
Authorities Budget Office
Review of Accuracy of IDA Projects Reported
Troy Industrial Development Authority
June 17, 2015



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 selected a sample of ten IDA projects reported by the Troy Industrial Development Authority (IDA) in its 2014 PARIS annual report and reviewed project data 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 Troy Industrial Development Authority (IDA) was created in 1967 under Section 1952 of Public Authorities Law. The IDA's mission is to advance the job opportunities, health, general prosperity and economic welfare of the City of Troy. The IDA assists in promoting, developing, encouraging and assisting in the acquisition, construction, reconstruction, improvement, maintenance, equipping and furnishing industrial, manufacturing, warehousing, and commercial facilities.

The IDA is governed by a nine member board of directors. Board members are appointed by the City's Common Council for three year terms. The board includes two members from the Common Council and one member each from the two school districts in the City. The IDA has no employees but has an agreement with the City of Troy for staffing services and to use City facilities. In 2014, the IDA paid the City \$80,000 for these services. The City's Commissioner of Planning and Economic Development serves as the Chief Executive Officer for the IDA. His responsibilities include marketing the IDA's services, assisting businesses owners with submitting applications, and presenting applications to the IDA board. Four other employees of the Planning Department perform work for the IDA such as procurement, assisting projects with site reviews and administrative functions. The City's Comptroller serves as the Chief Financial Officer for the IDA and is responsible for payment in lieu of taxes (PILOT) billing and PARIS reporting. Two other employees in the City Comptroller's office maintain the IDA's financial records. The agreement stipulates

that certain City employees are to serve as staff of the IDA but does not specify their individual responsibilities.

For 2014, the IDA reported 19 active projects that received financial assistance. The IDA reported that these projects were estimated to create and retain a total of 1,987 jobs, and that a total of 765.5 jobs were created and retained as of December 2014. The IDA reported that 17 of these projects made PILOT payments totaling \$937,082. We reviewed 10 of these projects to evaluate whether the data reported was accurate.

Review Results

Our review found that much of the data statutorily required to be reported by the IDA related to projects it has provided financial assistance to is not accurate or supported by source data. We believe that this is because the IDA board has not provided adequate oversight and guidance to its staff regarding the data that should be collected and reported, and that board members do not understand their responsibility for ensuring that IDA data is accurately reported and disclosed to the public.

The IDA generally reported project costs and payment in lieu of taxes (PILOTs) data accurately. The ten projects had total project costs of \$97,238,772 which were accurately reported in PARIS by the IDA. The project application for one project (Troy LDC - Main Street) did not identify the project costs, and the IDA reported \$0 as the project costs.

All ten projects reviewed had PILOT agreements which generated \$407,447 for taxing jurisdictions in 2014. The IDA generally reported PILOTs due and PILOTs paid accurately. While the PILOTs reported as due for two projects (City Station West, LLC and Dinosaur Restaurants LLC) differed from the amounts stipulated in the PILOT agreements, the differences were not significant (less than \$10 each.)

The IDA board has not established an adequate process to verify employment numbers provided by project owners. The IDA did not accurately report employment information for seven of the ten projects. The IDA requires project owners to report the number of jobs that exist at the end of each year. However, the IDA does not request or review any records to verify that the number of jobs reported is accurate.

For seven projects, the employment information reported in PARIS was different than the employment data provided by the project owners. For example, the application for the City Station East project indicated that 18 jobs existed at the time the project was approved by the IDA, and that 26 jobs were expected to be created in addition to retaining the 18 jobs. However, the IDA reported that no jobs existed, and that only 9 jobs were expected to be created. The application for the Columbia Chasan project indicated that 48 jobs existed at the time the project was approved by the IDA, and that 20 jobs were expected to be created in addition to retaining the 48 jobs. However, the IDA reported that no jobs existed, and that no jobs were expected to be created. This inaccurate reporting results in overstating the results obtained by the projects. In

addition, the Troy LDC project owner did not report the number of jobs for 2014, yet the IDA reported that five jobs existed. IDA officials told us that the job numbers for 2014 were only provided verbally for this project.

