

WASHINGTON COUNTY
LOCAL DEVELOPMENT CORPORATION
2008 ANNUAL REPORT



www.wcldc.org

383 Broadway
Fort Edward, NY 12828
(518) 746-2292

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Washington County Local Development Corporation

2008 Annual Report

Introduction

Although the year began with a promising amount of activity, external controls forced a stagnation of the County's economy. Conflicts in the Middle East and the sub-prime housing market, along with rising petroleum prices slowed both industrial growth and consumer spending at a national level. As a result, many local businesses decided to make various changes in the short term to survive in the long term. Expansions, construction and new equipment were put on hold, resulting in sporadic activity by year-end. There were some bright spots, particularly at the Airport Industrial Park.

Economic Development Loan Program

There was only one loan closing in 2008 to Adirondack Prepackaged Firewood for \$55,000.

As of 12/31, the portfolio included 18 loans representing \$2.67 million, with an outstanding principal balance of approximately \$1.54 million. All loans were current. It should be noted that six loans were paid in full during 2008, all prior to maturity.

Intermediary Relending Program

During 2008, no IRP loans were closed, however there was one loan that was paid off.

The 2008 portfolio included seven businesses representing \$450,000 in loans, with an outstanding principal balance of approximately \$138,000. All loans were current.

Microenterprise Assistance Program

Two 10-week cycles of classes were completed, with a total of 56 individuals enrolled, including 26 existing businesses. Chris DeBolt, Washington County Planner, stepped in to administer the Fall session because Mark left in August.

During 2008, two loans closed: Milestone Golf Club for \$25,000 and Skenesborough Gardens was approved for \$20,000.

The portfolio, at year end, included five businesses representing \$105,000 in loans, with an outstanding principal balance of approximately \$67,580. One loan was delinquent.

As an indication of the continuing interest in small business development and the success of the MAP, the WCLDC processed over 100 inquiries on the program. Applications were also received prior to year-end for the Spring 2009 cycle. Marketing efforts have included distribution of brochures to Town and Village Clerks, libraries, One-Stop Center, Cooperative Extension, Chambers of Commerce, banks, and past participants.

Loan Programs Overview

The WCLDC closed 3 loans totaling \$100,000 during 2008, accounting for the least amount of loan activity since 1993. As of 12/31, the total portfolio included 33 loans representing over \$4.3 million, with a principal balance of over \$2.6 million. During 2008, seven loans were paid in full, prior to maturity. The strategic importance of having locally controlled revolving loan funds cannot be overstated. The rapid turn-around, coupled with the favorable terms and conditions, provide access to capital in a way that helps Washington County compete with other areas.

A fourth loan program, Community Development Loan Fund was drafted by Mark in June. This program would utilize “unrestricted” funds and allow more flexibility. The minimum loan amount will be \$100,000 for those businesses that don’t qualify for the other programs and was approved by the LDC Board in January 2009.

Business Activity

The WCLDC provided assistance to numerous businesses with information on such issues as tax incentives, financing programs, labor force training, site selection, utility incentives, the Empire Zone Program, permit requirements, and socio-economic data.

Congratulations to G. A. Bove on the purchase of their lot in the Airport Industrial Park. They are a leading distributor of home heating fuels and propane in the north.

Congratulations

The fourth annual Washington County Small Business of the Year Award luncheon was jointly sponsored by the ARCC and the WCLDC. The winners were Well Dunn, Kingswood Golf Course and O’Hearn Pharmacy. The reception was held on 12/4/08 at Rainer’s.

Congratulations to the owners and employees of these fine companies.

