
Authorities Budget Office
Review of Activities and Expenditures
Columbia Economic Development Corporation
October 23, 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.

The ABO has defined LDCs “affiliated with, sponsored by, or created by” these municipalities as local authorities and subject to the governance, accountability and transparency provisions of the Public Authorities Law. 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 review 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 Columbia Economic Development Corporation (CEDC) are consistent with and advance the public purpose for which it was formed.

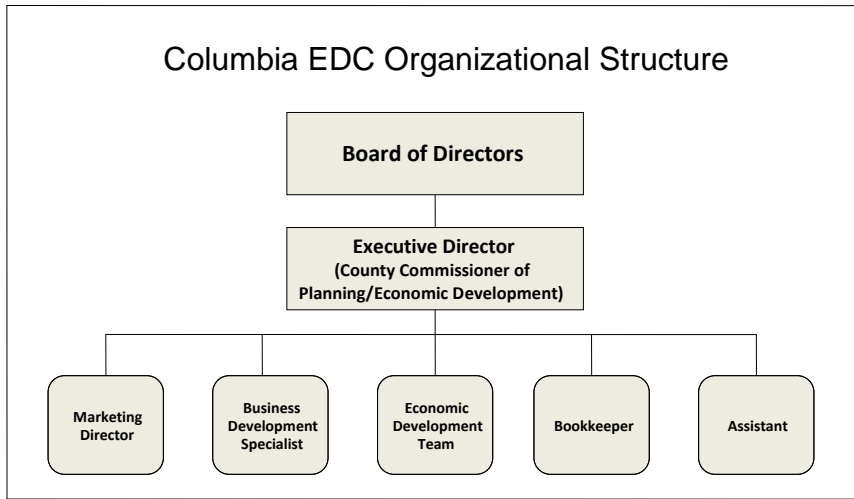
Mission of the Columbia Economic Development Corporation

The Columbia Economic Development Corporation (CEDC) was originally formed in 1964 as the Industrial Development, Columbia County, Inc. It was reincorporated in 1992 as a local development corporation under section 1411 of Not for Profit Law, and renamed in 1993. CEDC was created to encourage the growth of industrial and manufacturing facilities, create and improve job opportunities and reduce unemployment in the county. CEDC carries out this mission by providing low interest loans for business start ups and expansions, providing small business training programs, and assisting businesses with site location and zoning issues. CEDC also promotes Columbia County through marketing activities and business outreach to attract young entrepreneurs from the New York City area.

CEDC Corporate Governance Structure

CEDC is governed by a 24 member board of directors, three of which are ex-officio members (the Chair of the County Board of Supervisors, the Chair of the Columbia County IDA, and the President of Columbia-Greene Community College). Two directors may be appointed by the Chair of the County Board of Supervisors. The remaining directors are elected by the board and serve for three year terms. There are currently three vacancies on the Board. Many of the current board members own businesses in the County. All directors must be members of the CEDC. According to its bylaws, any individual may apply to become a member subject to approval by the board of directors. Membership is not restricted to county residents.

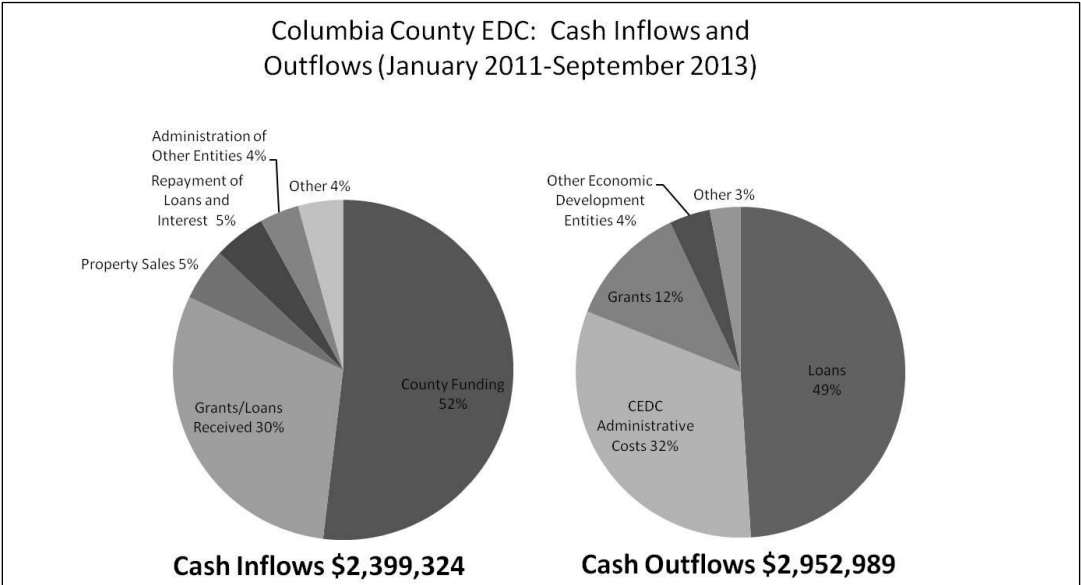
CEDC currently has seven employees, six full-time and one part-time. CEDC is managed by an Executive Director, who is the County Commissioner for Planning/Economic Development. The Executive Director also manages the Columbia Capital Resource Corporation (CRC) and the Columbia County Industrial Development Agency (IDA). In addition to its marketing, business development, and economic development responsibilities, CEDC staff also provide administrative support to the CRC and IDA. For the period January 2011 through September 2013, total staff salaries and benefits were \$692,165.