Project	PARIS Fields	Reported by IDA	Source Documents	Difference
City Station East	FTEs before IDA Status	0	18	(18)
	Jobs to be Created	9	26	(17)
	Jobs to be Retained	0	18	(18)
	Current Jobs in 2014	9	13	(4)
City Station South	FTEs before IDA Status	0	0	0
	Jobs to be Created	5	1	4
	Jobs to be Retained	0	0	0
	Current Jobs in 2014	1	1	0
City Station West, LLC	FTEs before IDA Status	0	0	0
	Jobs to be Created	44	44	0
	Jobs to be Retained	0	0	0
	Current Jobs in 2014	10	19	(9)
Columbia Chasan MT LLC	FTEs before IDA Status	0	48	(48)
	Jobs to be Created	0	20	(20)
	Jobs to be Retained	0	48	(48)
	Current Jobs in 2014	62	62	0
Dinosaur Restaurants LLC	FTEs before IDA Status	0	0	0
	Jobs to be Created	80	80	0
	Jobs to be Retained	0	0	0
	Current Jobs in 2014	88	88	0
Hoosick Hospitality, LLC	FTEs before IDA Status	0	0	0
	Jobs to be Created	65	65	0
	Jobs to be Retained	0	0	0
	Current Jobs in 2014	73	73	0
Monument Square	FTEs before IDA Status	3	2	1
	Jobs to be Created	0	1	(1)
	Jobs to be Retained	3	2	1
	Current Jobs in 2014	3	3	0
O'Neil	FTEs before IDA Status	3	3	0
	Jobs to be Created	3	0	3
	Jobs to be Retained	3	3	0
	Current Jobs in 2014	6	6	0
Troy LDC Main Street	FTEs before IDA Status	0	Blank*	0
	Jobs to be Created	0	Blank*	0
	Jobs to be Retained	0	Blank*	0
	Current Jobs in 2014	5	N/A	N/A
Uncle Sam Garages, LLC	FTEs before IDA Status	2	2	0
	Jobs to be Created	1	1	0
	Jobs to be Retained	0	2	(2)
	Current Jobs in 2014	2.5	2.5	0

* The project owner did not enter employment information in the project application.

The IDA did not report \$365,502 in property tax exemptions in PARIS. The ten IDA projects received a total of \$1,706,678 in property tax exemptions in 2014, however the IDA reported total property tax exemptions of only \$1,341,175 for these projects. This is primarily due to the IDA using an incorrect rate to calculate the value of school district property tax exemptions. In addition, the IDA incorrectly reported no property tax exemptions for one project (Uncle Sam Garages, LLC) even though property tax exemptions of \$375,967 were received in 2014.

Project	PARIS Fields	Reported in PARIS	Supporting Documentation	Difference
City Station East	Total Property Tax Exemptions	\$16,755	\$16,615	\$140
City Station South	Total Property Tax Exemptions	\$160,536	\$159,197	\$1,339
City Station West, LLC	Total Property Tax Exemptions	\$286,003	\$283,618	\$2,386
Columbia Chasan MT LLC	Total Property Tax Exemptions	\$112,999	\$112,056	\$943
Dinosaur Restaurants LLC	Total Property Tax Exemptions	\$89,620	\$88,872	\$748
Hoosick Hospitality, LLC	Total Property Tax Exemptions	\$329,254	\$326,508	\$2,746
Monument Square	Total Property Tax Exemptions	\$144,950	\$143,741	\$1,209
O'Neil	Total Property Tax Exemptions	\$157,808	\$156,492	\$1,316
Troy LDC Main Street	Total Property Tax Exemptions	\$43,251	\$43,612	(\$361)
Uncle Sam Garages, LLC	Total Property Tax Exemptions	\$0	\$375,967	(\$375,967)

The IDA does not report projects in PARIS timely, and as a result failed to report \$365,593 of mortgage recording tax exemptions received by projects. Projects are considered active and should be reported in PARIS when financial assistance is received by the project. Financial assistance provided by the IDA consists of the proceeds of bond issuances, and exemptions from sales, mortgage recording and property taxes. Nine of the ten projects were authorized by the board to receive mortgage recording tax exemptions, however these exemptions were received by the project owners prior to 2014.

Five projects received a total of \$217,162 in mortgage recording tax exemptions between 2008 and 2013. However, the IDA never reported mortgage recording tax exemptions for these projects, because the Comptroller does not report projects in PARIS until the first year a PILOT payment is due. For these projects the mortgage recording tax exemptions were claimed before the PILOT payments were due. As a result, the IDA does not report the financial assistance that a project receives prior to the effective date of the PILOT agreement. For example, Hoosick Hospitality, LLC received \$12,500 in mortgage recording tax exemptions in 2008. The IDA did not report this project in PARIS until 2010, when the PILOT agreement took effect, and therefore never reported the mortgage recording tax exemptions received by the project. We also identified seven other projects that the IDA authorized for sales tax

or mortgage recording tax exemptions in 2014 but were not reported by the IDA because project PILOT agreements were not yet in effect.