Empire Zone

Zone certified businesses continued to invest, but the number of full-time jobs reported at these businesses declined in 2007:

| Year | #Businesses Certified (as of 12/31) | # Full-Time Employees (quarterly average) | \$ Capital Investment (\$millions) |
|------|--|--|--|
| 2003 | 32 | 2,256 | \$29.0 |
| 2004 | 49 | 2,313 | \$24.2 |
| 2005 | 78 | 2,454 | \$18.5 |
| 2006 | 81 | 2,644 | \$22.6 |
| 2007 | 84 | 2,474 | \$21.0 |

In 2008, the WCEZAB and Empire State Development made the following joint certification of businesses as being eligible for zone benefits:

| | | | |
|------|---|----|-------|
| 2008 | 3 | 12 | \$2.0 |
|------|---|----|-------|

Note: The WCEZAB recommended the certification of a fourth business using a “distress” area justification for a new “Route 4 Corridor” start up, but ESD declined to jointly certify this business.

The key points in the discussion of these 2008 results are:

- The decline in the FTEs in 2007 (not reported until the 2007 Business Annual Reports were submitted in July, 2008) was spread across a number of zone businesses. There were no significant business closings or decertifications to account for large segments of this general employment weakness. In October, 2008 the zone coordinator provided each certified business (ie certified for at least two years) with a statement comparing planned new jobs and investment with actual, reported levels and asked for an explanation when the business failed to generate at least 60% of both planned levels. 48 of 72 businesses received letters requesting this explanation. (24 certified businesses met the 60% level.) The replies pointed to a number of business conditions as reasons for not attaining these levels of job creation and investment.
- Hampton Biodiesel Industries received the necessary permits in early 2008 to construct a 50 million gallon/year biodiesel processing facility at the Hampton zone (23 FTEs/\$32.5 million investment as stated in the zone certification application), but put a hold on this project due to its inability to receive the commitments for project financing. HBI continues to lease property at Hampton for this facility, but has not, to date, made a commitment to undertake this project.

- In January, 2008 Empire State Development increased the benefit/cost ratio threshold (necessary to certify new businesses) from \$15:\$1 to \$20:\$1. The impact of this change makes qualifying for certification much more difficult. (Note: The benefit/cost test means that to qualify for certification as an Empire Zone business, the sum of the projected new wages and fringe benefits and investment must be at least 20x the sum of the projected tax benefits for which the new business would be eligible over the first five years of certification. To date, we have calculated 15 of these benefit/cost tests. Only three applications had ratios exceeding \$20:\$1. The zone development plan (at www.wcldc.org) was revised in March, 2008 to require a \$20:\$1 ratio for certification.)
- The zone contract year operates from July 1 through June 30 the following year. Usually, Empire State Development sends the administrative agreement for the new contract year to the LDC by November of the current contract year ie, about four months after the July 1 start of that contract year. To date, ESD has not sent the contract covering the zone operations starting July 1, 2008 and continuing through June 30, 2009 nor provided any administrative funding to help to support zone operations. After repeated requests from the LDC Executive Director, to date, the ESD still hasn't committed to if and when we will have a contract for our Coordinator. The EZAB is meeting in early March of 2009 to implement a plan of action moving forward as the program, as of year end analysis of their budget, just doesn't have the funds to proceed as in the past, after March 31, 2009.

Special Projects

The staff was involved with several new initiatives as well as successful, on-going projects:



Table displayed at 2008 Job Discovery

- The WCLDC and ARCC provided services to the Washington County Business Council.
- The 2008 Washington County Business Show was presented by the ARCC and was once again a great success. Many thanks to the Chamber and all of the exhibitors.
- The master list of all businesses in the County was continually updated throughout the year.
- Job Discovery, the annual job fair, was another huge success with over 2,000 job seekers meeting nearly 70 employers.

