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**Authorities Budget Office**  
**Review of Accuracy of IDA Projects Reported**  
**Glens Falls Industrial Development Agency**  
**May 29, 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 (IDAs) 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 information reported by the Glens Falls Industrial Development Agency (IDA) in its 2014 PARIS annual report to evaluate whether information reported was accurate and verified by supporting documentation. We also interviewed IDA officials to obtain information on procedures followed and reviewed project documents and records. The results and recommendations of our review were discussed with the IDA Board Chair and IDA officials.

**Background**

The Glens Falls Industrial Development Agency (IDA) was created in 1976 under Section 923-b of General Municipal Law. The IDA's mission is to advance the job opportunities, health, general prosperity and economic welfare of the City of Glens Falls. The IDA assists in promoting, developing, encouraging and assisting in the acquisition, construction, reconstruction, improvement, maintenance, equipping and furnishing of industrial, manufacturing, warehousing, and commercial facilities.

The IDA is governed by a seven member board of directors with one vacant seat. Board members are appointed by the Common Council of the City of Glens Falls and continue to serve until their successors are appointed. In 2014, the City's Director of Community Development served as the Chief Executive Officer of the IDA. His responsibilities included marketing the IDA's services, assisting businesses owners with submitting applications, and presenting applications to the IDA board. A second employee of the City's Community Development Department also performed additional work for the IDA. The IDA did not pay the City for the services of these individuals. The IDA also contracted with a part-time staff for bookkeeping services and a certified public accountant to prepare quarterly financial statements of the IDA for board meetings and prepare PARIS reports. In 2014, the IDA paid a total of \$6,176 for these services. In December 2014, the IDA board approved a service agreement commencing in 2015 with EDC Warren County at an annual cost of \$7,500 to provide those services previously provided by City employees.

For 2014, the IDA reported ten projects that received IDA financial assistance. The IDA reported that no projects received property tax exemptions although eight projects had payment in lieu of taxes (PILOT) agreements generating \$253,101 for the taxing jurisdictions. The IDA reported that the ten projects were expected to create and retain a total of 79 jobs, and that the projects created and retained a total of 2,304 jobs through December 2014. Although City employees and contracted staff provided services to the IDA, the IDA reported that it had no staff.

## **Review Results**

**The IDA board has not provided adequate oversight to the staff that perform the work for the IDA.** We found that the IDA board relies on the individuals it contracts with to perform services, without adequately ensuring that the individuals understand and perform those functions. Many of the errors and inaccuracies we found with the PARIS reports submitted by the IDA appear to be caused by a lack of understanding regarding what should be reported.

We found that the IDA is continuing to report one project as active even though financial assistance to the project ended in 2008. The Mill Street Condominiums project was approved by the board in 2008 with a lease agreement set to end in June 2010. The IDA reported that the project received sales tax exemptions in 2008 and was expected to create no jobs. The IDA terminated the lease agreement in February 2010 and should have marked the project as complete in 2010. However the IDA continued to report this as an active project through 2014, reporting no exemptions or jobs for 2009 through 2013. However, the IDA reported that the project had five jobs for 2014 even though it had not received any information to support this. Since this project was incorrectly reported as active for 2014, we have excluded it from our analysis.

**The IDA fails to report the value of property tax exemptions.** The IDA generally assumes title to the real property initially owned by the businesses involved in approved projects, thereby allowing the IDA to provide tax exemption benefits. The total benefit of property tax exemptions provided to the eight PILOT projects amounted to \$567,006 in 2014, yet the IDA reported property tax exemptions of \$0 for each of the projects. This significantly misrepresents the amount of real property tax exemptions provided by the IDA. The contracted accountant indicated that property tax exemptions were not reported because he was not aware that it should be reported, but instead simply reported \$0 property tax exemptions. In addition, it appears that the board did not review the data that was reported, although the report submitted by the IDA indicates that the information was approved by the board.

**The IDA accurately reports the amount of PILOTs owed, but generally incorrectly reports the amount of PILOTs paid.** The IDA is required to report the actual PILOT payment made by the project during the reporting year. The eight projects with PILOT agreements paid a total of \$260,393 in 2014. However, the IDA reported incorrect amounts paid for five of the eight projects. Four of these projects

failed to pay a total of \$44,033 in PILOTs to school districts when due in 2014, but instead did not pay the amount owed until 2015, an average of 183 days late. However, the IDA inaccurately reported them as being paid in 2014. The fifth project (Empire Theater) paid \$51,326 in PILOT payments in 2014, but the IDA reported that \$0 was paid. The contracted accountant stated that he did not receive a copy of the PILOT bill and receipt from the City, so reported that nothing was owed or paid. The net result of these errors was that the IDA underreported the value of PILOTs paid in 2014 by \$7,292.

