

West of Hudson  
Economic Development Study  
for the Catskill Watershed Corporation

Final Economic Study  
for the  
Catskill Fund for the Future

Prepared for:  
The Catskill Watershed Corporation

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# 1. Introduction

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## An Unprecedented Opportunity

The Catskill Fund for the Future provides an unprecedented opportunity to create jobs and increase the tax base in the communities of the Catskill Watershed in an environmentally sound manner. Few rural areas of the nation can boast access to a \$60 million pool of funds set aside expressly for economic development projects. With the right administrative structure in place, the Catskill Fund for the Future can reinvigorate the Watershed economy, help to retain and expand existing businesses, attract new businesses, create jobs, raise incomes and increase land values. The most significant condition attached to the disposition of the Fund for the Future is that it be used in a manner that is consistent with the water quality standards established to protect New York City's water supply.

The Catskill Fund for the Future will help the Catskill Watershed capitalize on environmental quality as an economic asset. Over the next twenty years, as suburban sprawl claims an ever-widening circumference around New York City, the Memorandum of Agreement (the MOA) will help preserve the historical legacy of the Watershed – its natural beauty and pristine character. This will increasingly distinguish the Catskills from the remainder of the region and will ultimately help the Watershed to reclaim its standing as a premier tourist destination and desirable place to live and work.

The Catskill Watershed Corporation confronts a substantial institutional challenge in administering the Catskill Fund for the Future. Few not-for-profit organizations have ever received this large a pool of funds this rapidly. Few organizations will ever have its loan and grant policies more rigorously scrutinized. The City of New York, the State of New York, the environmental parties, and most importantly, the citizens of the region will actively monitor these expenditures. To use these funds to build a permanent resource for the citizens of the region, the CWC must act swiftly to put in place the professional resources and the administrative procedures required. This report lays out a strategy to begin to meet these challenges.

Provision of technical assistance and business support is crucial. To stimulate job creation, the Fund for the Future needs to do more than merely lend money. It must provide technical assistance to business start-ups and expansions, and assist Watershed businesses in navigating the various environmental regulations imposed on the region and provide a central clearinghouse for information about other public, private and non-profit financial and technical resources available to Watershed businesses and institutions.

Community outreach is vital. The CWC is a unique institution with a special mission, linking economic growth to environmental quality. The future of the region's economy and

the role of the CFF in building that future must rest on a commonly shared vision of progress. The CWC's communication efforts to build that commonly shared vision are critical resources.

This document provides a Final Economic Development Study for the Catskill Fund for the Future. The Catskill Watershed Corporation has hired a consulting team headed by Hamilton, Rabinovitz & Alschuler, Inc. (HR&A) to draw up an economic development study of the West of Hudson Watershed. A key component of this study is a strategic plan for distributing CFF funds to eligible businesses, projects, and local organizations. This document provides an overview of HR&A's recommendations. It is intended both to elicit additional discussion about funding needs and priorities and to stimulate interest among potential borrowers in applying for CFF funds.

## The Process of the Study

This report represents the culmination of a year-long strategic planning process. It has been prepared by a consultant team headed by Hamilton, Rabinovitz & Alschuler, Inc. (HR&A) in conjunction with Allee King Rosen & Fleming (AKRF), Fairweather Consulting, the Saratoga Associates, Shepstone Management and Sno.Engineering (collectively known as The HR&A Team). This strategic planning effort is being conducted pursuant to the Memorandum of Agreement (the MOA) between the Coalition of Watershed Towns, New York City, New York State, the U.S. Environmental Protection Agency, and members of the environmental community.

The MOA came about as a result of negotiations over measures to protect the quality of New York City's water supply. The MOA has three key components:

- 1) The Land Acquisition Program. The acquisition by New York City of substantial tracts of private land in the watershed;
- 2) The Watershed Rules and Regulations. The imposition of a series of rules and regulations applicable to activities undertaken within the watershed; and
- 3) The Watershed Protection and Partnership Programs. The allocation of over \$270 million in funding by New York City to Watershed Communities for water quality protection programs.

The Watershed Protection and Partnership Programs are intended to maintain and enhance water quality in the Watershed, while preserving the economic and social character of the Watershed communities. Among funded programs are the establishment of the Catskill Watershed Corporation (the CWC) and the Catskill Fund for the Future (the CFF). The CWC is a not-for-profit corporation responsible for making decisions on the disbursement of many of the Program funds including the CFF. The CFF will receive approximately \$60 million from New York City over a six-year period for disbursement in the

form of loans (80%) and grants (20%) for “qualified economic development projects.” The remainder of the \$270 million is allocated for Programs to upgrade the region’s sewer, septic and stormwater infrastructure.

The HR&A Team has been retained by the Catskill Watershed Corporation to review the economy of the Catskill Watershed, to begin the design process for appropriate loan and grant programs and to advise on mechanisms for administering the Catskill Fund for the Future. This Final Economic Development Study for the CFF is the final phase of the three phase consulting effort that has been going on for nearly a year. The purpose of the consultant effort is to aid the CWC in:

- establishing an economic baseline for the Watershed;
- identifying strengths and weaknesses of the Watershed business base;
- evaluating specific, environmentally compatible opportunities by major economic sector;
- evaluating opportunities for increased economic development outside of the Watershed that could provide economic benefits to Watershed residents;
- developing an Action Plan for environmentally sensitive economic development activities; and
- developing proposals for local capacity building for economic and community development.

The document is the result of independent study and analysis and the result of substantial consultation. The consulting team has spent literally thousands of hours in meetings, public hearings and roundtable discussions with local elected officials, business leaders, and citizens. We are indebted to each of them for their thoughtfulness and commitment to their communities.

## Organization of the Report

This Final Economic Study provides guidance to the CWC on the steps required to establish the CFF as an engine for economic growth in the Watershed region. It represents the culmination of over a year of analysis that included extensive consultation with the local elected officials, business leaders, and citizens of the Watershed. This Final Economic Development Study provides recommendations on implementation strategies, general and program-specific investment criteria, initial program activities and a series of practical next steps to pursue in initiating CFF investment activities.

This *Final Economic Study*, is a culmination of four preceding reports. It is prescribed in Section 2.02 F & G of the Economic Development Study Contract between CWC and New York City Department of Environmental Protection (DEP). The five preceding reports were: Report 1: *A Baseline Economic Analysis and Community Assessment* (June 22, 1998, and revised January 6, 1999); Report 2: *Market Sector Assessment and Program Issues Analysis* (October 15, 1998, and revised January 6, 1999); *Preliminary Draft Report : A Blueprint for*

*the Catskill Fund for the Future* (December 4, 1998), *Draft Final Plan for the Catskill Fund for the Future*, (May 12, 1999) and Final Draft of the Economic Study (June 24, 1999). The preceding reports, prescribed by Section 2.02 A, B, C, D, & E, contain background material and comments and are herein incorporated in the *Final Economic Development Study* by reference. Reports 1 and 2 comprise a Technical Appendix to this report that provides background data that supports the findings and recommendations included herein. While the key findings of the prior reports are highlighted in this report detailed background information can be obtained by referring to Reports 1 and 2.

The organizing principle of this Final Economic Study is a focus on the practical steps necessary to establish the CFF as a dynamic resource for Watershed businesses and institutions. In addition to this introductory chapter, the report contains the following chapters:

- Chapter 2. Background on the Regional Economy. In order to provide a context, this chapter contains a brief summary of the key findings from Report 1 about the strengths and weaknesses of the region's economy and the primary economic sectors toward which CFF investments ought to be oriented.
- Chapter 3. Objectives and Implementation Strategies. This chapter identifies the key objectives and implementation strategies for the CFF to pursue based on the characteristics of the region's economy and the regulatory context in which the CFF must operate.
- Chapter 4. General Investment Criteria. The purpose of this chapter is to recommend a series of criteria to be applied universally to all CFF investments as well as additional criteria to be applied to all loans and grants, respectively.
- Chapter 5. Program-Specific Investment Criteria and Action Items. This chapter provides investment criteria and recommended initial program activities for the respective program areas: Hamlets & Villages, Manufacturing & Businesses, Tourism, Skiing, Recreation & the Arts and Natural Resource-Based Industries.
- Chapter 6. Institutional Arrangements and Technical Assistance. This chapter provides an overview of the types of technical assistance to be provided directly by CWC and in partnership with other regional institutions in conjunction with CFF investment activities. This chapter also identifies potential institutional arrangements that would strengthen the capacity of counties and communities within the West of Hudson Watershed to engage in economic and community development.
- Chapter 7. CFF Business Plan and Cash Flow Projections. This chapter provides a preliminary operating budget and cash flow projection for the CFF that originates over 30 million in investments in the region over the next nine years.

Chapter 8. Next Steps. The purpose of this chapter is to outline a series of practical next steps for the CWC to pursue in order to build the CFF into an effective, high volume investment vehicle.

Chapter 9. Conclusion: The Implementation Challenges. This chapter contains a brief review of the key implementation challenges confronting the CWC.

The CWC confronts a considerable challenge. Despite a diversified economy with active manufacturing, services, tourism and natural-resource sectors, most Watershed businesses are small in scale and the population is sparse and geographically dispersed. Without population density and concentration, no “silver bullet” in the form of a large manufacturer or service-provider is likely to relocate to the Watershed, regardless of incentives. In an economic context of small businesses and geographic dispersion, a lasting impact can best be achieved by taking many incremental steps.

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## 2. Community Assessment Summary

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### Introduction

The following chapter provides a brief summary of the findings from *Report 1: Baseline Economic Analysis & Community Assessment*. This chapter is included in this Final Economic Development Study to provide a context for the recommendations to follow. A more detailed analysis of the economy of the Watershed region including data to support the conclusions included in this chapter can be found in Report 1, which is included in the Technical Appendix to this report.

### Overview of the Regional Economy

Though it does not exist as an economic or political jurisdiction, there is a *place* known as the Catskill Watershed. Defined geologically, based on the flow of water, the West-of-Hudson Watershed has no conventional, historic definition as a region. Government funds are not distributed to the area as a unified region. There are myriad overlapping jurisdictions and there are no existing units of demographic or economic measurement along Watershed lines. Nevertheless, businesses and residents identify with the Watershed; they know when they are in and out of it and they know and respect that there are restrictions and responsibilities inherent in being located there.

Approximately 66,000 people live in the Catskill Watershed that serves as a public water supply to over 9 million people. The area defined as the Catskill Watershed includes portions of five counties, encompassing slightly more than 1 million acres of land in 50 towns. A detailed discussion of the physical, demographic and economic characteristics of the Watershed is included in *Technical Appendix 1: Baseline Economic Analysis & Community Assessment*. Increasingly, those 66,000 people understand that their needs for economic growth must be compatible with the needs of the 9 million people who depend on the Watershed. Everyone should be aware that when significant, demonstrable threats to water quality exist, the needs of those 9 million must be respected.

Watershed residents take great pride in the beautiful, clean and pristine character of the region, its affordability and the warm and friendly nature of the people. The region includes more than 700,000 acres of parkland contained in the State-designated Catskill Park, over a quarter of a million acres of which are designated as “forever wild forest.” This extraordinary natural resource is available for the enjoyment of local residents and tourists alike offering a variety of recreational opportunities including hiking, skiing, snowmobiling, camping, canoeing, fishing, hunting, bird watching, horseback riding, or just

enjoying the beautiful scenic views. One local resort speaks for many local residents when it compares the Catskills to Vermont: "Half the distance and twice the fun."

Although clearly a rural area, the Watershed is notable for its proximity to a population of nearly 15 million people within a 150 mile radius. The Watershed Region is located within a 2 hour drive of both the New York City Metropolitan area and New York State's Capital District. The juxtaposition of the remote, clean and pristine character of the area and one of the world's most lucrative and diverse consumer markets gives the Watershed region substantial untapped economic potential.

The region's location affords it heightened potential to *export* local goods. The surrounding region boasts more than 100,000 restaurants and supermarkets serving consumers hungry for the fresh produce and dairy that are critical outputs of the Watershed. Specialized wood products, crafts and value-added manufacturing goods with a regional identity will also find a ready market in the surrounding areas.

The region's location affords it heightened potential to *import* tourists. Realizing the economic stimulus that tourism can provide, many regions seek – sometimes futilely – to attract outsiders and their spending power. As a year-round destination within two hours driving time of 15 million people, the Watershed's potential to attract tourists is substantial. This proximity is particularly ripe for exploitation since urban Americans are spending more and more of their vacation dollars on short trips and on rentals and purchases of second homes.