Airport Industrial Park

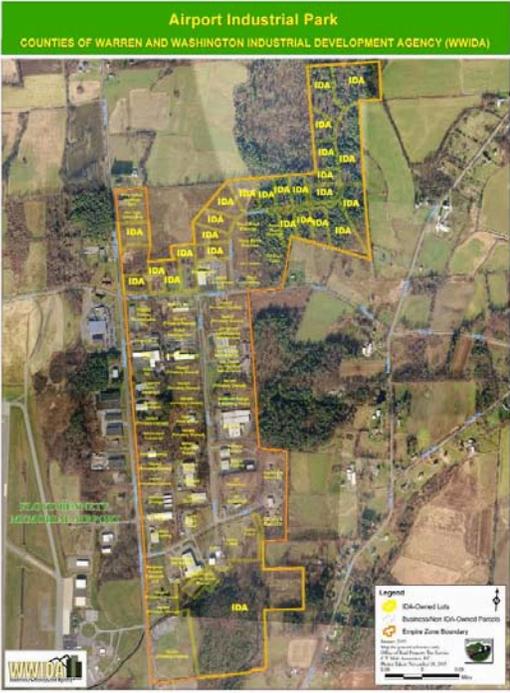
In the fall of 2008, LDC began to work with the Warren/Washington Counties IDA Airport Industrial Park Committee to develop new marketing materials to increase the rate of lot sales and development (job creation) at the park. A new park aerial map has been produced with the assistance of Washington County Real Property Department staff. This map identifies the businesses located at the park and shows the location of vacant parcels available for development. The map will be updated every 6 months based on activity. The IDA is also developing a new Web site incorporating this map and other material. The LDC approved and purchased the link www.airportindustrialpark.org for maximum exposure.

Expanding Your Business????

The Warren-Washington Counties Industrial Development Agency
AIRPORT INDUSTRIAL PARK
 1.7 to 2.7 Acre Lots Available with New, Low-Cost IDA Financing For
 Eligible Projects



- Municipal Water/Sewer
- Natural Gas
- 3-Phase Power
- High-Speed Internet
- Zoned "Industrial"
- Empire Zone Benefits
www.empire.state.ny.us
- WCLDC Financing
- Minutes From I87
- Adjacent to Floyd Bennett Memorial Airport



CONTACT

| | |
|---|---|
| Debbie Mineconzo dmineconzo@warren-washingtonida.com Warren-Washington Counties IDA (518) 792-1312 www.warren-washingtonida.com | Tori J. E. Riley triley@co.washington.ny.us Washington County LDC (518) 746-2292 www.wcldc.org |
|---|---|

The Washington County LDC is an Equal Opportunity Lender, Provider and Employer. Complaints of discrimination should be sent to: USDA, Director, Office of Civil Rights, 1400 Independence Avenue S.W., Washington, DC 20250-9410 or call (800) 795-3272 (Voice) or (202) 720-6382 (TDD).

Marketing flyer for IDA

Grants Administration

The LDC staff prepared two grant applications in 2008 to support economic development projects. The first was an Industrial Access program application (in the amount of \$172,500) under a New York State Department of Transportation program. This grant and loan will help to pay for the cost (\$300,000 estimate) to reconstruct County Rte. 11A, providing improved access for log trucks now and future economic development at the Hampton Empire Zone site. This application was not funded. (Note: Washington County completed this project in late 2008.)

The second application was for a \$ 1 million economic development assistance grant (applied for through the NYS Senate) to continue the upgrading of the Batten Kill Railroad to maintain rail service long term to move animal feed and crop fertilizer economically for the agricultural industry in the county. This grant was secured and will be funded by the Dormitory Authority of the State of New York. The contract between the Dormitory Authority and Washington County is being finalized. The rail upgrade project should be completed in 2009.

Alternative Energy

The Washington County Economic Development Plan (prepared in early 2007 and adopted by the Board of Supervisors in October, 2007) recommended that we begin to “explore biofuels,” ie growing and processing these biofuel feed stocks into various forms of alternative energy. The review of the Hampton Biodiesel Industries project in early 2007 started the effort to begin to assess the local market for growing and processing these fuels and, subsequently, reviewing the entire area of alternative energy development in and around Washington County. We have begun to coordinate this review with the Cornell Cooperative Extension staff of Washington County, the Washington County Farm Bureau and various NYS agencies and other technical experts. In October, 2008 LDC staff organized an Alternative Energy Working Group (comprised of local business representatives and others) to begin to develop action plans for making various alternative energy sources available for use in the county. (The goal is to control energy costs and insure supply.) The initial effort is being focused upon increasing the production of soy beans and processing the soy meal and oil at a new alternative energy facility at the Hampton Empire Zone. Other alternative energy sources to be studied (after oil seed crops, eg soy beans) include grass, wood, geothermal, wind and solar.

