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**Authorities Budget Office**  
**Review of Accuracy of IDA Projects Reported**  
**Poughkeepsie Industrial Development Agency**  
**August 6, 2015**

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The Authorities Budget Office (ABO) is authorized by Title 2 of the Public Authorities Law to review and analyze the operations, practices and reports of public authorities, to assess compliance with various provisions of Public Authorities Law and other relevant State statutes, and to make recommendations concerning the reformation and structure of public authorities. The ABO is undertaking a series of reviews of industrial development agencies to determine if each agency is accurately reporting project information in the ABO's Public Authorities Reporting Information System (PARIS) including financial assistance provided to projects and their employment impact.

We reviewed project data reported by the Poughkeepsie Industrial Development Agency (IDA) in both its 2013 and 2014 PARIS annual reports to evaluate whether information reported was accurate and verified by supporting documentation. We also interviewed IDA officials to obtain information on procedures followed. The results and recommendations of our review were discussed with IDA officials and the Board Chair.

## **Background**

The Poughkeepsie Industrial Development Agency (IDA) was created in 1970 under Section 917 of General Municipal Law. The IDA's mission is to encourage economic growth in the City of Poughkeepsie. The IDA is governed by a five member board appointed by the City's Common Council for two-year terms. The board consists of the Mayor, the Common Council Minority Leader and three individuals from the private sector. The IDA has no employees but several employees of the City of Poughkeepsie provide staffing and administrative services. The City's Corporation Counsel is responsible for assisting businesses owners with submitting applications for IDA financial assistance, and presenting applications to the board. The City's Commissioner of Finance is responsible for payment in lieu of taxes (PILOT) administration and maintaining the IDA's financial records. The IDA does not reimburse the City for use of its staff and facilities. The IDA board has also contracted with an individual to prepare year-end financial data for the IDA and enter data in PARIS. For 2013 and 2014, the IDA paid a total of \$1,825 to this individual for these services.

For 2013 the IDA reported that it had five active projects. The IDA reported that original job creation targets were not available for the projects but that a total of 412 jobs existed at these projects as of December 2013. The IDA reported that the five projects made payment in lieu of taxes (PILOT) payments totaling \$669,385 in 2013 and one of the five projects had outstanding debt of \$3,679,074 as of December 2013.

The IDA reported that these five projects were completed in 2013 and that there were no active projects for 2014.

## Review Results

The IDA inaccurately reported that there were no active projects for 2014, since the five projects reported for 2013 continued to receive property tax exemptions and make PILOTs. Further, much of the information reported by the IDA for 2013 was inaccurate because the board does not provide adequate oversight and guidance to its staff. We found that the IDA board is lax in establishing proper controls and oversight of PILOTs, and that the IDA did not allocate the full amount of PILOTs to the taxing jurisdictions. In addition, property tax exemptions and PILOT amounts were calculated incorrectly, the board had not established procedures to monitor job creation goals, and the board does not review the data that it reports to ensure that it is accurate and complete.

Since the IDA reported that there were no active projects for 2014, we expanded our review to determine the accuracy of the data reported by the IDA in 2013. We found that the IDA inaccurately reported project costs, property tax exemptions and the amount of PILOTs billed and received.

Project	PARIS Fields	Reported in PARIS	Supporting Documentation	Difference
400 Main	Project Costs	\$11,777,702	\$12,800,000	(\$1,022,298)
	Total Property Tax Exemptions	\$277,865	\$265,115	\$12,750
	Total PILOTs Due	\$35,840	\$34,048	\$1,792
	Total PILOTs Paid	\$35,840	\$35,822	\$18
Marshall and Sterling	Project Costs	\$3,825,000	N/A	N/A
	Total Property Tax Exemptions	\$199,409	\$190,259	\$9,150
	Total PILOTs Due	\$190,259	\$190,259	\$0
	Total PILOTs Paid	\$190,259	\$190,259	\$0
Eastman and Bixby	Project Costs	\$8,500,000	\$8,500,000	\$0
	Total Property Tax Exemptions	\$359,590	\$343,090	\$16,500
	Total PILOTs Due	\$142,380	\$142,380	\$0
	Total PILOTs Paid	\$142,380	\$142,380	\$0
Poughkeepsie Landing	Project Costs	\$8,800,000	N/A	N/A
	Total Property Tax Exemptions	\$392,280	\$374,280	\$18,000
	Total PILOTs Due	\$200,906	\$200,906	\$0
	Total PILOTs Paid	\$200,906	\$200,906	\$0
Woodside Associates	Project Costs	\$16,750,000	\$18,900,360	(\$2,150,360)
	Total Property Tax Exemptions	\$490,350	\$467,850	\$22,500
	Total PILOTs Due	\$100,000	\$100,000	\$0
	Total PILOTs Paid	\$100,000	\$100,000	\$0

The IDA approved all five projects prior to 2007. However, the IDA did not have project applications for two of the projects (Marshall and Sterling; Poughkeepsie Landing) and we were unable to verify the actual project costs or the existing employment data for the projects.

The project costs reported for two of the projects (400 Main; Woodside Associates) were different than the amount identified in the project applications. IDA officials indicated that the actual costs of the project were reported rather than the anticipated project costs identified in the project application. However, the IDA did not have any records that identified the actual project costs for these projects, and we were unable to determine whether the amounts reported were correct.

**The IDA calculates property tax exemptions incorrectly.** Property tax exemptions consist of the total county, city and school district taxes a project would pay if it was not a tax-exempt IDA project. IDA projects are not exempt from special district taxes such as library, fire and water district assessments. However, the IDA included the value of library district taxes in the city portion of property tax exemptions. As a result, in 2013 the IDA overstated the amount of property tax exemptions for the five projects by a total of \$78,900.