While most of the United States prospered during the 1990s, the five counties encompassing the Watershed experienced a seven percent decline in overall employment, driven largely by the loss of approximately 7,000 IBM jobs in Ulster County. Despite this economic dislocation, employment patterns in the five Watershed Counties remain comparable to the overall economy of New York State with a preponderance of service sector, retail and manufacturing jobs.

Incomes in the Watershed Counties are substantially lower than the New York State average. According to the most recent data, Ulster and Sullivan counties, the most affluent of the five Watershed Counties, have per capita money incomes that are twenty percent below New York State's per capita income of \$24,000. Per capita money income in the other three counties range from \$17,000 in Greene to \$15,000 in Delaware. Median family income is below the State level for every county but Ulster.

Furthermore, real wages have declined in the Watershed while Statewide real wages have risen. According to data from the U.S. Bureau of Labor Statistics, average wages in Watershed Counties are considerably lower than New York State averages in every SIC sector. Throughout the Watershed counties, the 1990s were a time of stagnation and decline in real wages (i.e. wages adjusted for inflation) in every sector of the economy except Finance, Insurance, and Real Estate. While real wages in that sector increased by 2.9

percent, the decline in other industries ranged from a 25 percent drop in real manufacturing wages to a one percent decline in wages in the service sector. This decline can be explained by two concurrent trends: a simple reduction in the wages paid to full-time workers, and a rise in the number of part-time workers in an industry, thereby increasing the number of employees without a comparable increase in wages. Neither of these trends is likely to lead to improved living standards for workers in the five county area without new economic stimulus.

The economy of the Watershed is diversified but small in scale. While the Watershed is sparsely populated and rural in character, it's economy is relatively diversified encompassing the service, government, manufacturing and agricultural sectors. The one common element of the Watershed employment base is that it is primarily comprised of small businesses with few employees and government agencies serving local and regional needs. A key goal of the economic development strategy is to ensure an adequate supply of full-time, non-seasonal jobs to Watershed residents at livable wages.

## Strengths & Weaknesses of the Regional Economy

In *Report 1: Baseline Economic Analysis & Community Assessment*, the HR&A Team evaluated the strengths & weaknesses of the Watershed economy. This included a review of over 40 prior planning surveys, strategic analyses and economic studies prepared over the last 25 years by a host of state and regional commissions, state and local government agencies, non-profit organizations, academics and private consultants. Report 1 contains a detailed discussion of the Team's findings. The following is a discussion of the key points.

There are several widely held perceptions about the key barriers to economic development in the Watershed. These perceptions are discussed in detail in Technical Appendix 1. These include:

- **Limited Supply of Developable Land.** There is a limited supply of developable land in the region. Even without the Watershed Regulations, much of the region is comprised of slopes too steep for development on any scale -- residential, agricultural or otherwise. Additional lands owned by New York City and New York State are required, under law or agreement, to be preserved in an undeveloped state.
- **Fragmentation and Physical Isolation.** The mountainous topography of the region results in fragmented development patterns. Hamlets are small, widely dispersed and separated by natural barriers that physically isolate people and organizations. This keeps the region from feeling like a place with a single identity, making it difficult for local businesses to network with each other and hindering retail sales.

- **Infrastructure Constraints.** Some watershed communities have centralized water and/or wastewater infrastructure. Other hamlets and villages either lack such infrastructure, are currently at or near capacity for their wastewater treatment plants, or have other regulatory or physical constraints that limit the availability of infrastructure for new or expanded economic development activities.
- **A Shortage of Well-located and Modern Tourist Facilities.** While there is no shortage of hotels in the Watershed, many tourism centers are obsolete and badly located and there are virtually no luxury or large-scale lodging facilities. Further, many recreational facilities have not been adequately developed – for example, there are not enough bike paths, and Belleayre Ski Center is under-used – and there is a scarcity of retail opportunities for tourists. See Technical Appendix 2 for a detailed discussion of the issues confronting the tourism economy in the Watershed.
- **An Inefficient Transportation Network.** A lack of air and rail service, inefficient movement of traffic through the region and inadequate signage make it difficult not only to bring people to the area and move them through it, but also to export goods to nearby urban centers.
- **Deterioration of Farm Support Infrastructure.** As agriculture has played a smaller role in the region's economy, the region has lost key elements of support upon which farmers depend, including repair services, skilled laborers, and suppliers of crucial farm equipment, machine parts, and feed. In addition, there is an inadequate secondary sector of processing plants and slaughterhouses.
- **No Coordinated Regional Marketing Efforts.** Particularly notable is the absence of a regional tourism plan and the dearth of up-to-date tourism product development and investment. Poor coordination among counties and the overall need for centralized economic development and marketing strategies have broad implications, and the absence of these efforts has resulted in a failure to take advantage of the Watershed's proximity to large and affluent population bases.
- **Inadequate Signage.** One symptom of the lack of coordination is the lack of adequate and consistent signage within the Watershed to help visitors circulate within the region, to identify important and interesting attractions and to create a cohesive image for the region.
- **Lack of Cooperation among Key Players.** Elected officials are frequently at odds with one another, and there is little partnership between public and private agencies. This, combined with a persistent local rather than regional focus, has led to an area that does not have a network of community leaders well-poised to affect systemic change. That the region has no common newspaper and no consistent signage are symptoms of this situation.

- **A Lack of Amenities.** While the remote, rural character of the region is its greatest draw, scarcity of amenities for residents and visitors can be a drawback in attracting new residents, tourists and second home buyers. For prospective upper-level managers, entrepreneurs, tourists and second-home buyers alike, the lure of the country often needs to be complemented by the availability of dining, entertainment and retail opportunities. Technical Appendix 1 provides a summary of the observations, goals and recommendations made in previous studies including those relating to the need for additional amenities.

There is also a consensus about the inherent strengths of the Watershed that can be capitalized upon. These include:

- **Location.** The proximity of the Watershed to a huge population base provides benefits for many sectors of the regional economy. Agricultural products can be delivered to the shelves faster and are therefore fresher than products from other regions of the country and world. The region offers prime opportunities for mini-vacations and day trips to a huge potential population base. Second-home market demand is spurred by the two to three hour driving time to New York City.
- **Excellent Quality of Life.** Abundant open space, clean air and water, diverse recreational options, access to high-quality schools, and the availability of fresh produce are among the basic amenities available in abundance to Watershed residents and visitors.
- **Beautiful and Plentiful Natural Resources.** The rugged terrain, scenic vistas, and an array of facilities affording year-round recreation—including skiing, hiking, cycling, hunting and fishing—are key assets of the region. Historic sites and villages, and arts organizations of various stripes provide attractive destinations and activities for adults and children. Forests, clean bodies of water, undeveloped land, and mineral veins define the area and form the basis for several industries.
- **Strong Agricultural Base.** Farming is viewed as a tradition in the region, and family farmers have a robust entrepreneurial spirit. In an area well suited to diverse agriculture, farms produce an assorted bounty of goods for local consumption and for export. Agri-tourism brings visitors to the region. The rise in organic food consumption should also give a competitive edge to fresh produce grown closer to New York City.
- **Attractive Communities.** Many of the Watershed's hamlets and villages have unique character that can become focal points for development.

Despite the challenges, the Watershed region also has several substantial economic strengths on which to build. These include: manufacturing industries that are still growing both in terms of jobs and real wages; a tourism destination sector that has remained stable

despite a shakeout in the hotel industry as large noncompetitive resorts give way to smaller niche players; and natural resource-based industries (agriculture, forestry) that remain viable.

A general trend towards smaller-sized firms can be seen in manufacturing employment in the Watershed counties. While overall manufacturing employment declined by 7,000 jobs from 1990 to 1997, most of that was due to the IBM downsizing which primarily affected the economy of the eastern portion of the Watershed and the immediately adjacent area in Ulster County, outside of the Watershed. During that same time period, several manufacturing industries showed significant employment gains. Taken together, the six manufacturing sectors of Textiles, Lumber, Printing & Publishing, Chemicals, Rubber & Plastic Products, and Primary Metals grew by 18 percent, raising their combined employment in the five Watershed counties by 872 jobs to 5,600. This represents a shift in manufacturing employment opportunities away from the former IBM-Kingston site toward plants in Sidney, Walton, and other locations in the western portion of the greater Watershed area.

The shifts in manufacturing employment bode well for the region's economic future. In the five Watershed counties, printing and publishing is now the leading manufacturing employer, with over 2,500 jobs, followed by electronic equipment (2,365 jobs), and fabricated metals (1,106 jobs). Among those sectors with fewer than 1,000 workers, both Lumber and Chemicals experienced rates of job growth over 20 percent. With the exception of fabricated metals, primary metals, and the IBM-related category of machinery and computers, every manufacturing sector saw positive growth in average wages from 1990 to 1997.

The tourism industry has remained stable, despite a decline in the hotel industry. Tourism accounted for as much as \$670 million of the five county economy in 1997<sup>1</sup>. This tourism expenditure figure includes spending on hotels, transportation, food, dining, shopping, entertainment and miscellaneous expenditures comprising elements of both the service and retail sectors. While the hotel sector lost a substantial number of jobs, the restaurants, amusement and recreation services remained stable or showed modest job growth. This suggests that the tourism destinations are holding their own, while the accommodations industry has begun shifting from full-service "borscht-belt" style resorts to facilities focused on niche opportunities.

Agriculture accounts for as much as \$115 million of the Watershed economy.<sup>2</sup> The Watershed includes approximately 200,000 acres of land in agricultural use, roughly 20% of

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<sup>1</sup> Based on data developed by D.K. Shiffet & Associates for the New York State Department of Economic Development in 1997.

<sup>2</sup> Cornell University Department of Agricultural, Resource and Management Economics, *Policy Issues in Rural Land Use*, December 1996, "Economic Multipliers and the New York State Economy." The study identified a 2.29 total income multiplier and a 1.52 employment multiplier for dairy production. The \$115 million figure was reached using \$50,000,000 in sales times a total income multiplier of 2.29 for dairy agricultural production. For dairy processing, the total income multiplier was 2.61 and the employment multiplier was 3.53.

the total land mass. There are approximately 700 - 800 farms generating sales of at least \$1,000 per year and over half of these produce \$10,000 or more of product per year. Altogether, Watershed farms produced some \$50 million in sales in 1995, of which over \$40 million was dairy-related and accounted for some 1,700-1,800 full or part-time jobs, including owner-operators. While the present job creation impacts of Forestry and Mining are limited, they present significant opportunities with few environmental impacts, if properly managed.

## Conclusions

By building on inherent strengths and responding to a changing economic context, the CFF can promote a vibrant, environmentally sensitive economy. Developed in concert, these economic assets could promote a vibrant, environmentally sensitive economy for the Watershed built upon a foundation of:

- Hamlets and Villages -- revitalized hamlets and villages expanding the opportunities for retail, specialty services, and tourism;
- Tourism, Skiing, Recreation and the Arts -- a revived tourism sector drawing upon the existing destinations and a new series of niche-based accommodations and attractions;
- Manufacturing and Businesses -- a revived manufacturing and business sector focused on specialty manufacturing, artisans and business service providers both in the Watershed and in immediately adjacent areas;
- Natural Resource-Based Industries -- strengthened marketing of agriculture, forestry and mining products, maintenance of the traditional rural economic base of the Watershed in ways that enhance water quality and strengthened opportunities in retail, tourism, and other sectors of the Watershed economy.

Therefore, it is in these four economic sectors that the HR&A Team recommends CFF funds be focused. The rationale for a focus on these four sectors is:

- They Build on Existing Core Strengths. These sectors represent the existing core strengths of the Watershed economy. The Watershed will never be the next Hollywood or Madison Avenue nor should it try to be Silicon Valley. The Watershed does however, have the physical resources to reinvigorate its tourist sector, provide a range of quality manufacturing and small business jobs for local residents, and be at the forefront of environmentally sensitive natural resource practices.