CEDC Revenues and Expenses

From January 2011 through September 2013, CEDC’s total inflows were almost \$2.4 million, primarily from funding received from Columbia County and funds received to capitalize the various grant and loan programs. Revenue was also realized from the sale of property, repayment of principal and interest on loans, and fees for administering the IDA and CRC. Membership fees were slightly more than one percent of total inflows.

Total outlays over this period were more than \$2.9 million. This includes \$1.4 million in business loans, \$962,000 in administrative costs, and \$358,000 in grants for business expansion and storm damage recovery. CEDC also contributes to other entities involved in economic development, training programs for small business entrepreneurs and various marketing activities.



CEDC Mission Driven Activities

CEDC's major activity consists of providing business loans that were originally capitalized by federal and state funds. For the period of January 2011 through September 2013, CEDC dispersed more than \$300,000 for five grants and almost \$1.4 million for 37 loans. CEDC administers four different loan programs: the revolving loan program, the micro business loan program, small cities loan program, and the F499 loan program. The revolving loan and small cities loan programs were capitalized with federal Community Development Block Grants (CDBG). The micro business loan provides loans up to \$50,000, through the Small Business Administration (SBA) to start up and/or expand small businesses. These funds can be used for working capital, inventory, supplies, furniture, fixtures, machinery and equipment. The F499 loan program was initially funded from a New York State appropriation, and provides funds for equipment and working capital.

From January 2011 through September 2013, CEDC received over \$722,000 in loan repayments and interest. As of September 2013, CEDC had 48 active loans with an original value of over \$2.4 million. Over half of the loans, with an original value of \$445,000, were through the micro business loan program. Loan approval is not conditioned on the creation of new jobs. Of the remaining 23 loans with an original value of \$2 million, only four were made with the expectation that the recipients would create jobs (with a total of 69 job commitments) – or one job created for every \$29,558 in loan value.

CEDC also provided five grants totaling \$357,000 between January 2011 and September 2013. One of these grants was to assist a major employer in the county significantly expand its operations. The remaining grants were for emergency assistance to farms recovering from major storm damage that occurred in 2012.

Under the Micro Business Loan Program, CEDC provides technical assistance to loan recipients, either using CEDC staff or by matching the business with a successful business owner or executive. The program provides loan recipients with guidance and training in operating a business. CEDC does not charge the borrowers for these services, but pays the professionals from the Micro Business Loan Program administrative allowance. For the period January 2011 through September 2013, CEDC spent over \$25,000 on these technical assistance services.

CEDC also markets the County's industrial park, and assists businesses that purchase parcels in the park to obtain site plan and other necessary approvals. When parcels are sold, CEDC retains a portion of the payments for its administrative costs, in accordance with its agreement with the County.

Other CEDC Activities

From January 2011 through September 2013, CEDC spent over \$127,000 on payments for support of, or membership in, other entities involved in economic

development in the area. Of this, over \$110,000 was paid to the Hudson Valley Agribusiness Development Corporation (HVADC). HVADC is comprised of seven counties in the Hudson Valley region of the state, and focuses on farming and agricultural industries in the region. CEDC provides financial assistance to HVADC as part of its coordination of efforts toward the furtherance of agribusiness development. CEDC also paid over \$12,000 during the period to the Columbia County Chamber of Commerce to help sponsor business events and support programs offered by the Chamber of Commerce. While these entities may have a mission or purpose that is similar to or complements CEDC, it is not part of CEDC's mission to support these other entities.

Conclusion

CEDC was created to promote the growth of industry and jobs in Columbia County. It appears, based on the expenditures reviewed for this report that approximately 61 percent of CEDC activity is related to this public purpose, in the form of grants and loans provided to businesses in the County for start up or expansion. However, CEDC also spends its resources on activities that do not directly contribute to CEDC's mission, such as contributions to other entities involved in economic development in the area. The CEDC board should ensure that these public funds are spent properly and only to advance the core mission and purposes of the CEDC.