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Local Development Corporations in the Rochester Area Play Significant but Often Hidden Role in Public Ventures
Report Urges State Action to Ensure More Public Scrutiny

*Rochester, NY—December 5, 2007—*Local development corporations play a key role in public projects – ranging from major construction ventures to the development of a high-speed telecommunications network – yet they are virtually unknown to the public, the Center for Governmental Research (CGR) found in a recent study.

CGR today released what is believed to be the first study in a New York region that explores the number, type and characteristics of local development corporations. The study was supported by the Beatrice Bibby Fund at CGR in partnership with the League of Women Voters of the Rochester Metropolitan Area.

Local development corporations (LDCs) are private, not-for-profit corporations that are created by local governments for a public purpose, but are not subject to the same public oversight or regulations as the county, city, town or village governments that created them. The report, “Local Development Corporations, Risks & Benefits – Case Studies in the Rochester Area,” identifies at least 16 LDCs in the region, with total assets ranging from \$3,800 to \$34 million. The report (see www.cgr.org) provides brief case studies on 11 of them.

The 16 LDCs identified by CGR

Of the LDCs identified, 12 were created by governments within Monroe County. The governments that created LDCs in the region, the number created, and the years they were started are:

- Monroe County: 6 formed from 2002 through 2004
- City of Rochester: 1 started in 1983
- Town of Greece: 2 created in 1996 and 2001
- Town of Penfield: 1 founded in 2004
- Village of Brockport: 1 started in 2002
- Village of Hilton: 1 started in 2000
- Ontario County: 3 founded in 1994, 2004 and 2005
- Genesee County: 1 created in 2004

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Report urges action to ensure more public scrutiny

“The difficulty finding information on LDCs, despite the important role they play in our communities, leads us to recommend that they become subject to far more public scrutiny than exists today,” said CGR President Kent Gardner, Ph.D. “We urge State Comptroller Thomas DiNapoli to use the resources of his office to continue the work we have begun. Our report raises issues with statewide implications.”

“LDCs often assume important tasks on the public’s behalf, but the powers that help them accomplish significant goals also leave open the potential for abuse,” said Gardner, who co-directed the study. “These entities oversee projects of immense importance to communities and involve substantial public resources. The sun needs to shine more brightly on their operations.”

Why it is difficult for the public to learn about LDCs

CGR, which is confident it has identified all large, active LDCs in the region, found persistence was critical in order to try to learn about them. CGR set out to identify LDCs created by governments in Monroe County and by the five neighboring county governments – Wayne, Ontario, Livingston, Genesee and Orleans – “but found the task to be difficult,” said Gardner.

Senior Research Associate Erika Rosenberg, study co-director, said, “For anyone wishing to learn more about a particular LDC, the path is not clear. There is often no office to visit, Yellow Page listing to call, or website to search. CGR could find no statewide or local list of LDCs, the State Comptroller’s Office has apparently never issued a report on them, and the State Attorney General’s office has devoted no special consideration to tracking their work.” CGR found that LDCs are not universally covered by the state’s Open Meetings and Freedom of Information laws; some believe that they are not required to follow these laws or release financial reports. Yet as LDCs can acquire public property without appraisal and may award contracts without bidding, their impact on local communities can be very large.

CGR found the scale and impact of LDCs varied greatly. The Main and Clinton Local Development Corporation was created to oversee the development of Renaissance Square, which if built will be the largest construction project in the history of Rochester. Monroe Newpower Local Development Corporation holds a long-term contract to sell power to Monroe County and Monroe Community College and has assets of nearly \$34 million. At the other end of the scale is an LDC with few assets that was established to enhance the Town of Penfield’s economic climate.

In order to locate LDCs in the region, CGR wrote to all governments in Monroe County and the five neighboring county governments; interviewed key officials; contacted state and local sources; conducted database searches; and examined, where available, certificates of incorporation, financial statements, tax Form 990s and websites.

The risks and benefits of LDCs

CGR found Rochester area governments have successfully used LDCs to enhance their role in charting the future of their communities; get involved in economic development efforts that benefit residents; influence how land is developed; promote tourism; and generate revenue through creative financial structures. Some have also gotten assets off their books while maintaining control over what happens to them, “which may or may not be a positive, depending on one’s perspective,” said Gardner.

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However, since LDCs may operate almost entirely outside the view of the public, the potential for abuse” is not insignificant,” said the study co-directors. “Bottom line, LDCs are shielded from the kind of public scrutiny that the governments that created them face every day. While they can improve the efficiency of worthy activities, LDCs also can be used to award insider contracts and have the power to stray from policy into politics.”

CGR Recommendations

In addition to urging follow-up study by the State Comptroller, CGR recommends the New York Legislature pass legislation requiring routine disclosure of information, compliance with open meetings and open records law, payment of fair market value for property, and solicitation of bids for work to be done; and also clarify that New York’s Public Authorities Accountability Act applies to LDCs.

Note: For interviews, contact Gardner or Rosenberg directly.

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