- They are Consistent with Regional and National Trends. The sectors identified represent areas of opportunity that provide the highest degree of feasibility with respect to emerging tastes and demands.
- They are Consistent with Clean Water Standards. These sectors provide the best opportunities for economic growth within the context of clean water standards. Provided borrowers and projects are selected prudently, with emphasis on environmental impacts and records of environmental compliance, these sectors provide for substantial opportunities to meet the letter and spirit of the MOA and at the same time contribute to an economically vital economic base. Furthermore, the economic sectors identified herein furnish ample opportunities for the Watershed region to assume a leadership position nationwide in the critical quest to create an ecologically sensitive, economically vibrant region.
- They are Diversified. These sectors encourage a diversified focus for CFF investments and will produce a diverse range of job types at different salary and skill levels.

CFF funds may be made available to finance other types of project as well. There may be compelling projects in expanding sectors that do not easily fit into any of the four areas – for example, the health care industry, retirement housing, telecommunications, education, and the film industry. A portion of CFF resources could be used for projects or institutions that meet the strategic and environmental qualifications for funding but don't easily fit into any of the four Program Areas, although the primary focus on activity should continue to be the four defined Program Areas.

The Watershed is well positioned to take advantage of the new digital age. The digital revolution, particularly the emergence of the internet, has changed the rules of the game in terms of where people, live, work and shop. The Watershed is likely to benefit from this revolution in numerous ways: small high-tech businesses are no longer as dependent on an locating in the urban core as in the past, entrepreneurs with a preference for the rural lifestyle can now conduct business with ease, weekend residents can extend their stays by telecommuting and people who live in remote areas can shop for an infinite range of goods and services over the internet that were heretofore unavailable to them. The emerging technology for bringing low cost high speed internet access to areas like the Watershed, where broadband wirelines, like cable television, won't work, is LMDS, High-Speed Fixed Wireless and Broadband Satellite access.

The challenge for Watershed communities is to match appropriate economic development activity with available infrastructure, available land supply and water quality protection goals. The purpose of this planning effort is to establish the CFF as a vehicle which can help communities to meet this challenge.

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## 3. Objectives and Implementation Strategies

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### Objectives

The CFF has two primary objectives: water quality protection and economic development. The New York City Watershed Memorandum of Agreement provides for the allocation of nearly \$60 million to the CFF in recognition that “the goals of drinking water protection and economic vitality within Watershed communities are not inconsistent.”<sup>3</sup>

With its dual mission of water quality protection and economic development, the CFF is charting new territory and experimentation will be needed to identify the specific investments and incentives that best achieve that mission. This Final Economic Development Study should not be viewed as a recipe to be followed step by step. Nor should there be an expectation that all recommendations will be adopted and implemented at once. The evolution of the CFF into an engine of growth for the Watershed region will occur gradually over several years as staff are hired and programs, policies and procedures are developed, tested and refined.

With this in mind, what is proposed for the CFF is a broad-based strategy of incremental steps whose overall objectives are to pursue investments that:

1. Respect the natural environment as an asset and maintain the clean and pristine character of the Watershed communities;
2. Encourage growth of industries and businesses that are compatible with clean water standards;
3. Strengthen the economies of hamlets, towns and village centers while supporting and promoting a protected working landscape;
4. Provide incentives for environmentally sound business practices;
5. Support entrepreneurial endeavors which will provide job opportunities,
6. Maximize available resources; and
7. Utilize funds as a catalyst for stimulating public and private investment and economic activity.

### Implementation Strategies

This Final Economic Development Study provides a framework for establishing the CFF into a high volume investment vehicle capable of impacting the economy of the Watershed region. While the CFF will achieve full funding by 2002, a series of

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<sup>3</sup> New York City Watershed Memorandum of Agreement

implementation challenges must be overcome before it can have a demonstrable impact on the Watershed economy. The following are a series of strategies for the CWC to build the CFF into an effective vehicle for change.

1. Establish the CWC as a permanent, self-sustaining institution with the CFF as a permanent fund for economic development programs. The interests of the Watershed residents would not be well served by establishing a temporary entity that exists solely to administer the expenditure of its \$60 million endowment and then close up shop. The economic needs of the Watershed are ongoing and require an institution that is invested in the region for the long haul. The implications of this include:
  - Develop in-house capacity. Develop the in-house capacity to provide diversified financial and technical advisory services;
  - Assure that both the CWC and the CFF are self-sustaining. Establish a business plan for administration of the CFF that utilizes loan repayments and fees to sustain the ongoing activities of the CWC;
  - Focus on long term loan and grant investments. Originate loan and grant investments designed to stimulate the regional economy over the long term; and
  - Create institutional alliances. Aggressive pursuit of institutional alliances with other sources of funding from governmental, philanthropic, and other partners to augment its original base of contributions from New York City.
  
2. Serve multiple roles in the region. One of the biggest obstacles to economic growth in the Watershed is the dispersed nature of financial and technical resources. Other obstacles include a lack of shared identity within the five Watershed counties and a lack of understanding about the detailed requirements of the MOA. To overcome these obstacles, the CWC should play multiple roles, including:
  - Catalyst for Economic Growth. As the CWC'S financing vehicle, the CFF provides an unprecedented opportunity to stimulate the economy of the Watershed region through targeted investments.
  - Unifying Agent. As the single common institution that unites the five Watershed counties the CWC can highlight and encourage many of the shared goals of the five Watershed counties
  - Experimenter. The dual mission and scale of the CFF is unprecedented. With no comparable national models to work from, the CWC must chart its own course in administering the CFF and experimentation is warranted, particularly in the early years. In its unique endeavor to identify the investments that best achieve its dual

mission of water quality protection and economic development, the CWC must be willing to take risks within the context of reasonable credit standards.

- **Technical Assistance Provider.** One of the most useful roles for the CWC is as a problem-solver for businesses lost in the morass of red tape that is inherent in doing business in the region. This includes establishment of a one-stop shop for transaction assistance and financial packaging, playing pro-active role in soliciting and structuring transactions, and providing environmental compliance support by recruiting staff to provide specialized technical assistance
  - **Educator.** The CWC must educate the public about its economic development mission and the needs of the Watershed Agreement. Additional outreach is needed to reinforce perceptions of the Watershed as a place and to increase public awareness that the goods produced in the Watershed are consistent with water quality goals.
3. **Adopt a sectoral approach.** The economy of the Watershed is small in scale, yet diversified. In order to maximize its impact, CFF funds should focus on four program areas based on the four key sectors of the Watershed economy:
- **Program Area 1: Hamlets & Villages** – revitalization of hamlets and villages to expand the opportunities for retail, specialty services and tourism.
  - **Program Area 2: Manufacturing and Businesses** – revival of the manufacturing and business sector through a focus on specialty manufacturing, artisans and business and human service providers both in the Watershed and in immediately adjacent areas.
  - **Program Area 3: Tourism, Skiing, Recreation & the Arts** – enhancement of the tourism sector drawing on existing destinations and a new series of niche-based accommodations and attractions.
  - **Program Area 4: Natural Resource-Based Industries** – strengthened marketing of agriculture, forestry and mining products, maintenance of the traditional rural economic base of the Watershed in ways that enhance water quality and strengthen opportunities in retail, tourism, and other sectors of the Watershed economy.
4. **Provide a range of financial products.** The CFF is not a giveaway. Loan products must meet reasonable credit/risk standards and yet be flexible enough to accommodate a range of users including private entities, non-profit organizations and public agencies. Standards will vary depending on the strategic objective of the individual financial product. Initially, five financial products are proposed for the CFF – two loan products and three grant products: They are:
- **Direct Loans** -- to provide financing to for profit and not-for-profit business ventures and institutions that can demonstrate a compelling economic contribution to the Watershed;

- Micro-Loans – to provide needed capital to help small businesses get started, expand and/or remain in the Watershed;
- Job Creation Grants – to provide incentives for attraction, retention and creation of new jobs in Watershed towns;
- Environmental Excellence Grants – to assist projects that demonstrate environmental excellence;
- Non-Profit Program Support Grants – for planning, research, seed capital, program support for non-profit organizations and cultural activities;

Ultimately, the CFF could also provide high-risk equity capital for start-ups and business expansions.

5. Build an origination capacity that can identify and package development opportunities. This includes:
  - Experienced staff. Recruit an experienced staff with the capacity to identify and structure a diverse range of financial transactions; and
  - Institutional partnerships. Establish partnerships with banking institutions, local governments, and other development entities that allow these institutions to serve as partners with the CFF in loan and grant investments.
6. In the initial years, the CWC should utilize a bi-annual review process to modify Fund products and allocations in response to changing market conditions. Since the CWC is going to engage in experimentation in its early years, it will be necessary for the periodic revision of policies and procedures based on experiences and market shifts. This includes: Establishment of Board procedures for product review and fund re-allocation; and development of information, monitoring and servicing systems for the CFF.

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## 4. General Investment Criteria

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### Criteria for All Loans/Grants

Recipients of CFF loans and grants must meet a set of threshold criteria. These criteria is based on environmental considerations and the strategic objectives of the CWC. The following criteria apply to all loan and grant applications:

- Comply with environmental regulations. All loans and grants must demonstrate compliance with all applicable environmental statutes and regulations, including in particular the NYCDEP rules and regulations.
- Be Qualified Economic Development Projects. All loans and grants must be determined to be Qualified Economic Development Projects pursuant to criteria established and approved by the CWC Board. This includes an evaluation of the environmental soundness of projects within the Watershed, their consistency with water quality objectives, and the track record of compliance with environmental laws.
- Be consistent with the adopted objectives for CFF. All loans and grants must be consistent with the programmatic and sectoral goals for the CFF as adopted by the CWC.

### Additional Criteria for Loans

- Generate an economic impact. All prospective borrowers must demonstrate how the loan will help to generate an economic impact. The following factors will be considered:
  - Number of jobs created or retained;
  - Amount of loan requested;
  - Net economic effect of increasing or stabilizing the economy on the community, area and Watershed;
  - Competitive effect on existing businesses;
  - Support of public entities of the community and area;
  - The amount of owner's equity contributed to the project;
  - Compatibility with economic development plan of the area and state;
  - Type of business;
  - Payroll and pay structure;
  - Employee benefit package; and
  - Generate an environmental benefit.

- Be feasible. All prospective borrowers must also demonstrate that they have the capacity and experience to ensure the success of the project and that the project is feasible and has market support. The following factors will be considered:
  - The potential success of the business and the potential for creating quality jobs and the growth of those jobs;
  - The total capitalization of the project, which includes all capitalization both senior and subordinate to the CWC;
  - The terms and conditions of the loan and their compatibility with the needs of the business and the CWC; and
  - The availability of sufficient unencumbered collateral to secure the interests of the CWC.
- Be made to creditworthy borrowers. All borrowers must be credit-worthy, as determined by their character, experience, management record, background and capacity to repay the loan.
- Fill financing gaps. CFF loans must be used to fill financing gaps rather than providing a sole source of financing when other sources are available.
- Provide a stimulus to private investment and incentives for participation. CFF loans must be used to provide stimulus to private investment by providing incentives for participation by other financial partners.

## Additional Criteria for Grants

Three grant products are recommended:

- Job Creation Grants
- Environmental Excellence Grants
- Non-Profit Program Support Grants

The following criteria will be considered where applicable to the grant making activities of the CFF:

- Stimulate economic activity. All grants must stimulate long-term economic activity.
- Provide funds for projects that are not bankable. Grants should be provided only when no other source of funding is available and only for businesses/institutions/projects that cannot qualify for loan financing.
- Provide examples of environmental excellence. Grants to assist projects that demonstrate environmental excellence must be for projects, businesses and institutions that go beyond mere compliance with existing environmental laws and regulations – they

must provide an exemplary illustration of synthesis between water quality and economic development goals.

- Generate loan demand. Grants should be used to create loan demand by assisting projects in the pre-planning stages and by assisting businesses/institutions to identify other financial partners or structure transactions involving other public, private and non-profit sources of debt and equity.
- Default repayment provisions. Failure of recipients to live up to the conditions of the grant approval will constitute a default. Upon default, repayment will be expected.

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## 5. Program-Specific Investment Criteria and Action Items

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### Introduction

Based on the characteristics of the Watershed economy, it is recommended that the CFF focus on four primary program areas. These are:

Program Area 1: Hamlets & Villages

Program Area 2: Manufacturing & Businesses

Program Area 3: Tourism, Skiing, Recreation & the Arts

Program Area 4: Natural Resource-Based Industries.

This chapter provides investment criteria and recommended initial program activities for each of the respective program areas.