Marketing

During 2008, several marketing efforts were completed:

- The WCLDC website was updated continually throughout the year, utilizing a new webmaster.

- The 9th annual “What Do They All Have in Common?” ad was published in the Chronicle’s Washington County Magazine featuring Telescope Casual Furniture, Green Mtn. Soapstone and Sterile Technologies Inc.
- Heather Baker, Real Property Tax Service, created a draft map to help market available lots at the Airport Industrial Park. (see page Airport Industrial Park)

What Do They Have in Common?

Australia **Camp David** **Brazil**

Washington County, New York!

Sterile Technologies, Inc.
 Kingbury, established in 1987, manufactures and manufactures sterilization vessels, and offers installation, facility design, and electrical and structural engineering services. Innovations in their field, Sterile Technologies has provided equipment to sterilize such diverse items as pharmaceuticals, medical devices, cosmetics and food products to numerous Fortune 100 corporations on five continents, including many in Australia.

Telescope Casual Furniture, Inc.
 A family owned and operated company, has been manufacturing furniture for 100 years. Founded in 1921, the Telescope Case Bed & Novelty Company supplied cots and camp stools to the military. The company was purchased by the Washington family in 1925 and moved to Greenville in 1921, adding bench and folding chairs to its product line. In 1953, Telescope redesigned, improved and patented its award-winning Director Chair, perhaps its most famous product. Telescope now manufactures a wide array of indoor and outdoor products that have been chosen by not only several first ladies when redecorating their homes, but also for the furnishing of Camp David.

The Stone of Soapstone
 is the home of Green Mountain Fabricators of Soapstone, Inc., the #1 custom fabricator of soapstone in the Northeast. Located in Cambridge, this family-owned business custom fabricates countertops, sinks, medicine basins, and shower bases. Soapstone is a natural quarried stone that is non-porous, and is an excellent alternative to granite or marble. It won't burn or stain, and it requires very little maintenance. They use only the highest quality Brazilian soapstone for all of their projects. They were noted as having the **Best Green Product**, at the 2008 New England Home Show in Boston, MA.

For free, confidential information on starting, relocating or expanding your business, please contact the Washington County Local Development Corporation.
518-746-2292 • www.wcldc.org • info@wcldc.org

2008 “Common Ad”

Presentations

The WCLDC staff made presentations to the following groups:

- Microenterprise Assistance Program (small business financing) (2)
- Lakes Region Radio (annual Microenterprise Assistance Program promotion)

Affiliations/Associations

The WCLDC was active with the following organizations in 2008:

- Member, Saratoga-Warren-Washington Workforce Investment Board
- Member, Community Advisory Group and Economic Development Committee
- Member, Job Discovery Planning Committee and Employer Recruitment Subcommittee
- Agricultural Economic Development Program Leadership Team
- Member, Washington County Economic Opportunity Council and Employment & Training Committee

In addition, the WCLDC engaged in cooperative efforts with or received services from the following:

- Washington County: Planning, Tourism, Cooperative Extension, One-Stop Center, Public Works, County Clerk, Information Technology, Real Property Tax Service, Veterans Affairs, County Attorney, Clerk of the Board, County Administrator, Treasurer's Office, Code Enforcement
- New York State: Transportation, Labor, Empire State Development, Health, Canal Corporation
- Adirondack-Glens Falls Transportation Council
- TD Banknorth and Glens Falls National Bank
- Adirondack Community College; BOCES
- Niagara Mohawk/National Grid
- Counties of Warren and Washington IDA
- Adirondack Regional Chamber of Commerce

Administration

Unfortunately for the LDC, Mark Galough left and took a position at Glens Falls National Bank in August. The Board began the process of accepting applications to fill the Executive Director's position. A total of 34 applications were received. In November, Tori J. E. Riley was appointed to begin full time, January 2009.

During 2008, approximately 510 bank transactions were processed within the WCLDC's bookkeeping system, which is comprised of two different computer programs and three different hard copy ledgers. The decision was made by the Board to start 2009 with a new system. The Money Counts program that Mark used was outdated and no longer had any technical support. Karen and Tori will receive training on Quickbooks Pro.