Project	PARIS Fields	Reported in PARIS	Supporting Documentation	Difference
21 Bay Street Properties, LLC	Total Property Tax Exemptions	\$0	\$65,223	-\$65,223
	Total PILOTs Due	\$25,615	\$25,615	\$0
	Total PILOTs Paid	\$25,615	\$25,615	\$0
221 Glen Street Realty Co., LLC	Total Property Tax Exemptions	\$0	\$53,364	-\$53,364
	Total PILOTs Due	\$39,529	\$39,529	\$0
	Total PILOTs Paid	\$39,529	\$17,043	\$22,486
333 Glen Street Associates	Total Property Tax Exemptions	\$0	\$109,321	-\$109,321
	Total PILOTs Due	\$6,838	\$6,838	\$0
	Total PILOTs Paid	\$6,838	\$2,948	\$3,890
65 Ridge Street, LLC	Total Property Tax Exemptions	\$0	\$7,949	-\$7,949
	Total PILOTs Due	\$7,949	\$7,949	\$0
	Total PILOTs Paid	\$7,949	\$0	\$7,949
Empire Theater	Total Property Tax Exemptions	\$0	\$52,178	-\$52,178
	Total PILOTs Due	\$0	\$51,326	-\$51,326
	Total PILOTs Paid	\$0	\$51,326	-\$51,326
Foothills Motor Car Corporation	Total Property Tax Exemptions	\$0	\$15,812	-\$15,812
	Total PILOTs Due	\$13,549	\$13,549	\$0
	Total PILOTs Paid	\$13,549	\$13,549	\$0
Pruyn Pavilion	Total Property Tax Exemptions	\$0	\$142,554	-\$142,554
	Total PILOTs Due	\$142,553	\$142,553	\$0
	Total PILOTs Paid	\$142,553	\$142,553	\$0
Warren Street Square, LLC	Total Property Tax Exemptions	\$0	\$120,606	-\$120,606
	Total PILOTs Due	\$17,069	\$17,069	\$0
	Total PILOTs Paid	\$17,069	\$7,359	\$9,710
Crandall Public Library	Total Property Tax Exemptions	\$0	\$0	\$0
	Total PILOTs Due	\$0	\$0	\$0
	Total PILOTs Paid	\$0	\$0	\$0

As a result of our review, IDA officials indicated that the IDA will ensure that property tax exemptions are accurately reported for all PILOT projects for future reporting years, and that they will obtain notification from the City Controller's office on the status of PILOT payments if payments are not made when due.

**The IDA reported incorrect sales tax exemptions claimed for one of the three IDA projects that received sales tax exemptions in 2014, and reported mortgage recording taxes in the incorrect year.** The IDA has established an effective procedure to verify the amount of sales tax exemptions claimed by obtaining copies of the Form ST-340 (which is used by project owners to report the actual sales tax exemptions claimed to the Department of Taxation and Finance). However, for one project (65 Ridge Street), the project owner submitted a blank ST-340 to the IDA. Rather than require the project owner to submit a completed form, the contracted accountant reported that the project received \$315.16 in sales tax exemptions in 2014, based on verbal statements from the project owner.

For one project, (221 Glen Street) the IDA reported mortgage recording tax exemptions for the incorrect year. This project obtained a mortgage of over \$2 million in January 2013, therefore receiving \$275,725 in mortgage recording tax exemptions in 2013. However, the IDA did not report this project in 2013, but reported it as a new project in 2014, and reported \$25,725 as the mortgage recording tax exemption. This error was not detected by the board.

**The IDA board has not established an adequate process to verify employment numbers provided by project owners.** The IDA does not require project owners to provide records to verify the number of jobs created by the project. As the result, the IDA has little assurance that the number of jobs reported by the project are accurate. While the IDA does not verify the current job information provided by project owners, we found that the IDA accurately reports the job information it receives. Only one project (333 Glen Associates) was reported inaccurately. This project reported five existing jobs for 2014, but the IDA reported it as having only one job.

**The IDA reported inaccurate employment information for almost half of the reported projects.** The IDA was unable to provide us the project application for one project (Pruyn Pavilion) and therefore we cannot verify the project's job creation goal. The IDA reported in PARIS that this project was to create zero jobs, yet the project has reported creating 2,194 jobs in 2014, which is 95 percent of the current jobs for all of the projects reported by the IDA. For another project (Crandall Public Library), the project had 28 full-time and 23 part-time jobs before receiving IDA financial assistance. However, the IDA reported that the project had zero jobs before IDA status and was to retain zero jobs. By underreporting initial job numbers and job creation goals, the success of IDA projects could be overstated.

Another project, (Foothills Motorcar) consisted of an addition to an existing car dealership's service department. However, the project owner did not provide any job information in the project application, and the IDA reported that there were no existing jobs (which appears questionable as the project was for an existing business). The project application indicated that the project was to create "4-5 skilled jobs", yet the IDA reported that the project would create 39 jobs. As a result, although the project appears to have met its job creation goals, the information reported by the IDA indicates that it has failed to meet expectations.