A portion of CFF funds may be made available to finance other types of projects. While, the primary focus on activity will be the four program areas defined above, CFF resources may also be made available to select projects and institutions that don't fit into any of the four Program Areas but provide an economic stimulus and meet environmental criteria. Since it is not possible to anticipate and establish criteria for all the possible projects that might be proposed, CWC staff will have to make case-by-case judgements as to the whether projects that don't conform to any of the four Program Areas provide a stimulus to the regional economy or fill some other legitimate need.

### Program Area 1: Hamlets & Villages

#### Program-Specific Investment Criteria

- Impact on retail/commercial economy. Loans/grants must provide measurable improvement to the retail/commercial economy of a village or hamlet, either by:
  - Improving appearance and functionality of main street
  - Diversifying retail/service opportunities
  - Increasing drawing power of retail/commercial establishments
  - Helping main street businesses to comply with environmental regulations
  - Providing matching funds for public infrastructure which is essential for economic development and environmental protection
  - Helping to preserve historic architecture

#### Initial Program Activities

Provide grants for a first round of Whole Hamlet Plans. The Whole Hamlet Planning Program is modeled on the success of the Whole Farm Planning Program. The Whole

Farm Planning Program sponsored by the Watershed Agricultural Council, sister organization to the CWC, is a voluntary program which offers technical and financial assistance to help farmers adopt farm practices to improve water quality and business management. The Whole Hamlet Planning program is similar to the Whole Farm Program except that it is oriented to villages and hamlets rather than agricultural establishments. Under the program, villages and hamlets prepare a strategic plan that identifies the inherent strengths of the hamlet, evaluates strategic needs, and produces a plan for capitalizing on those strengths in a manner that is consistent with water quality protection.

As a pilot effort, the CWC should provide planning and implementation grants ranging from \$5,000 to \$25,000 to five communities to produce a Whole Hamlet Plan. Loan and grant proposals in villages and hamlets with approved Whole Hamlet Plans in place could move rapidly through CWC's loan review process. Villages and hamlets that already have a comprehensive plan in place can use Whole Hamlet Planning grants for updates and implementation. The program will be designed to integrate with other available public sources of planning assistance.

There are several incentives for communities to participate in the Whole Hamlet Program. These include preferred access to grants and loan consideration, assurances of funding for implementation upon successful completion of the Whole Hamlet Plan and priority determination of QEDP for projects using a process comparable to that which is currently used in the Whole Farming Program.

Whole Hamlet Planning grants will have the following requirements: A match of at least 20% is required and consists of cash or in-kind services. Since the key goal of the program is to assist in the implementation of development strategies that are consistent with water quality protection, no more than \$10,000 can be used for planning purposes. No grant money can be used for administration. There will be a set time limit on preparation of plans. Repayment provisions apply to recipients who fail to meet the conditions under which the grant is awarded.

Steps in the pilot effort include:

1. Set aside an allocation of \$125,000 for the pilot round of grants for planning and implementation.
2. Issue an RFP to villages and hamlets soliciting grant proposals for Whole Hamlet Plans. Because the area and population density with hamlets and villages varies throughout the Watershed, grant sizes should vary from \$5,000, to \$25,000. These amounts are predicated on the fact that the community will establish a steering committee that will assist in data gathering etc
3. Each Whole Hamlet Plan should address the following issues:

- General statement of goals, objectives, principles, policies and standards;
  - Regional needs;
  - Existing and proposed location and intensity of land uses;
  - Identification of potential sites and projects;
  - Historic and cultural resources, natural resources and sensitive environmental areas;
  - Socio-demographic trends and projections;
  - Existing and proposed infrastructure and transportation;
  - Existing housing conditions and needs;
  - Existing and proposed recreation facilities and parkland;
  - Present and future location of commercial and industrial facilities;
  - Identification of specific projects to spur economic development;
  - Stormwater impact;
  - Wastewater impact;
  - Infrastructure impact; and
  - Implementation measures.
4. Review proposals and award pilot grants. Awards will be based on a combination of factors including, but not limited to:
    - quality and thoroughness of response;
    - evidence of local support and public participation in the process;
    - percent of grant to be used for implementation; and
    - percent of matching funds provided.
  5. After the first round of Whole Hamlet Plans have been approved, issue a second RFP for additional pilot grants.
  6. After second round of Whole Hamlet Plans have been approved, evaluate the pilot program and make modifications as necessary to establish a permanent program.

The CWC may wish to provide one of the first pilot implementation grants to a community which has a comprehensive plan in place that meets all “Whole Hamlet Plan” criteria. A community on the “fast track” could provide an example to other communities as to how the program works.

It is also recommended that guidelines be established to allow communities to prepare Whole Hamlet Plans outside of the RFP process. These guidelines with respect to the content and format of “Whole Hamlet Plans” would assist communities that have already completed substantial community planning work, in updating and adapting it into a “Whole Hamlet Plan.” In addition, it is possible that some communities might wish to take the initiative to prepare a “Whole Hamlet Plan” without financial assistance from the CWC.

- Provide grants for main street association projects. Main street associations are non-profit organizations comprised of local property owners, retailers and business owners organized to coordinate revitalization efforts and are funded through contributions from participating businesses. These organizations can use grants to conduct market studies, sponsor special events, conduct coordinated advertising and promotion campaigns, establish design guidelines and engage in streetscape, infrastructure and other physical improvements.
- Provide matching grants to villages and hamlets for streetscape/signage improvement programs. Matching grants should be provided to local government entities, local development organizations and main street associations to assist in making capital improvements that improve the appearance and functionality of main street retail districts through upgrades to signage, benches, pedestrian amenities, landscaping.
- Provide loans to small businesses and retailers. Small businesses and retailers in villages and hamlets often have short-term financial needs that could be filled through working capital or direct loans from CWC. These loans would be used for façade improvements, upgrade of displays and lighting and advertising and promotional campaigns.
- Provide subordinated loans for capital expansion projects of public facilities. Provide low-interest subordinate loans to public facilities such as libraries, civic associations and legion halls, to fill gaps as part of a broader capital improvement strategy involving other funding sources.

## Program Area 2: Manufacturing & Businesses

### Program-Specific Investment Criteria

- Job retention and creation. The investment should support the expansion/retention of existing businesses and the attraction/development of new businesses, or
- Market expansion. Investment should support businesses that expand the market for Watershed products and services or which introduce a new product line or diversify commercial activities.
- For adjacent areas, creation of jobs for Watershed residents. CFF investments may be made available to businesses located in Watershed towns, but outside of the Watershed boundaries as long as the investment supports the creation of jobs for Watershed residents. This presents an ideal opportunity to foster the job growth and economic vitality objectives of CFF, while minimizing water quality impacts.

## Initial Program Activities

- Provide grants through the Environmental Incentives Program. The goal of the EIP program is to encourage excellence in environmentally responsible economic development in the context of the New York City Watershed by assisting businesses in the development of pollution prevention and waste reduction practices and the evaluation of how these practices can increase productivity. Under the program, grants will be made available to businesses for technical assistance to complete environmental assessments. Grants will be available to businesses for implementation of new practices that help prevent water quality impacts. Grants for technical assistance would be limited by a cap to be established.

This program is designed to reward excellence rather than mere compliance. This program provides incentives for businesses to devise innovative approaches that demonstrate how economic development goals can be achieved while protecting water quality.

The CWC intends to enter into a professional services contract to develop and implement the EIP pilot program. Tasks in the development of the pilot program include:

- a) Development of outreach materials for distribution to the Watershed business community;
  - b) Development of program policies and guidelines;
  - c) Solicitation of businesses for participation in the pilot EIP;
  - d) Provision to participating businesses of an on-site assessment of environmental impacts and recommendations for mitigation;
  - e) Provision of assistance to businesses in mitigating water quality impacts including engineer selection, project management support, identification of alternative mitigation technologies/methodologies, identification of and application to receive additional sources of funding as well as EIP grants and REDI loans;
  - f) Develop criteria and selection process for environmental engineering firms to provide services to participating businesses;
  - g) Development of guidelines for business practices that minimize environmental impacts;
  - h) Preparation of final evaluation of pilot and recommendations for permanent program structure and budget;
- Explore the purchase of micro-loans originated by other local and regional financial institutions. The purchase of micro-loans originated by County IDA's and other non-profit organizations would introduce liquidity to the market and encourage greater origination volume. This activity might help the CWC to avoid the implementation and regulatory obstacles to creating their own micro-loan origination capacity. In addition it

would create meaningful institutional alliances and would avoid duplicating an activity for which several institutions are already involved. This activity raises a variety of MOA compliance issues (see Next Steps #6)

- Initiate and promote a business development strategy. To create an incentive for business retention, expansion and attraction in the Watershed, announce that a specific combination of grant and loan funds are available for each new job created in Watershed towns with a specific cap per business. Businesses are only eligible to receive a grant if they also qualify for and receive a loan from the CFF. Under this program, businesses cannot qualify for grants unless they qualify for and receive loans from the CFF. Grant levels would be tied to specific economic achievements. Priority for this program will be given to businesses that meet some or all of the following criteria:
  - businesses that provide a significant job impact,
  - businesses in villages or hamlets with approved Whole Hamlet Plans,
  - businesses that can demonstrate that job growth would not be possible but for the grants,
  - business development projects involving substantial private equity and debt,
  - businesses that can demonstrate that they stimulate other economic activity in the region.
- Continue to originate direct loans through the REDI Loan program. The CWC should build on their experience with the REDI Loan program and continue to provide loans to Watershed businesses including but not limited to service industries, manufacturers, telephone companies, utilities, developers of senior facilities and any other business that retains or creates jobs for watershed residents and/or generates economic activity.
- Develop a pilot program in an adjacent center of employment. As an initial effort, explore CWC investment in a proposed industrial park in Deposit.

### Program Area 3: Tourism, Skiing, Recreation & the Arts

#### Program-Specific Investment Criteria

- Increased imported economic benefits. The investment should increase the economic benefit imported into the region, either by:
  - Increasing the number of visits to the region
  - Increasing the duration of visits to the region
  - Increasing the average visitor spending in the region

- Institutional development (for arts organizations). Funds are to be used for arts institutions that have an ongoing rather than a one-time impact. Eligible recipients include existing theatres, galleries and arts organizations. Individual artists are ineligible for direct funding.

### Initial Program Activities

- Provide a grant to develop a comprehensive marketing campaign for Watershed products and tourism. The CWC should authorize a grant in order to hire an advertising or public relations firm in an effort to develop and promote a unified Watershed identity allied with water quality.<sup>4</sup> This firm should be charged with creating a strong, communicable identity which will express the Watershed's unique attributes to carefully defined target markets. The final products of this effort should be an advertising campaign and the development of a logo which can be used by producers of goods and services in promotional materials, as decals and whenever appropriate to promote the Watershed as an identifiable, cohesive place. The four New York State designated tourism promotion organizations that comprise "CATS" should invite the participation of the Schoharie County tourism group. A program should be devised for capturing the added value created by the logo and rechanneling this value into an ongoing promotional campaign. Grant funds could also be recovered by recapturing the value of the logo.
- Establish a matching grant program for local arts and cultural groups. Provide matching grants for expanded programming to arts and cultural organizations receiving support from the New York State Council on the Arts, the New York State Council for the Humanities or other arts and cultural funders. Grants will be available on a first come first serve basis. In limited instances, organizations with no other sources of funding may also be considered for grants, if they can demonstrate a legitimate contribution to the watershed economy.
- Provide subordinated loans to arts and cultural facilities for capital expansion projects. Provide low-interest subordinate loans to arts facilities to fill gaps as part of a broader capital improvement strategy involving other funding sources.
- Provide matching grants and recoverable grants to implement some of the recommendations in the Catskill Forest Preserve Public Access Plan. The plan provides a series of recommendations for actions designed to increase access to the Catskill Forest Preserve in a manner that is consistent with water quality standards. Action items that might benefit from CFF funding include:
  - Provision of matching grants for the development of maps and publications highlighting the recreational opportunities of the Catskill Forest Preserve;

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<sup>4</sup> During the course of our study, some sentiment was expressed for the development of a "Catskill Brand". Although this is not our recommendation, the final decision on this matter will be left to CATS.