The LDC was brought into compliance with the Public Authority Accountability Act. The Board adopted a number of policies, including Disposition Guidelines, Public Access to Records, Code of Ethics, Whistleblower Policy, Travel Policy, Procurement Policy, Compensation, Reimbursement & Attendance Policy, Investment Policy, and a Defense & Indemnification Policy. In addition, the By-Laws were revised and Board members received applicable training by the law firm of Harris-Beach.

Another training session was held at the County Municipal Center, in November for five members to receive their training requirement. One member of the Warren-Washington IDA Board attended also.

All applicable reporting requirements were completed in a timely manner, including the 2007 audit, submission of 1098's and 1099's, filing of the Corporate Tax Return, Charities Registration annual report, semi-annual financial/progress reports to Rural Development, and Empire Zone progress reports.

Financial Situation

The WCLDC closed the year with assets totaling approximately \$4.06 million. Counting approved loans not yet fully disbursed, approximately 43% of the total assets of the organization are loans receivable. This was a result of a number of loans that were paid in full prior to maturity.

Washington County Local Development Corporation
Statement of Financial Position
December 31, 2008

| | | |
|------------------------|--|------------------|
| <u>ASSETS</u> | | |
| Cash-checking | | 829,361 |
| Cash-savings | | 1,488,280 |
| Loans receivable | | <u>1,748,336</u> |
| Total Assets | | 4,065,977 |
| <u>LIABILITIES</u> | | |
| IRP Loan | | |
| Payable | | <u>232,345</u> |
| Total Liabilities | | 232,345 |
| <u>NET WORTH</u> | | 3,833,632 |

Statement of Activities
December 31, 2008

| | | |
|-------------------------|--|---------------|
| <u>REVENUE</u> | | |
| Loan interest | | 103,227 |
| Bank interest | | 35,270 |
| Contributions | | 73,500 |
| Closing fees | | 1,300 |
| Misc. | | <u>2,000</u> |
| Total Revenue | | 215,297 |
| <u>EXPENDITURES</u> | | |
| Payroll/fringe | | |
| benefits | | 65,375 |
| Offices expenses | | 2,864 |
| Professional fees | | 13,612 |
| Interest | | 12,339 |
| Misc. | | <u>26,599</u> |
| Total | | |
| Expenditures | | 120,789 |
| <u>INCOME</u> | | 94,508 |

Note: In-house prepared statement; not audited. Cash basis.

What to Expect in 2009:

It is anticipated that the following goals for 2009 will be realized:

Empire Zone – Based on uncertainty of the funding for this program, we will work with the EZAB and will evaluate our options moving forward. However, in the interim we will continue marketing the program for the zone, attracting new businesses and creating jobs and investment as well as have all certified businesses information consistently kept up-to-date.

Marketing – Brand our organization with a fresh logo. This year, we'll upgrade, expand and groom the website by implementing video clips, monthly e-newsletter links, PAAA information and various items of business related topics currently happening in the county as well as approved projects that have been received well in the region. Additionally, we will incorporate our printed literature onto our website to maximize the exposure and distribution. We will make arrangements to work with four media outlets that will assist us in promoting and recognizing the businesses in the county. By doing so, we will also create and stimulate interest in being a part of what we have to those businesses not familiar with our area.

Financing – approve a minimum of \$800,000 in new loans; develop new, innovative programs for businesses that best serve their immediate needs.

Economic Development Strategy – continually review and utilize the Plan in all aspects of economic development.

Airport Industrial Park – sell remaining IDA-owned lots in Phase IIa and Phase IIb.

Administration – fully comply with the “Public Authority Accountability Act”.

Microenterprise Assistance Program – hold 2 ten-week sessions for approximately 50 entrepreneurs.

Grants Administration – assist the County with the application and administration of grants for rail and road repairs to encourage economic expansion and retention.

As always, comments and questions are welcome.

<http://www.wcldc.org>