Project	PARIS Fields	Reported in PARIS	Supporting Documentation	Difference
21 Bay Street Properties, LLC	FTEs before IDA Status	0	0	0
	Jobs to be Created	0	0	0
	Jobs to be Retained	0	0	0
	Current Jobs in 2014	3	3	0
221 Glen Street Realty Co., LLC	FTEs before IDA Status	0	3	-3
	Jobs to be Created	3	0	3
	Jobs to be Retained	0	3	-3
	Current Jobs in 2014	1	1	0
333 Glen Street Associates	FTEs before IDA Status	0	0	0
	Jobs to be Created	2	4	-2
	Jobs to be Retained	0	0	0
	Current Jobs in 2014	1	5	-4
65 Ridge Street, LLC	FTEs before IDA Status	0	0	0
	Jobs to be Created	35	35	0
	Jobs to be Retained	0	0	0
	Current Jobs in 2014	0	0	0
Crandall Public Library	FTEs before IDA Status	0	28	-28
	Jobs to be Created	0	1	-1
	Jobs to be Retained	0	28	-28
	Current Jobs in 2014	43.2	43.2	0
Empire Theater	FTEs before IDA Status	0	0	0
	Jobs to be Created	0	0	0
	Jobs to be Retained	0	0	0
	Current Jobs in 2014	28	28	0
Foothills Motor Car Corporation*	FTEs before IDA Status	0	Blank	N/A
	Jobs to be Created	39	5	34
	Jobs to be Retained	0	Blank	N/A
	Current Jobs in 2014	28	28	0
Pruyn Pavilion	FTEs before IDA Status	0	N/A	N/A
	Jobs to be Created	0	N/A	N/A
	Jobs to be Retained	0	N/A	N/A
	Current Jobs in 2014	2194	2194	0
Warren Street Square, LLC*	FTEs before IDA Status	0	Blank	N/A
	Jobs to be Created	0	Blank	N/A
	Jobs to be Retained	0	Blank	N/A
	Current Jobs in 2014	1	1	0

\* The project owner did not enter employment information in the project application for some or all fields.

**The IDA reported project costs that differ from the project costs stated in the project application for six of the nine IDA projects.** IDA officials could generally not explain the reasons for the differences in the amounts reported for project costs. In some instances, project costs are rounded from the amount indicated in the application, while other differences are data entry errors. However, several of the differences are due to the IDA not understanding what should be used as the basis for reporting project costs. For example, the application for the 221 Glen Street Realty project indicates project costs of \$2.42 million. This project should have been reported in 2013, but was not reported until 2014. During 2014 additional information provided to the board indicated that the project was to incur additional costs of \$350,000, which the IDA reported as total project costs.

The project application for the Warren Street Square project indicates total project costs of \$5.5 million. As a result of our review, the IDA provided other documents that show project costs of \$4,779,155. However, the IDA reported project costs of \$4 million for this project.

<b>Project</b>	<b>Reported in PARIS</b>	<b>Supporting Documentation</b>	<b>Difference</b>
21 Bay Street Properties, LLC	\$3,800,000	\$3,800,000	\$0
221 Glen Street Realty Co., LLC	\$350,000	\$2,420,000	-\$2,070,000
333 Glen Street Associates	\$3,000,000	\$3,300,000	-\$300,000
65 Ridge Street, LLC	\$650,000	\$633,000	\$17,000
Crandall Public Library	\$18,000,000	\$18,815,000	-\$815,000
Empire Theater	\$3,000,000	\$3,000,000	\$0
Foothills Motor Car Corporation	\$45,480	\$453,500*	-\$408,020
Pruyn Pavilion	\$9,700,000	\$9,700,000	\$0
Warren Street Square, LLC	\$4,000,000	\$5,500,000	-\$1,500,000
<b>TOTAL</b>	<b>\$42,545,480</b>	<b>\$47,621,500</b>	<b>-5,076,020</b>

\* The application for this project did not provide estimated project costs, but the approving resolution indicates project costs of \$453,500.

### **Conclusion:**

The IDA board of directors 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, it appears that the IDA board does not review project data before submitting its statutorily required reports.

The IDA has established appropriate procedures to ensure that accurate sales tax exemption data is obtained from project owners. However, the IDA did not report accurate information in PARIS for property tax exemptions, PILOTs received, employment information and project costs. The board would have better assurance that the information it is reporting is accurate if the board established and followed

procedures to require that the data reported in PARIS is supported by source documents. This includes implementing appropriate procedures to verify the employment data reported by project owners.

The IDA should also ensure that PILOT payments received during a given reporting year are accurately reported for that period. The IDA should also ensure that projects are appropriately reported for the period that financial assistance is received.

The results and recommendations of this review were shared with and agreed to by the IDA board Chair and IDA officials.