- Provision of matching grants to expand the Catskill environmental education initiative;
- Provision of recoverable grants for planning studies on improvement to the Catskill Forest Preserve trail system and for the creation of an inn-to-inn trail system;
- Continue to provide grants to regional tourist promotion boards. Continue to support organizations that promote regional tourism in the Watershed.
- Provide gap financing to the smaller ski areas for upgrade of facilities. The smaller ski areas include: Bobcat, Cortina, Scotch Valley and Plattekill. Loans should be made available for capital improvements designed to enhance the on-mountain experience. No loans should be made for real estate development in conjunction with ski areas. Loans will only be made with substantial equity contributions and substantial participation of private lending institutions and should comprise no more than 20% of total project costs.
- Provide matching grants to villages and hamlets adjacent to ski areas for streetscape/signage improvement programs. Matching grants should be provided to local government entities, local development organizations and main street associations in Watershed towns to make capital improvements that improve the appearance and functionality of main street retail districts adjacent to ski areas through upgrades to signage, benches, pedestrian amenities, landscaping.
- Provide targeted loans to small businesses and retailers in villages adjacent to ski areas. Provide loans to small businesses and retailers in villages and hamlets adjacent to ski area for inventory, upgrade of displays and lighting, advertising and promotion campaigns, payroll for additional staff, display cabinets, furniture and fixtures. Such loans would be made available primarily to businesses in the Watershed, although in special circumstances loans may be made available to businesses outside of the Watershed in Watershed towns, if such businesses can demonstrate that by virtue of their location and/or service offered they contribute to the overall appeal of ski areas or serve as a major source of employment to Watershed residents. In addition, micro-loans could be made available to business owners and retailers in villages and hamlets adjacent to ski areas to pay for small improvements such as new signage, a fresh coat of paint, a bench or modest landscaping.
- Provide matching funds for joint marketing of ski areas. Provide matching funds to create an incentive for joint marketing of ski areas including shared tickets and joint advertising campaigns that establishes a brand image for Watershed ski areas.
- Provide loans for development and upgrades of restaurants, small-scale hotels, inns and bed & breakfasts. Provide working capital or direct loans for small-scale lodging development and upgrade to fill market gaps. Loans will only be made with substantial equity contributions and substantial participation of private lending institutions and should comprise a limited portion of total project costs.

- Provide planning grants, seed money and gap financing for large-scale resort development. Provide recoverable grants for feasibility studies and seed money, as well as gap financing for planning, site work and infrastructure development associated with environmental compliance for larger hotel projects. In all cases, it must be demonstrated that the project will not result in secondary growth (e.g, new or expanded roads or additional housing) that would adversely impact water quality.
- Provide matching funds for stream clean-up efforts. Funds can be provided to initiate an Adopt-a-Stream program where local companies and institutions provide matching funds and in-kind contributions to remove litter and debris from local streams and rivers. Funds can also be used for promotional events to raise public awareness of the importance of stream stewardship and tourism.

## Program Area 4: Natural Resource-Based Industries

### Program-Specific Investment Criteria

- Participants of the Whole Farm Program, smaller farms that do not meet the WAC definition of a farm and forestry and mining companies and other natural resource-based industries are eligible for loans and grants. Additional eligibility objectives of project/activities include:
  - Retention/expansion of existing natural resource-based businesses
  - Introduction of new natural resource-based products that are consistent with water quality standards and provide economic opportunities;
  - Assistance with distribution of agricultural, forestry and mining products;
  - Expansion of the market for agricultural, forestry and mining products/services
  - Assistance with needed capital improvements to preserve existing agricultural businesses

### Initial Program Activities

- Provide loans to expand production of specialty or “niche” market produce for fine restaurants and other consumers. There is substantial demand in the Manhattan fine restaurant and other markets for specialty or niche market produce from the watershed. WAC is now in the second year of a successful demonstration program on target to sell as much as \$1,000,000 of products to 20 4-star restaurants in New York City. At present, this Restaurant Supported Agriculture (“RSA”) program also involves some 20 local farmers who are growing items, ranging from fingerling potatoes to rabbits, under up-front purchasing commitments from the restaurants. The program is now being incorporated as a farm cooperative known as Catskill Family Farms and will be gradually weaned off WAC support so as to be self-supporting in future years. Additional farm

cooperatives specific to meat and dairy producers will probably also be created. Some of the products will be organic, but all will be linked to the WAC Whole Farm Planning and water quality management programs.

- Provide loans to expand opportunities for value-added enterprises. Fund targeted programs combined with CWC capital to attract and/or assist the development of value-added agricultural, forestry and mining enterprises. In the agricultural area, this includes farmstead milk bottling, cheese production and similar ventures which will result in further processing of dairy and other agricultural products within the Watershed itself so as to capture more product value regionally. Organic processes can also add value and can be applied not only to fruits and vegetables, but also meat, milk, Christmas trees and a variety of other products. In the area of forestry and mining, this includes woodcraft industries, cabinet-making, storage building and outdoor furniture and patio manufacturing, as well as similar ventures that will result in further processing of forestry and other forestry and bluestone products within or near the Watershed so as to capture more product value regionally.
- Provide grants and loans to assist in the development of distribution network for natural resource-based cooperatives. Agricultural, forestry and mining cooperatives require seed money and other capital to expand their distribution capacity.

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## 6. Institutional Arrangements and Technical Assistance

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### Technical Assistance

Loans and grants alone will not be able to expand the Watershed economy. Because of the unique circumstances within the Watershed, the nature of the loans/grants to be provided through the CFF and the nature of the prospective pool of borrowers, a range of technical services must be provided to insure that CFF funds achieve optimum economic impact. There are numerous existing organizations capable of providing such assistance. CWC should establish partnerships with such organizations and coordinate the delivery of such assistance with partner organizations.

Three types of technical assistance are needed:

- **Business Development Assistance** Small businesses and start-ups, particularly those receiving micro-loans and recoverable grants, will require a range of business development assistance including coherent business plan development, basic accounting for small businesses, marketing assistance, etc. Possible partners in providing this assistance include:
  - County IDAs
  - Local Non-Profit Organizations
  - The Boards of Cooperative Educational Services.
  - The SUNY System
  - County Private Industry Councils
  - The Small Business Development Centers
  - Service Corps of Retired Executives (SCORE)
  - The Office of Employment and Training (Delaware County)
  - New York State Department of Labor
- **Environmental Compliance Assistance.** Many borrowers, including those that are sophisticated and experienced businesses, may need technical assistance in complying with the regulations (e.g. City, State, Federal and local). This is key role for the CWC. An important component of this role is the recruitment of an experienced environmental specialist who will coordinate the provision of such assistance.
- **Coordination and Financial Packaging.** Many business ventures will require loans, grants and other forms of assistance from multiple public, non-profit and private sources. The CWC can play an important role by providing transaction assistance and financial packaging services. In a more general sense, the CWC can serve as a central clearinghouse for information about other public, private and non-profit financial and

technical resources available to Watershed businesses and institutions. The next step is to hire one or several staff members with expertise that will facilitate the provision of financial packaging and coordination assistance. This might include a Technical Assistance Officer with Loan Processing Expertise, a Technical Assistance Officer who could serve as a Linkage Coordinator, and a Grant Writer.

## Institutional Arrangements

There are numerous ways in which the CWC can develop alliances with public, private and not-for-profit institutions to strengthen local capacity to engage in economic and community development. As mentioned above, one way is to enter into partnerships with existing institutions to provide technical assistance to borrowers. Other institutional arrangements include:

- **Solicit Funds from Other Sources.** The CWC should augment its original funding base of contributions from New York City by establishing institutional alliances with other public and philanthropic sources of funding.
- **Establish Investment Partnerships.** The CWC should establish partnerships with banking institutions, local governments and other development entities that allow these institutions to serve as partners in loan and grant investments.
- **Purchase Micro-Loans.** The CWC should explore the purchase of micro-loans originated by other local and regional financial institutions to introduce liquidity to the market and encourage greater origination volume.
- **Encourage Marketing Alliances.** The CWC should encourage county and regional marketing efforts by providing grants to county tourism promotion boards and “CATS” as well as the Schoharie County tourism group to develop a comprehensive marketing campaign for Watershed products and tourism.

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## 7. Business Plan and Cash Flow Projections

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### Introduction

This chapter contains a preliminary business plan and operating budget for the CFF. The purpose of the plan and budget is to create a framework for envisioning the steps to be taken to begin originating loans and grants and to anticipate the level and nature of the cash flow that could be generated from a plausible origination volume.

Under the proposed plan, the CFF will start with an origination/servicing staff of four. Initial staff will include a Fund Director and three loan officers, each with a different specialization: a Business Plan Developer, an Environmental Compliance Specialist and a Program Officer/Whole Hamlet Plan Manager. Over time, staff size is likely to increase to handle additional origination/servicing volume. Staff hired at a later date may include one or several junior loan officers, loan/grant administrators or other types of specialized staff to fill needs that may emerge. Overhead costs have been estimated at 70% of total salaries. Over time actual overhead costs may vary significantly from this estimate.

In addition to direct salaries, the CFF provide funds to cover State of New York Environmental Facilities Corporation (EFC) costs, as required in the Watershed Agreement. Pursuant to the Watershed Agreement, the EFC is under contract with the CWC and NYCDEP to provide for the administration and disbursement of CFF funds for the CWC. For the purposes of this analysis, the amount of money paid to the EFC from CFF funds has been estimated at \$25,000 for the baseline year, based on their current contract with the CWC. HR&A projected that EFC costs could triple from \$25,000 in 2000 to \$75,000 in 2008, depending on the level of CFF grant and loan activity. Actual costs may vary significantly from this projection. Figure 1 is a Projection of Staff and Overhead Requirements through 2008.

### Operating Budget Implications

\$3.9 million in origination activity is projected. Twenty percent of all annual origination volume will be in grants. Approximately \$500,000 in loan losses are expected annually once the fund is up and running. Figure 2 is a summary of the origination characteristics for the five CFF products.

Based on these origination assumptions, a Proforma Balance Sheet and Profit & Loss Statement have been generated for the CFF for 2000 through 2008. This statement is included as Figure 2. The statement has several key implications:

- By 2008, the CFF will have originated over \$30 million in investments in local businesses, institutions and projects. This includes over \$25 million in loans and \$6 million in grants. Even with a projected \$3.3 million in losses, the fund will still have an asset base of \$75.8 million for future investment activity including \$63.8 million in cash.
- The CFF can be a self-sustaining institution. The proposed origination structure provides for net asset build-up over time. Even after cash stops being deposited into the CFF endowment, revenue from interest and fees and loan principal repayments will provide enough of a base to maintain the CFF loan and grant origination endowment over time. Under the above origination assumptions, the CFF can be a self-sustaining institution even if no other sources of funding are tapped other than those provided in the terms of the MOA.
- Repayment of loans provides opportunities for additional grants over time. The key assumption of the origination system envisioned for the CFF is that a critical mass of the endowment is loaned to borrowers and projects that have that capacity to repay. After 2002, when all the money from New York City will have been received, repaid loan principal will provide the primary source of capital to be used for loan and grant making. Since the MOA stipulates that up to 20% of any year's origination budget can be used for grants, it is essential that a substantial portion of the loans have a strong likelihood of principal repayment.
- Ample revenue for distribution to the CWC for other uses allowed under the MOA. The budget envisioned herein provides for over \$2.8 million in annual revenue from origination fees and interest earnings. With projected overhead and salary expenses averaging less than a million dollars a year at stabilization, there is ample revenue remaining for distribution to support the costs incurred by the CWC for other uses allowed under the MOA.

Figure 1: Projection of CFF Staff and Overhead Cost Projections 1999 – 2008

|                                 | Average Salary | 2000           | 2001           | 2002           | 2003           | 2004           | 2005           | 2006           | 2007           | 2008           |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Staff                           |                | 4              | 4              | 5              | 5              | 6              | 6              | 6              | 6              | 6              |
| Total Salaries                  | 35,000         | 140,000        | 140,000        | 175,000        | 175,000        | 210,000        | 210,000        | 210,000        | 210,000        | 210,000        |
| EFC Costs <sup>5</sup>          |                | 25,000         | 25,000         | 45,000         | 45,000         | 55,000         | 55,000         | 65,000         | 65,000         | 75,000         |
| <i>Total Staffing Costs</i>     |                | <i>165,000</i> | <i>165,000</i> | <i>220,000</i> | <i>220,000</i> | <i>265,000</i> | <i>265,000</i> | <i>275,000</i> | <i>275,000</i> | <i>285,000</i> |
| Overhead                        | 70%            | 115,500        | 115,500        | 154,000        | 154,000        | 185,500        | 185,500        | 192,500        | 192,500        | 199,500        |
| <i>Total Staff and Overhead</i> |                | <i>280,500</i> | <i>280,500</i> | <i>374,000</i> | <i>374,000</i> | <i>450,500</i> | <i>450,500</i> | <i>467,500</i> | <i>467,500</i> | <i>484,500</i> |

<sup>5</sup> EFC baseline costs are based on the CWC Budget for FY1999. For the purposes of this analysis, it was assumed that increases in loan/grantmaking activity from 2000 to 2008 would triple EFC costs over that period from \$25,000 to \$75,000. Actual costs may vary.