The IDA also reported that two projects received a total of \$249,940 in mortgage recording tax exemptions in 2014 although neither project received this assistance in 2014. One project (City Station East) received \$153,500 in mortgage recording tax exemptions in 2013, but the IDA reported it as receiving \$130,000 in mortgage recording tax exemptions in 2014. Another project (Monument Square) received \$177,870 in mortgage recording tax exemptions in 2012, but the IDA reported it as receiving \$119,940 in mortgage recording tax exemptions in 2014. The IDA also reported the wrong amount of mortgage recording tax exemptions for two other projects prior to 2014. The incorrect amount was reported for these projects because the IDA reported the amount of the mortgage recording tax exemptions requested by project owners in the applications, rather than the actual amount of mortgage recording tax exemptions received by the projects.

The IDA board has not established an adequate process to monitor the sales tax exemptions claimed by a project. As a result the IDA reported inaccurate sales tax exemptions in PARIS for eight of the nine projects authorized by the IDA board to receive sales tax exemptions. When the board approves sales tax exemptions for a project, the IDA must file form ST-60 with the Department of Taxation and Finance. The ST-60 designates the project as an eligible recipient of the IDA sales tax exemptions during a stipulated time period. Thereafter project owners are required to annually report the actual sales tax exemptions claimed to the Department of Taxation and Finance on form ST-340 and provide a copy of the ST-340 to the IDA. We found that the IDA does not request project owners to provide copies of ST-340s, but does retain the form if the project owners do submit them. The IDA did not have copies of the ST-340 for any of three projects that were approved for sales tax exemptions for 2014.

Although the IDA did not have copies of the ST-340 for any of the three projects that were approved for sales tax exemptions in 2014, it reported that the O'Neil project received \$0 in sales tax exemptions, that the Monument Square project received \$275,500 in sales tax exemptions and that the City Station East project received \$270,000 in sales tax exemptions. Despite not having information regarding the actual amount of sales tax exemptions claimed, the City Comptroller explained that the amounts he reported for the Monument Square and City Station East projects were the amounts requested by the project owners in the project applications. As a result of our review, the IDA contacted the project owners and obtained the ST-340s for the Monument Square project. The Monument Square project owner reports that \$18,160 was actually claimed in sales tax exemptions for the project during 2014.

The IDA's CEO indicated that the IDA will actively monitor projects receiving sales tax exemptions in the future and will inform projects that a company's failure to not provide ST-340s timely to the IDA could result in the IDA recapturing sales tax exemption

benefits received by the project. However, this proposed remedial action has not been formalized by the IDA board.

Other Issues

The IDA used its own funds to provide a loan to a business which is an inappropriate use of IDA funds. In June 2011 the IDA board approved a \$200,000 loan for working capital to a local business (Integrated Book Technology, Inc.) using IDA funds. However the IDA's enabling legislation does not stipulate that is able to grant loans, and the New York State Attorney General has opined (Formal Opinion No. 2014-F1) that an IDA does not have the statutory power to provide grants or loans from its own funds to public or private interests. As such, it is inappropriate for the IDA to use its funds to provide a loan to a business. The IDA has not received any payments on the loan from the business since July 2014 and \$158,306 is currently owed. The IDA's CEO indicated that the IDA has been trying to recover funds from the business, however, no funds have been recovered as of June 2015.

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 board is to discuss and approve the information being submitted. However, the IDA board does not review or monitor the data that is reported in PARIS, and fails to provide adequate accountability over its operations. The IDA relies on City employees to obtain and report data on active projects, but has not established effective procedures to ensure that the data is obtained and reported accurately. While utilizing municipal employees may be an effective cost saving device, the IDA needs to ensure that adequate accountability does not suffer.

The IDA generally reports project costs and PILOT information accurately, but does not verify employment data provided by project owners and does not accurately report the data that is provided. The IDA also fails to accurately report property tax exemptions that are provided to projects, and fails to publicly report all financial assistance such as sales and mortgage recording tax exemptions that it provides. The IDA should verify the amount of sales tax exemptions claimed by a project by obtaining ST-340 forms from project owners and also verify the job numbers being reported by project owners.

The IDA has also provided a loan to a private business, although the IDA does not have the statutory authority to provide loans with its own funds.