Corporation
September 9, 2013**



Local development corporations (LDCs) are not-for-profit corporations incorporated pursuant to Section 1411 of Not for Profit Corporation Law. The general statutory purpose of an LDC is to reduce unemployment, promote and maintain employment opportunities, aid communities attract new industry or to encourage the development or retention of existing industries, and lessen the burdens of government and act in the public interest. In furtherance of these public purposes, an LDC has the power to construct and rehabilitate industrial or manufacturing facilities to be used by others; provide grants and loans; borrow money; issue debt; and acquire, sell or lease real property below market value. Any county, city, town or village in New York State, alone or in combination, may cause the incorporation of a LDC by public officers or private individuals.

Section 2(2)b of Public Authorities Law defines local authorities as not for profit corporations affiliated with, sponsored by, or created by a county, city, town or village government. By law, the operations, practices and reports of these LDCs are subject to the review and analysis of the ABO. The ABO is undertaking a series of reviews of selected LDCs across the state to develop a better understanding of the public purposes for which each LDC was formed, and to provide insight into how these corporations function, how each relates to the local government for whose benefit it was created, and the types of activities on which the LDC expends public funds.

These reviews are intended to focus on the following analytical issues:

- The specific mission of the LDC and the purpose(s) for which it was formed.
- The LDC's corporate governance structure, including its relation to the municipal government and other local authorities.
- The sources of LDC funding.
- The programs, services and public objectives supported by LDC funding.
- Activities of the LDC, if any, that may be inconsistent with or tangential to its core mission.

This report reviewed the extent to which the activities and expenditures of the Cohoes Local Development Corporation (CLDC) are consistent with and advance the public purpose for which it was formed.

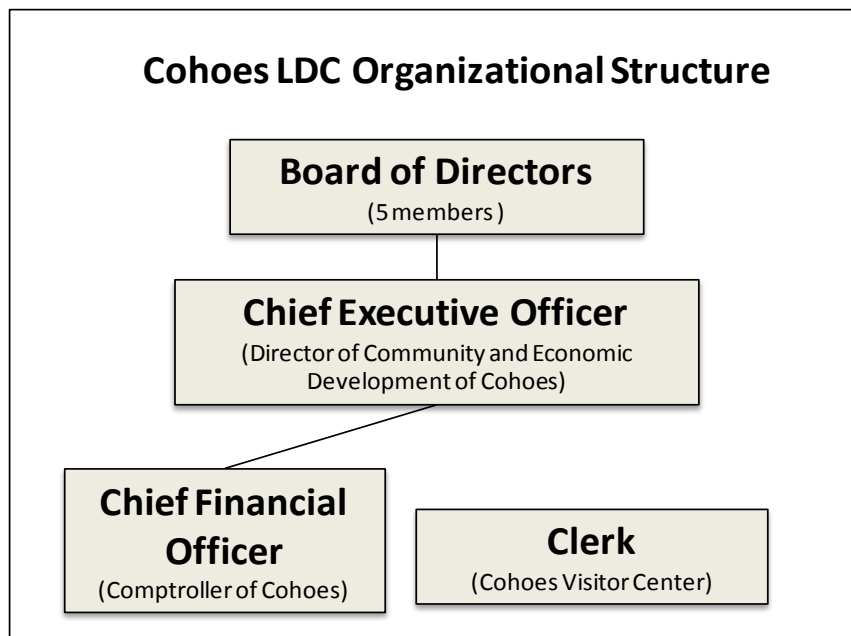
Mission of the Cohoes Local Development Corporation

The Cohoes Local Development Corporation (CLDC) was formed in 2002 under Section 1411 of Not for Profit Corporation Law. As articulated in its Certificate of Incorporation, the core mission of CLDC is to reduce unemployment, promote employment by encouraging the development and retention of industry and job opportunities, and to stimulate economic growth within the city of Cohoes. It was also formed for the more general purpose of improving the quality of life for city residents. CLDC carries out this mission by providing loans and grants, funding training programs and promoting community events, tourism and the arts.

CLDC Corporate Governance Structure

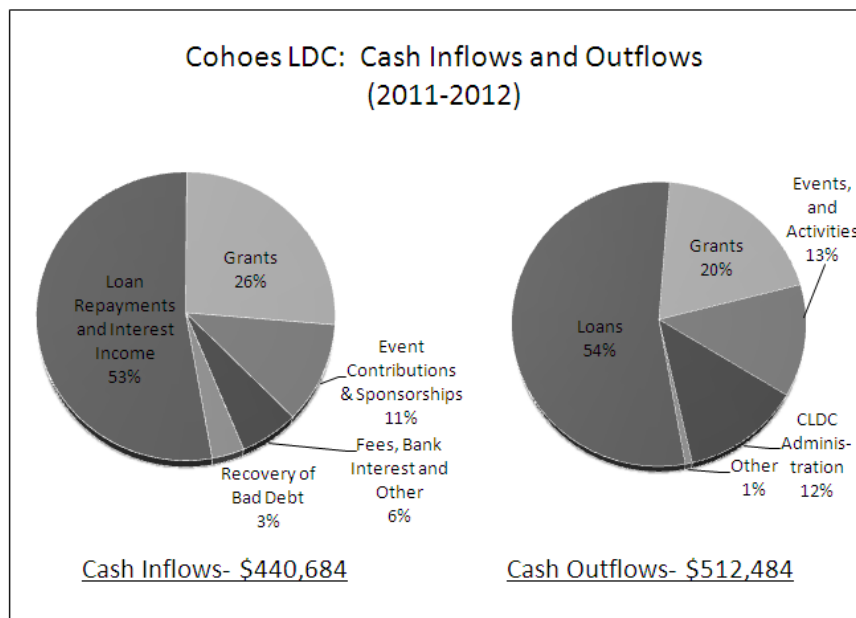
CLDC is governed by a five member board of directors. Directors are appointed by the board based on recommendations from the City and current directors. Although CLDC's bylaws allow for an unlimited number of members, the five directors represent CLDC's total membership. Prior to 2013, the board was comprised of the Mayor, the Common Council President, a current and former city school principal, and a representative from the non-profit sector. In 2013, the Mayor was replaced by a local business owner.