**The IDA calculates PILOTs incorrectly.** For the 400 Main project, the IDA did not calculate the 2013 and 2014 PILOTs correctly. According to the PILOT agreement, the PILOT is based on a percentage of total gross revenue collected by the project. The project owner reported revenues from rental income, interest income and other income. However, the amount reported as rental income does not reflect the actual amount received, but instead represents the total potential revenue if all rental properties were occupied for the entire year. Therefore, the amount reported as rental income needs to be reduced by the amount reported for vacancies during the year. For 2013, the PILOT owed was \$34,048, based on project revenue of \$531,996 (actual rental income of \$524,093, interest income of \$539 and other income of \$7,364). The IDA calculated the PILOT owed as \$35,807, based on an incorrect determination of project revenue. Similarly, the IDA also calculated the PILOT incorrectly for 2014, because it excluded interest income from project revenue.

The IDA also calculated the 2014 PILOT for the Woodside Associates project incorrectly. The PILOT agreement for this project requires PILOTs for 2014 and after to increase by the increase in the project's property taxes, but caps this increase for 2014 at 5 percent. However, the IDA only used the City's taxes to determine the increase, rather than the combined City, county and school district taxes. As a result, the IDA failed to bill and collect \$1,440 in PILOTs owed by this project for 2014.

**The IDA does not verify that the correct amount of PILOTs are paid.** As indicated, the PILOT for 2013 for the 400 Main project should have been \$34,048 but the IDA incorrectly billed the project owner \$35,807. However, the project owner actually paid \$35,822, which is \$15 more than billed. For 2014, the PILOT should have been \$34,771 but the IDA billed the project owner \$34,747. The project owner actually paid

\$34,057 for 2014, which is \$690 less than billed. In neither instance did the IDA contact the project owner or attempt to determine why the amounts paid differed from the amounts billed. While IDA board members indicated that the former Commissioner of Finance was responsible for the 2013 and 2014 PILOT billings, the board members took no steps to ensure that the amounts that were billed and collected were accurate and in compliance with the terms of the IDA's PILOT agreements. IDA officials indicated that they would work with the project owner to agree on the correct value of project revenue for a given year and recover the remaining amount of the PILOT from the project.

**The IDA does not properly allocate the PILOTs received to taxing jurisdictions.** According to PILOT agreements, PILOTs are to be distributed to the taxing jurisdictions in accordance with each jurisdiction's percentage of the total taxes. However, the IDA overstated the City's percentage of total taxes in allocating PILOT payments among the taxing jurisdictions because it incorrectly included library district taxes as part of the city's property tax amount. As a result, the IDA gives the City of Poughkeepsie more than its share of PILOTs, while shortchanging Dutchess County and the Poughkeepsie School District. We found that for 2013 and 2014, the IDA provided the City of Poughkeepsie \$34,438 more than it should have in PILOTs, and underpaid a total of \$5,802 to the county and a total of \$28,636 to the school district. IDA officials indicated that they will work to correct the errors we identified.

Section 874(3) of General Municipal Law requires industrial development agencies to remit any PILOTs received to the affected taxing jurisdiction within 30 days of receipt. For 2013, the IDA received \$669,367 of PILOTs from the five projects. However the IDA distributed only \$669,352 of this amount to the taxing jurisdictions, and kept the remaining \$15. IDA officials indicated that they will apply this \$15 to future PILOTs owed.

**The IDA does not report PILOT information accurately.** As indicated, for the 400 Main project the calculated the amount of the PILOT owed as \$35,807. However, the IDA reported that a PILOT of \$35,840 was due for this project in 2013, a difference of \$1,792. And, although the project owner paid \$35,822, the IDA reported that \$35,840 was paid.

**The IDA does not monitor project results.** The IDA has not established a process to annually obtain job data from project owners to enable it to evaluate the success of the projects. The IDA only had employment data for two of the projects for 2013 (Eastman and Bixby; Marshall and Sterling). The individual responsible for obtaining this data told us that if project owners did not provide employment information, the IDA will instead report the same data from prior years. In addition, when project owners do provide employment data, the IDA takes no steps to verify the employment figures that are reported by project owners.

**The IDA did not report employment information accurately in PARIS.** As previously indicated, the IDA did not have project applications for two of the five active

projects (Marshall and Sterling; Poughkeepsie Landing). For the remaining projects, we found that the data reported by the IDA was inaccurate. The IDA reported that employment data was not available for these projects, but we found documentation in the IDA's records that indicated that the three projects proposed creating and retaining a total of 93.5 jobs. By failing to report this information, the IDA is avoiding public accountability of its effectiveness, and overstates the results obtained by these projects due to the financial assistance provided by the IDA.

### **Conclusion:**

The IDA board is responsible for ensuring that all statutory reporting is accurate, timely and complete. As part of the PARIS annual report submission, the IDA certifies that the data has been discussed with and approved by the board of directors prior to being submitted. However, the IDA board clearly does not review or monitor the data that is reported in PARIS, and fails to provide adequate accountability over its operations. The board relies on City employees or contracted individual to obtain and report data on active projects, but has not established effective procedures to ensure that the data is obtained and does not verify that the work done by these individuals is accurate.

The IDA has either failed to publicly report information on its active projects, or reported inaccurate data. The IDA's board members need to recognize that they have a fiduciary duty to not only ensure that the IDA's operations are effectively managed, but also to ensure that the IDA is accountable to the public. This includes establishing adequate procedures to ensure that projects are monitored and meeting job creation goals, project benefits such as property tax exemptions are reported accurately, and PILOTs are calculated correctly and distributed to the appropriate taxing jurisdictions in accordance with the General Municipal Law and PILOT agreements.