Figure 2: CFF Origination Summary

|  | Direct Loans | Micro-Loans | Job Creation Grants | Non-Profit Program Support Grants | Environmental Excellence Grants |
|--|--------------|-------------|---------------------|-----------------------------------|---------------------------------|
| Average Loan/Grant Size                | \$150,000    | \$15,000    | \$15,000            | \$15,000                          | \$15,000                        |
| Origination Volume at Start-Up (#)     | 10           | 20          | 10                  | 10                                | 10                              |
| Origination Volume at Start-Up (\$)    | \$1,500,000  | \$300,000   | \$150,000           | \$150,000                         | \$150,000                       |
| Annual Origination Volume in 2003 (#)  | 15           | 60          | 18                  | 18                                | 18                              |
| Annual Origination Volume in 2003 (\$) | \$2,250,000  | \$900,000   | \$262,500           | \$262,500                         | \$262,500                       |
| Interest Rate                          | 5.5%         | 8.0%        | N/A                 | N/A                               | N/A                             |
| Amortization                           | 25           | 0           | N/A                 | N/A                               | N/A                             |
| Loan Term (Years)                      | 5            | 2           | N/A                 | N/A                               | N/A                             |
| Annual Payments                        | 12           | 12          | N/A                 | N/A                               | N/A                             |
| Origination Fee                        | \$250        | \$100       | \$250               | \$250                             | \$250                           |
| Annual Loss Rate                       | 10%          | 25%         | N/A                 | N/A                               | N/A                             |

Figure 3: Proforma Balance Sheet and Profit & Loss Statement

|  | 2000              | 2001              | 2002              | 2003              | 2004              | 2005              | 2006              | 2007               | 2008               |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| <b>Proforma Balance Sheet</b>                  |                   |                   |                   |                   |                   |                   |                   |                    |                    |
| <b>Assets</b>                                  |                   |                   |                   |                   |                   |                   |                   |                    |                    |
| Cash on Hand                                   | 32,742,845        | 44,575,187        | 56,380,507        | 56,938,075        | 57,864,186        | 58,870,398        | 60,190,926        | 61,969,036         | 63,819,052         |
| Loans Outstanding (Net of Losses):             |                   |                   |                   |                   |                   |                   |                   |                    |                    |
| Direct Loans                                   | 2,657,675         | 4,094,923         | 5,799,082         | 7,801,479         | 8,771,895         | 9,481,321         | 10,147,236        | 10,516,050         | 10,516,050         |
| Micro-Loans                                    | 513,000           | 660,000           | 1,063,500         | 1,429,500         | 1,539,000         | 1,539,000         | 1,539,000         | 1,539,000          | 1,539,000          |
| <i>Total Loans Outstanding (Net of Losses)</i> | <i>3,170,675</i>  | <i>4,754,923</i>  | <i>6,862,582</i>  | <i>9,230,979</i>  | <i>10,310,895</i> | <i>11,020,321</i> | <i>11,686,236</i> | <i>12,055,050</i>  | <i>12,055,050</i>  |
| <b>Total Assets</b>                            | <b>35,913,520</b> | <b>49,330,111</b> | <b>63,243,089</b> | <b>66,169,055</b> | <b>68,175,081</b> | <b>69,890,719</b> | <b>71,877,162</b> | <b>74,024,087</b>  | <b>75,874,102</b>  |
| <b>Proforma Profit &amp; Loss Statement</b>    |                   |                   |                   |                   |                   |                   |                   |                    |                    |
| <b>Revenue</b>                                 |                   |                   |                   |                   |                   |                   |                   |                    |                    |
| Loan/Grant Origination Fees                    | 9,500             | 10,917            | 15,083            | 18,500            | 18,500            | 18,500            | 18,500            | 18,500             | 18,500             |
| Interest Earned on Loans Outstanding           | 195,266           | 286,923           | 417,381           | 570,489           | 637,804           | 677,126           | 715,572           | 738,313            | 738,313            |
| Interest Earned on Cash in Endowment           | 5%                | 1,068,532         | 1,637,142         | 2,228,759         | 2,819,025         | 2,846,904         | 2,893,209         | 2,943,520          | 3,009,456          |
| <b>Total Revenue</b>                           | <b>1,273,298</b>  | <b>1,934,982</b>  | <b>2,661,224</b>  | <b>3,408,015</b>  | <b>3,503,208</b>  | <b>3,588,836</b>  | <b>3,677,592</b>  | <b>3,766,359</b>   | <b>3,855,265</b>   |
| <b>Expenses</b>                                |                   |                   |                   |                   |                   |                   |                   |                    |                    |
| Loan Loss Reserves                             | (106,896)         | (120,950)         | (180,714)         | (391,556)         | (467,358)         | (472,885)         | (505,977)         | (550,641)          | (550,641)          |
| Administrative Expenses                        | (280,500)         | (280,500)         | (374,000)         | (374,000)         | (450,500)         | (450,500)         | (467,500)         | (467,500)          | (484,500)          |
| Distribution to CWC <sup>6</sup>               | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                  |
| <b>Total Expenses</b>                          | <b>(387,396)</b>  | <b>(401,450)</b>  | <b>(554,714)</b>  | <b>(765,556)</b>  | <b>(917,858)</b>  | <b>(923,385)</b>  | <b>(973,477)</b>  | <b>(1,018,141)</b> | <b>(1,035,141)</b> |
| <b>Net Revenue</b>                             | <b>885,902</b>    | <b>1,533,532</b>  | <b>2,106,510</b>  | <b>2,642,459</b>  | <b>2,585,349</b>  | <b>2,665,451</b>  | <b>2,704,115</b>  | <b>2,748,218</b>   | <b>2,820,124</b>   |
| <b>Capital Transactions</b>                    |                   |                   |                   |                   |                   |                   |                   |                    |                    |
| Cash Deposited                                 | 12,436,310        | 12,436,310        | 12,436,310        | 0                 | 0                 | 0                 | 0                 | 0                  | 0                  |
| Net Revenue                                    | 885,902           | 1,533,532         | 2,106,510         | 2,642,459         | 2,585,349         | 2,665,451         | 2,704,115         | 2,748,218          | 2,820,124          |
| Principal Repayments                           | 300,000           | 300,000           | 450,000           | 1,852,609         | 2,278,261         | 2,278,261         | 2,553,914         | 2,967,392          | 2,967,392          |
| Loans/Grants Originated                        | (2,250,000)       | (2,437,500)       | (3,187,500)       | (3,937,500)       | (3,937,500)       | (3,937,500)       | (3,937,500)       | (3,937,500)        | (3,937,500)        |
| <b>Net Cash to Endowment</b>                   | <b>11,372,212</b> | <b>11,832,342</b> | <b>11,805,320</b> | <b>557,568</b>    | <b>926,111</b>    | <b>1,006,212</b>  | <b>1,320,528</b>  | <b>1,778,110</b>   | <b>1,850,016</b>   |
| <b>Summary of Origination Activity</b>         |                   |                   |                   |                   |                   |                   |                   |                    |                    |
| Loans Originated                               | 1,800,000         | 1,950,000         | 2,550,000         | 3,150,000         | 3,150,000         | 3,150,000         | 3,150,000         | 3,150,000          | 3,150,000          |
| Grants Originated                              | 450,000           | 487,500           | 637,500           | 787,500           | 787,500           | 787,500           | 787,500           | 787,500            | 787,500            |
| <b>Total Loans and Grants Originated</b>       | <b>2,250,000</b>  | <b>2,437,500</b>  | <b>3,187,500</b>  | <b>3,937,500</b>  | <b>3,937,500</b>  | <b>3,937,500</b>  | <b>3,937,500</b>  | <b>3,937,500</b>   | <b>3,937,500</b>   |

<sup>6</sup> Distribution of net CFF revenue to CWC is permitted for other allowable uses under the MOA. The amount of such uses will be determined by the CWC.



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## 8. Action Plan

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The following Action Plan provides a series of practical next steps for the CWC to pursue. While these steps are presented in a logical sequence, they do not represent a “recipe” to be followed. It is acknowledged that the implementation of CFF loan, grant and technical assistance programs will be a gradual process and the sequence of implementation activities may or may not follow the sequence listed below.

1. Adopt fund objectives. Chapter 3 of this Final Economic Study identifies seven overall objectives for CFF investments:
  - Respect the natural environment as an asset and maintain the clean and pristine character of the Watershed communities;
  - Encourage growth of industries and businesses that are compatible with clean water standards;
  - Strengthen the economies of hamlets, towns and village centers while supporting and promoting a protected working landscape;
  - Provide incentives for environmentally sound business practices;
  - Support entrepreneurial endeavors which will provide job opportunities,
  - Maximize available resources; and
  - Utilize funds as a catalyst for stimulating public private investment and economic activity.

The CWC Board should adopt these objectives in principal.

2. Adopt a business plan and budget. The business plan and budget outlined in this Final Economic Development Study represents a framework which the CWC should use in formulating a detailed business plan and budget to be adopted by the Board.
3. Establish target spending guidelines by sector. The CWC should establish specific annual spending targets for each of the four program areas. At the end of the year, the guidelines can be reviewed and refined in light of actual spending activity. These guidelines will provide incentives for the CWC to seek out a balanced portfolio of investments in all four program areas. The annual process of reviewing targets against actual investment activities will help CWC staff to set realistic, achievable investment goals.
4. Recruit additional staff. Provision of technical assistance around Watershed issues is a priority and the CWC has already started recruiting for the following two positions:
  - Business Plan Developer. Responsibilities include:

- Provision of general assistance with the application process;
  - Provision of assistance at developing business plans that meet application requirements;
  - Coordination with potential partner organizations to provide business development training services; and
  - Communicating the role of the CWC and the opportunities presented by the CFF to area residents and businesses.
- Environmental Compliance Specialist. Responsibilities include:
    - Being a sounding board for questions, suggestions and complaints;
    - Communicating with various business owners, environmental consultants and government representatives;
    - Assistance in assessment of environmental impacts and risks to water quality;
    - Assisting and coordinating outside consultants with the Environmental Incentives Program;
    - Providing "walk through" assistance of the regulatory processes of the Watershed;
    - Help businesses to identify measures to prevent impacts;
    - Guide businesses through the procedures to obtain approvals for new projects or expansions; and
    - Assistance and advice on the available financial and technical resources to mitigate impacts.

Ultimately the CWC will need to recruit staff with expertise in each of the four program areas. In the initial years however, when activities are limited and origination volume is low, a limited number of staff members can manage several roles. The following are preliminary job descriptions of two additional positions needed:

- Fund Director. Responsibilities include:
  - General management and administrative oversight;
  - Design and implementation of new program initiatives;
  - Monitoring existing programs and products to ensure organizational goals and objectives are met;
  - Overseeing and reviewing loan write-ups;
  - Training and managing staff;
  - Troubleshooting complex credit analysis of potential borrowers;
  - Managing significant stakeholder relationships;
  - Development and maintenance of key strategic alliances;
  - Managing marketing and capitalization initiatives.
- Program Officer/Whole Hamlet Plan Manager. Responsibilities include:
  - Soliciting Whole Hamlet Planning grant applications;

- Analyzing Whole Hamlet Plan requests;
- Preparing Whole Hamlet Plan recommendations to the Loan Committee;
- Monitoring and overseeing the Whole Hamlet Planning program; and
- Encouraging partnerships with County Planning agencies and other organizations;
- Assisting the Fund Director with program and policy efforts.