City employees staff the CLDC. CLDC is managed by the City's Director of Community and Economic Development, who acts as Chief Executive Officer, and the City Comptroller, who serves as Chief Financial Officer. In addition to their city salaries, these individuals are compensated separately by CLDC for their extra duties. For 2011 and 2012, these payments totaled \$31,630. In addition, CLDC pays the salary of the receptionist at the City's Visitor Center. Over 2011 and 2012, this position was paid \$17,240.



CLDC Finances

For 2011 and 2012, CLDC recognized over \$236,000 in revenues from grants, interest on outstanding loans, donations and sponsorships, and loan application fees. In addition, CLDC collected \$203,000 in loan repayments during this time. Total outlays over these two years were over \$512,000. This includes \$65,000 in funds directed to community activities and events, \$65,000 in administrative costs, and \$375,000 in loans and grants. The difference between cash inflows and outflows is largely due to the fact that loans are issued from existing funds available for such purpose.



CLDC Mission Driven Activities

CLDC's major economic development activity consists of providing loans and grants to businesses and individuals capitalized by federal and state funds. During 2011 and 2012, CLDC dispersed more than \$375,000 for 14 grants and 11 loans.

CLDC received \$95,000 in grant revenue during this time and awarded over \$100,000 in grants. These grants were awarded to fund improvements to the facades of commercial properties, to improve the appearance of neighborhoods, and to assist businesses. The majority of the terms of these grants do not require a commitment from the recipient to create or retain jobs.

More than 70 percent of CLDC's financial assistance is loans issued through its small business loan program. The loan program is funded from existing Community Development Block Grant funds and repayments and interest received from prior loans. During 2011 and 2012, CLDC received \$230,000 in repayments and interest. As of December 31, 2012, CLDC had 24 active loans with an original value of

\$876,000. These loans were made with the expectation that the recipients would create 33 jobs in the City – or one job created for every \$26,500 in loan value.

Other CLDC Activities

CLDC is involved in a number of activities and events that are intended to improve the quality of life in Cohoes. While benefiting city residents, these activities are secondary to the core economic development purposes for which local development corporations are formed. CLDC is involved with a downtown beautification program, summer concerts, Choose Cohoes, and an annual community race to raise funds for civic programs. In addition, the City Code makes CLDC responsible for administering a farmer's market. In some cases, CLDC acts as a conduit through which the activities and events can raise funds. CLDC officials indicated that this arrangement enables the event organizers to use CLDC's not-for-profit and tax exempt status to solicit tax deductible donations. CLDC received approximately \$70,000 in donations and other income during 2011 and 2012 – 30 percent of which was potentially tax deductible – for events either it sponsored or which were held by other community groups. In those cases, CLDC acts as a "banker" to manage the finances, but the event organizers decide how the funds are spent.

For example, CLDC solicits donations and manages the funds for the Summer Concert Series at Canal Square and a downtown beautification program. Previously, a non-profit group put on the summer concerts, and now the CLDC manages this event. The beautification program is coordinated by a City employee in the Parks Department. For 2011 and 2012, these programs generated \$18,664 in revenue and had payments totaling \$15,197.

CLDC established a volunteer group known as Choose Cohoes, independent of its Board of Directors, to market and promote economic and community development in the City. The group is comprised of business and community members, and includes CLDC's Executive Director and one board member. For 2011 and 2012, this group generated \$2,878 in revenue and had payments totaling \$23,369. These revenues were supplemented by a \$20,000 grant that CLDC received from the Cohoes IDA for marketing purposes.

CLDC also maintains the funds for a community run, known as the Mastodon Run (Run). The Run originated to promote the City and raise funds for civic programs. It drew over 200 runners in 2013, the second year of its existence. The Run is organized and managed by volunteers from the community. In 2012, the Run generated \$25,616 in revenue and had payments totaling \$22,898.

According to the City Code, CLDC is responsible for the operation and administration of the Cohoes Farmers Market. The Market has its own bank account that is controlled by CLDC, which is responsible for establishing rules, extending licenses, collecting fees, and determining market hours. However, there is a separate board that manages the operation of the Farmer's Market, including

determining how funds are spent. For 2011 and 2012 the Farmer's Market generated \$2,349 in revenue and had payments totaling \$3,774.

Conclusion

CLDC's purpose as a local development corporation is to maximize employment and create employment opportunities. It appears, based on the finances reviewed, approximately 70 percent of CLDC activity is related to this public purpose. CLDC is also engaged in a number of activities that are tangential to its mission. These activities have limited CLDC oversight, since CLDC has no decision making authority over certain other events, such as the Mastodon Run. The CLDC board should review its involvement in these additional activities and determine whether such activities best serve to further economic development and a growth in job opportunities across the city of Cohoes.