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LIU: EDC KEEPS MILLIONS IDLE

Audit Uncovers \$9 Million Held by the City’s Economic Development Corporation, Untouched for Years; Comptroller Calls for Money to be Invested in New Jobs Now or Returned to the City

NEW YORK, NY – City Comptroller John C. Liu today announced that an audit of the Economic Development Corporation (EDC) determined it has left millions of dollars untouched that were intended for public benefit projects. The audit identified \$9.3 million in so-called Public Purpose Funds, managed by the EDC, in accounts that have seen no activity for years. The EDC received the money from private developers in exchange for tax breaks or other benefits.

The EDC received \$8.9 million as part of a 1992 agreement in exchange for financial breaks for the Riverside South residential development led by Donald Trump. This Public Purpose Fund, earmarked from the beginning to benefit the Harlem River Rail Yard in the Bronx, was fully funded by 2005. Despite having 19 years to come up with a plan to use the money, the EDC has not disbursed any of it. The audit recommends the EDC find a way to use the money to benefit the Bronx and not wait another 19 years to do so.

“It makes little sense that millions intended for economic development remain unused for so long, especially in the Bronx where jobs are greatly needed,” Comptroller Liu said. “If the EDC can’t figure out how to put the capital to work then at least return the money to the City treasury.”

The EDC has rejected the audit’s recommendation, arguing that Public Purpose Funds cannot be redirected to a new local benefit without violating the agreements that they are based upon. The EDC, however, also concedes that these agreements can be amended and the money reassigned if it obtains approval from the City Council and City Planning Commission. The audit recommends that the EDC do just that.

The audit also discovered that EDC failed to collect \$725,720 from energy company Keyspan, which was supposed to benefit the community near the company’s Long Island City power plant that went online in May 2004. The company was to hand over the money within five years. Despite disagreeing with this particular finding, the EDC collected \$250,000 of this money in July after it was brought to their attention by auditors. A balance of \$475,720 remains uncollected by EDC.

“This is not the first time the EDC has denied an audit finding only to recover the money once it has been pointed out to them,” said Deputy Comptroller for Audit Tina Kim.

In addition to the Harlem River Rail Yard, the audit identified three additional aging Public Purpose Funds that have remained unused since 2005:

- \$344,659 from a fund created in 1982 to improve Astoria Studios or public areas around the studios
- \$64,834 from Bear Stearns set aside in 1991 to fund job training, particularly for low income youth
- \$55,081 set aside in 2000 with no restricted purpose during the redevelopment of 75/85 East Broadway in Manhattan

BACKGROUND:

An April 2010 audit of EDC operations identified \$125 million it owed the City. Although it denied the findings, the EDC eventually agreed to return \$120 million to the City, including \$10.6 million left in a dormant Public Purpose Fund. Similarly, in November 2010, an audit found the EDC failed to collect more than \$300,000 from the Staten Island Yankees owed to the City treasury. Despite initially disagreeing with the audit findings, the EDC has since sought to recoup the entire amount the team owed to the City.

The audit focused on transactions in Fiscal Year 2009 and Fiscal Year 2010.

Comptroller Liu credited Deputy Comptroller for Audit Tina Kim and the Audit Bureau for presenting the findings. The full report is available at <http://comptroller.nyc.gov/audits>.

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