## 5. Initiate and Evaluate Pilot Programs in each of the Program Areas.

- Program Area 1: Hamlets and Villages
  - Provide grants for a first round of Whole Hamlet Plans
  - Provide funding for implementation and incentives for participating in the Whole Hamlet Program
  - Continue administering the REDI Loan program
  - Provide assistance through the Environmental Incentives Program
- Program Area 2: Manufacturing and Businesses
  - Continue administering the REDI Loan program
  - Provide assistance through the Environmental Incentives Program
  - Initiate and promote job creation through the Job Creation Incentives Program
- Program Area 3: Tourism, Skiing, Recreation and the Arts
  - Establish a matching grant program for local arts groups
  - Provide a grant to develop a comprehensive marketing strategy including development of a Watershed “brand” identity campaign
  - Continue administering the REDI Loan program
  - Provide assistance through the Environmental Incentives Program
- Program Area 4: Natural Resource-Based Industries
  - Provide support to natural resource-based cooperatives, support organizations and businesses for business and product development and marketing.
  - Continue administering the REDI Loan program
  - Provide assistance through the Environmental Incentives Program

There are several elements of the CWC by-laws and the MOA, which, if left unresolved, could substantially delay the implementation of this plan. These items have been identified and discussed in detail in Reports 1 and 2. They include requirements for the geographic allocation of funds, the details and application of the right of objection, the role of the EFC, the criteria for a QEDP, the definition of a loan and grant and restriction of the use of intermediaries for origination. We urge the CWC to convene the appropriate parties to convene discussions on how to resolve these issues to assure that they are not obstacles to action. The purpose here is not to reopen the MOA, but to provide clarification on the practical application of the MOA.

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## 9. Conclusion: The Implementation Challenges

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### Laying a Solid Foundation

The Fund for the Future will get very large very fast. This experience is in contrast to many other such development lending efforts which develop large scale lending activities as a result of a five or ten year process of program development. Also, few ever reach the size of the Fund.

This rapid growth will put pressure on the CFF to adopt procedures and develop staff resources in a timely manner. If adequate staff resources are not available or fair and impartial procedures are not in place, the CWC runs the risk of limiting access to the CFF by watershed communities. Simply announcing that resources are available is not enough. An aggressive, pro-active approach to project development is required to create jobs and increase tax revenues. To that end, we suggest the following actions:

- The CWC must develop CFF loan products that enable it to retain a strong asset base over time. While up to twenty percent of all originations can be targeted to grants and there is a demonstrable need for high-risk loans and equity products, in order for the CWC to continue to be a self-sustaining institution, a substantial portion of CFF debt must be underwritten and originated with the expectation that principal repayment will occur.
- The CFF must provide a diverse product mix. The diversity of the Watershed's economy requires a diverse mix of financial products targeted to a wide range of borrower types requiring grants, loans and equity of different sizes and characteristics.
- The CFF must provide simple loan products and be capable of quick response. It is anticipated that many of the loans provided through the CFF will be extremely small in scale and will be provided to borrowers and projects posing negligible, if any, potential environmental impacts. Entrepreneurs and small businesses require speedy approvals and have little patience with bureaucracy. Programs that become too complicated and bureaucratic are doomed to fail.
- Loan review must be streamlined to manage origination costs. From an administrative perspective, it is not financially feasible or expeditious to require every single micro-loan to be subject to full loan committee review and approval as well as review by environmental oversight agencies. If possible, under the MOA, CFF staff should have the administrative authority to approve and originate micro-loans and other small loans and grants that meet threshold environmental tests.

- The CFF must establish a decision making process that approves and executes transactions in an efficient, fair and equitable manner. This will require the establishment of Board policies that define programs, regulations and budget allocations, the establishment of appropriate limits for staff execution of loans and the establishment of policies that allow for loan review by a Loan Committee which includes the CWC and private sector individuals.
- The CFF must have autonomy in loan and grant-making decisions. A key to the success of many not-for-profit economic development lenders is their ability to act autonomously in their loan and grant-making decisions. This requires an independent loan committee with private sector representation.
- The CFF must provide technical assistance, research and advocacy necessary to identify and structure financial transactions. The CFF is going to have to adopt a pro-active approach to seeking out prospective transactions and packaging deals. Staff will often be called upon to provide a range of technical assistance and other services in support of current and prospective borrowers in order for projects to succeed.
- The CFF must utilize a bi-annual review process that creates the flexibility to modify Fund projects and allocations in response to changing market conditions. Until the CFF begins originating a high volume of loans and grants, it will be difficult to know how programs need to be designed, calibrated and marketed to produce the appropriate volume of high quality economic activity. The CFF should expect to spend several years reviewing and rethinking its mix of products and allocation of products among sectors before it arrives at an appropriate balance.
- The CFF must have the flexibility to use funds in adjacent centers of employment. Because of potential threats to water quality posed by some projects and ventures, the CFF should seek to finance projects that create jobs for Watershed residents but are located outside of the Watershed. In limited instances, the CFF may also seek to encourage non-complying existing companies in their efforts to relocate from the Watershed to new locations immediately outside of the Watershed as long as such relocations do not result in substantial job losses for Watershed residents.

## Communications

Public understanding of the future of the Watershed economy is vital to the future of the CWC and the Fund for the Future. This report describes the available opportunities for growth and the relationship between economic opportunity and environmental quality, two goals often seen as being more often in conflict than in concert. Those opportunities and the role of the CFF in pursuing those opportunities are not widely understood. In addition, the risks and benefits of a banking institution that earns and loses money on loan products is also not

widely understood. As a publicly accountable organization, this lack of understanding poses serious long-term risks.

To create an informed base of public opinion, and to encourage a vigorous ongoing dialogue, the CWC should substantially broaden its communication efforts. Among the ideas that should be considered are:

- Establish a semi-annual or annual community forum or economic summit devoted to job creation and economic development. Each forum could include presentations on topics such as the future of the ski industry, using the forests for recreation, specialty agricultural products, etc.
- Increase the frequency of mailings, including shorter pieces that focus on individual firms or hamlets. The CWC should develop and expand its mailing list and create targeted narratives focusing on current projects and recent successes.
- Support the dissemination of news and information through a variety of outlets. There is no single broadcast outlet that reaches all residents in the Watershed. The mountainous topography makes it impossible for any single local radio station to reach the whole region. Therefore, it will be necessary to communicate with the public through a wide range of media outlets, including, but not limited to various radio stations and the local press.
- Bring together the region's elected officials and media more regularly for briefings and tours of successful economic development projects. Active participation by public stakeholders can only serve to bolster the capacity of the CWC to do its job effectively.
- Hold public education forums that bring to the Watershed economic developers from around the nation that have had comparable experiences. There is a lot to be learned from other regions of the country that share some of the Watershed's economic and demographic characteristics. Ultimately, the Watershed may provide a model to other areas confronting similar environmental challenges.

These activities can be funded through interest income and staffed as deemed appropriate. In addition, some additional professional help may be needed to assist in the preparation of the communications program.

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## 10. Appendices

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### Appendix A: CWC Board

James Brown, Supervisor, Town of Gilboa  
Anthony C. Bucca, Town of Hunter  
Erin Crotty, Deputy Commissioner, NYSDEC  
Deborah Meyer DeWan, Scenic Hudson  
Martin A. Donnelly, Supervisor, Town of Andes  
James E. Eisel, Sr., Supervisor, Town of Harpersfield  
Michael Flaherty, Councilman, Town of Jewett  
Joseph P. Hanley, Supervisor, Town of Walton  
Edward Jennings, Jr., Ulster County Legislature  
Charles LaFever, Supervisor, Town of Bovina  
Georgianna Lepke, Supervisor, Town of Neversink  
Sandra Allen, Alternate for Erin Crotty  
Perry Shelton, Councilman, Town of Tompkins  
William N. Stasiuk, Deputy Commissioner, NYCDEP  
Ira Stern, Alternate for William Stasiuk  
Ward Todd, Ulster County Legislature

## Appendix B: CWC Steering Committee

David Barnet, Assistant Director, Watershed Lands and Community Planning, NYC  
Department of Environmental Protection  
John Bartow, Director of Local Government Services, NYS DOS  
Richard Bishop, Marketing Director, Watershed Agricultural Council  
Helen Budrock, Assistant Director Catskill Center for Conservation and Development  
Peter Carafano, Director, Ulster County Tourism/Public Information  
Gerry Davidson, Executive Director, Ulster County Development Corporation  
Michael Davidson, Sullivan County Visitor's Association  
Bob Fetterly, Director, Private Industry Council  
Jennifer Gould, Director, M-ARK Project, Margaretville.  
Joseph Hanley, Supervisor, Town of Walton  
Herb Hekler, Director, Ulster County Planning Department  
Peter Markou, Economic Developer, Greene County Promotion Department  
C. Kerk Moore, Director, Greene County Promotion Department  
Ronald O'Brien, Deputy Commissioner, NYS Department Economic Development  
Ray Pucci, Director, Delaware County Chamber of Commerce  
Ron Roth, Director, Greene County Planning Department  
Joseph Serbin, Empire State Development Corporation  
Alan Sorensen, Commissioner of Planning and Community Development, Sullivan County  
Ira Stern, Director, Watershed Lands and Community Planning, NYC DEP  
Mike Sullivan, President, Sullivan County Partnership for Economic Development  
Alicia Terry, Schoharie County Planning Director  
David Trevisani, Director, National Development Council  
Robin Turner, Supervisor, Town of Stamford  
Jody Zakrevsky, Delaware County Planning Director

## Appendix C: List of Interviewees

David Avery, The Delaware National Bank of Delhi  
Mark Baez, Vice President, Partnership for Economic Development  
David Barnet, Department of Environmental Protection  
Jim Batsford, Director, Schoharie County Chamber of Commerce  
Cynda Berger, At-A-Glance, Sidney  
Rick Bishop, Watershed Agricultural Council  
Steve Botti, Mayor, Village of Hunter  
Clayton Brooks, Former CWC Board Member  
James Brown, Chairman, Schoharie County Board of Supervisors, CWC Board  
Jennifer Brylinsky, President, IDA  
Tony Bucca, CWC Board  
Helen Budrock, Catskill Center for Conservation and Development  
Dale Carlson, President, National Bank of Delaware County  
Ray Christensen, Chairman, Delaware City Board of Supervisors  
Regina Clark, Director of Business & Industry, SUNY Delhi  
William Coleman, The National Bank of Stamford  
Erin Crotty, CWC Board  
Jerry Davidson, Executive Director, Ulster Development Corporation  
Deborah DeWan, CWC Board  
Darlene Downing, Executive Director, Catskill Center for Conservation and Development  
Dennis Doyle, Planner, Ulster County  
James Eisel, CWC Board  
Steve Finkle, Economic & Community Development  
Judy Garrison, Paisley's County Gallery, Andes  
Dean Gitter, Catskill Corners, Mount Termper  
Harold Goldberg, Hunter  
Jennifer Gould, M-ARK Project, Margaretville.  
Len Govern, The Reporter Co., Walton  
Jeff Graff, DEP  
Joseph Hanley, CWC Board  
Herb Hekler, Ulster County Department of Planning  
Thomas Hynes, Former CWC Board Member  
Geogianna Lepke, CWC Board  
Jacqui Leventoff, CEO & President, Chamber of Commerce  
Bill Maley, Trustee, Village of Hunter  
Peter Markou, Greene County Economic Development  
Patrick Meehan, Former CWC Board Member  
Jolie Milstein, Executive Director, Ulster County Development Corporation  
William Moon, Delaware County Commissioner of Social Services  
Scott Mueller, Project Manager, NYS Environmental Facilities Corporation

Robert Paterson, Amphenol Corporation, Sidney  
Raymond Pomeroy, Chairman, Sullivan County Legislature  
Ray Pucci, Director, Delaware County Chamber of Commerce  
Shirley Pyne-Decker, Decker Advertising, Delhi  
John Rath, President, Chamber of Commerce  
Larry Roadman, CEO, Margaretville Telephone Company  
Larry Schaefer, Schaefer Enterprises, Deposit  
Perry Shelton, CWC Board  
Gale Sheridan, Watershed Agriculture Council  
Alan Sorensen, Planning Commissioner, Sullivan County  
Ira Stern, NYC Department of Environmental Protection  
Mike Sullivan, President, Sullivan County Partnership for Economic Development  
Geddy Sveikauskas, President, Catskill Center for Conservation and Development  
Alicia Terry, Schoharie County Planning  
Jim Thomson, Chairman, Delaware County Industrial Development Agency  
Ward Todd, CWC Board  
Eric Wedemeyer, Timberland Properties, Margaretville  
Jody Zakrevsky, Delaware County Planning Department

## Appendix D: Description of Technical Appendices

### Technical Appendix 1: Baseline Economic Analysis & Community Assessment

Technical Appendix 1 is the Phase I Report 1 submitted to the CWC. It serves as a Community Assessment, i.e. an analysis of the existing conditions in the Catskill Watershed, along with an assessment of opportunities and constraints for the regional economy. It provides an overview of the engines that drive the Watershed's economy and the opportunities and constraints to expansion of the region's economy. The findings of the report are based on primary and secondary research, interviews with public officials, business leaders, lenders and other market participants in the region and roundtable discussions with business owners, community representatives, and other concerned stakeholders.

### Technical Appendix 2: Market Sector Assessment & Program Issues Analysis

Technical Appendix 2 is the Phase II Report submitted to the CWC. It builds on the areas of opportunity identified in the Phase I Report and provides guidance to the CWC in defining objectives with respect to the CFF in terms of markets and financial products. It includes an assessment of key market sectors of the Catskill Watershed Region, identification of infrastructure and workforce development priorities and funding needs. It includes recommendations of an array of financial products and activities designed to respond to specific needs and emerging market opportunities and administrative guidance in evaluating alternative funding sources available for Watershed region projects.

## Appendix E: Summary of Public Comments at the Preliminary Draft Stage

The due date for the receipt of public comments on the *"Preliminary Draft Report: A Blueprint for the Catskill Fund for the Future"* (the "Report") was January 22, 1999. The CWC received more than 75 comments on the draft Report. The commentators included local residents, business-owners, non-profit organizations, organizations representing environmental interests, and public stakeholders such as the New York City Comptroller's Office and Department of Environmental Protection. As a result of these comments and HR&A's further consideration of certain issues, numerous changes were made, which are reflected in this Final Economic Study.

The public commentators generally commended the Report's analysis and recommendations. Comments ranged from suggestions on what the CFF should fund to remarks about findings or recommendations presented in the Report. The following provides a summary of commentators' concerns and a discussion of other issues raised by commentators during public hearings in January 1999. For consistency, the term "several" in the following chapter denotes 3-6 persons and "numerous" denotes 7-15 persons.

### Young People's Perspective Should Not be Overlooked

Two commentators stated that more young people should be included in the process of creating an economic development strategy for the Watershed.

### Attention Needs To Be Paid To Social Realities Of The Watershed

One commentator stated that the Report should include greater mention of the "people resources" of the Watershed, and discuss the population's strengths and weaknesses.

### Developable Land is Decreased, Not "Limited"

One commentator disagreed with the Report's statement, in the "Regional Economy – Strengths and Weaknesses" chapter, that there is limited developable land in the Watershed; the commentator stated that, based on DEP's Land Acquisition Program, it would be more appropriate to say that the amount of Watershed vacant land has been decreased, not limited. The commentator also disagreed with the analysis contained in Chapter 5: Land Use and Environmental Baseline of Report 1. HR&A believes that it has addressed this issue in various chapters of the Report. HR&A notes that the data available through the New York City FEIS, on which the Report's analysis is based, are established figures and are widely known to be difficult to use. Language has been changed in this chapter of the Report to clarify the point about a limited supply of developable land.

### Arts and Cultural Organizations Need Support

Two commentators expressed reservation with the statement in Program Area 2 chapter of the Report that "even the smallest grants and loans to [arts and cultural] organizations have the potential to make an enormous impact," and remarked that significant capital would be

necessary for existing cultural organizations to develop more fully. While HR&A recognizes that there are a myriad of underfunded arts and cultural organizations in the Watershed, it should be noted that the majority of these organizations are small, not-for-profit, and community-based, with programs attracting under 500 participants, and operating budgets under \$10,000; based on size alone, small grants and loans would have a significant impact and could be used to leverage other funds.

Two commentators asked that the Report mention by name a greater number of arts and cultural organizations. HR&A has amended the Report to include reference to additional arts and cultural organizations, whose names were mentioned by commentators.

### **A Regional Community Center(s) Should be Created**

Numerous commentators stated their support for the concept of creating a community/cultural center(s), through using a portion of CFF funds to make capital improvements on existing facilities.

Numerous commentators cited their support for the M-ark Project's proposal to be the lead agency in developing a regional community and cultural center in Middletown. One commentator stated that such a centrally-located facility would benefit young people, senior citizens, as well as attract visitors.

One commentator suggested renovating the Fleishmanns Theatre for the purpose of creating a Community Center. Another commentator suggested that the Roxbury Arts Group (RAG) could be considered a model of a Community Center. The commentator explained that while RAG has its own programming, artists, local community groups, and traveling troupes also use its space. The commentator stated that the CWC could support a similarly structured Community Center by providing operating support for staffpersons who would assist in organizing and marketing events. She stated that such a center could both provide jobs (to staff and performers), improve the quality of cultural life for residents, and support tourism.

### **Belleayre Mountain Needs Access to Private Capital**

Several commentators stated the importance of giving Belleayre Mountain access to private capital and management, so as to make the ski area's aging facilities competitive in its market group. One commentator stated that reinvestment in and expansion of Belleayre Mountain's skiing facilities in addition to improved marketing of the existing hiking trails will have substantial secondary economic impacts on many existing private businesses in the area. The commentator noted that, with increased State support, Belleayre could host major summer music festivals (similar to popular programs in Vail, Colorado) which would have great potential for financial success.

One commentator expressed reservations about investing in ski area development as an economic development strategy, and stated that the Report's assertion that "Belleayre has the opportunity to become a preeminent East Coast ski facility" seems overly optimistic. While

HR&A agrees that Belleayre, for climatic as much as economic reasons, cannot compete with luxury resorts such as those in Vermont or Vail, HR&A contends that with increased access to private capital and management, Belleayre could become a more attractive regional destination. The Report's language has been changed to clarify this point: "Belleayre has the opportunity to become a more attractive East Coast ski facility."

#### Ski Industry Is Not the Region's Economic Salvation

Two commentators expressed concern that the Report seemed to place too much emphasis on the reinvigoration of the ski industry. While HR&A stands by its assertion that enhancement to the overall Watershed ski market will increase the overall demand for ski facilities and have substantial secondary impacts on the Watershed economy at large, HR&A notes that it was not our intent to imply that the ski industry will be the salve of the Watershed economy.

#### Environmental Financial Incentives Program Should Be Integrated into the CFF

One commentator stated that the Report should suggest ways that the Environmental Financial Incentives Program could get financing through the CFF. HR&A notes that while the CFF could be used to provide technical assistance, the primary objective of the CFF is to seed growth -- not to conduct additional studies. A paragraph discussing the Environmental Financial Incentives Program has been added to end of Program Area 3.

#### What to do with State Land?

One commentator stated that the Report should include more significant discussion of what to do with state-owned land within the Watershed, since the state owns more than half of all land within the area.

#### Large Employers Need Technical Assistance

One commentator, representing a major employer located in the Watershed area, requested that CFF provide technical assistance and capital improvement grants or loans to existing large employers to ensure the continued health and growth of their businesses.

#### Second-Home Buyers are Potential Investors in Watershed

One commentator stated that a potential source of development funds in the Watershed are second homeowners, the majority of whom hold significant private resources. The commentator suggests that second homeowners could be targeted as a supplementary funding source and a resource to sustain the long-term viability of the Watershed.

#### The Region Needs A Coordinated Marketing Plan

Numerous commentators supported the Report's proposal to initiate a regional marketing campaign. Numerous commentators remarked on the need to create a regional image and/or to develop "brand recognition" of the Watershed and its products. One commentator expressed concern about the structure of the interim marketing allocation plan. The commentator stated that distributing the annual \$250,000 allocation through the county Tourism Promotion associations is "short-sighted and will have very little long-term effect."

The commentator noted that “divided dollars support a divided region” and stated the marketing funds should be pooled for a regional campaign.

Numerous commentators stated that the need exists to attract tourists as well as businesses. One commentator stated that both an externally-focused marketing plan (i.e. targeting the New York City Metropolitan area) and an internally-focused marketing plan (e.g. targeting local youth) are needed; the former would be to entice outsiders to visit or relocate and the latter to encourage current residents to remain in the Watershed.

One commentator suggested that grants to Tourism Promotion Boards be used, in part, to fund commemorative signs. Another commentator proposed that funds be used for the creation of a subsidized “central clearing house,” which would provide both technical assistance and discounted services to local businesses and arts and cultural organizations needing targeted marketing.

The Watershed Communications Group and the Catskill Media Alliance also submitted a proposal to establish a “Watershed-based network of communication/information/entertainment professionals as a talent pool” whose goal is to lure business and high-wage jobs to the region and to provide tele-commuting opportunities for those media professionals.

#### The Watershed Should be Pro-Active in Attracting Tourists

Several commentators stated that, while marketing is important, the CWC should also support other activities aimed at increasing tourism. Ideas included creating tours of artists’ and craftspeople’s studios, and encouraging the development of tourist-friendly accommodations, such as Bed & Breakfast Inns.

One commentator suggested a need to use CFF funds to address tourist transportation issues, such that it would be “more interesting than sending them to Atlantic City to play the slots.”

#### Eco-Tourism Could Be Expanded

Numerous commentators expressed their support for expanding eco-tourism opportunities in the Watershed. Ideas included non-polluting boating activities (e.g. canoeing, rowing) in the reservoirs and developing walking trails. One commentator stated that development of eco-tourism projects, such as walking trails, should be coordinated by the CWC. Another commentator stated the Catskill Park Access Plan may provide a model for increased usage and tourism enhancement.

Several commentators remarked that the success of eco-tourism in the Watershed would be dependent on New York City’s recognition that recreational use of city-owned lands and reservoirs in an environmentally sensitive manner should be allowed.; one commentator stated that he was encouraged by “the attitude expressed by the City as far as the potential for hunting, fishing, and hiking on City lands.” Another commentator stated that the

Watershed needs to know the State's vision for its land and resources, some of which could be used for eco-tourism purposes.

One commentator noted that the Report is inaccurate in stating that "There are virtually no eco-tourism opportunities in the Watershed at the current time." The commentator points out that there are abundant eco-tourism opportunities, particularly within the Catskill Park and Catskill Forest Preserve. HR&A agrees that the sentence is misleading and has added language to that chapter of the Report to clarify.

Another commentator asked that the "linear park" being considered for development in the towns of Thompson, Fallsburg, and Neversink would be able to access CWC funds.

#### A Catskill Interpretive Center Should Be Created

One commentator stated that the CWC should encourage the development of a Catskill Interpretive Center, which would serve as a visitors' center for the Watershed.

#### Are "Watershed Organic Dairy Farms" The Same As Dairy Farms Implementing "Whole Farm" Plans?

One commentator requested clarification on whether the "Watershed organic dairy farms" referred to in Program Area 4 of the Report means "dairy farms implementing 'Whole Farm' plans. HR&A's response is that a Watershed organic dairy farm is distinct from a dairy farm implementing a Whole Farm plan. HR&A's notes that the following are distinct from one another: farms, farms with Whole Farm plans, organic farms, and organic farms with Whole Farm plans.

#### Retirement Communities Contribute to Economic Development

One commentator stated that retirement communities are significant contributors to economic development. The commentator remarked that the idea of marketing the Watershed as a haven for retirees is an economic development strategy used by other communities and other states for years. The example given was of a study commissioned by the City of Columbia, Missouri, that projected that an increase of 2000 retirees in the region would have a \$35 million impact on the local economy over a 7 year period.

#### Diversity of Size among Watershed Businesses is Desirable

One commentator said that the Watershed's economic development plan needs to encourage many small businesses within an area as opposed to one large one. The example given was of the Woodstock recording industry, which is comprised of many small studios.

#### The CWC Should Have Experienced Staff, Distance from Local Politics

Several commentators remarked on the need for the CFF to separate politics from economic development in implementing its programs. One commentator stated that she liked the Report's proposal to use market sectors rather than political boundaries to define the expenditure of CFF funds. Another commentator stated that the CFF "must establish a clear

separation between programs and the political process.” Another commentator stated that she was “disturbed that Town supervisors are making decisionsTwo commentators remarked that the CWC will need experienced, non-partisan staff in order for its programs to succeed. One commentator said that the CWC should have “a staff specific to the public sector, a conduit to provide information and move the public sector’s interests forward.”

#### The CWC Should Mount a Public Education Campaign about the CFF

One commentator stated that the CWC needs to consider a long-term communications strategy because “the phenomenon of such a major infusion of capital through a publicly monitored, inevitably politicized vehicle holds the potential to exert a socially disruptive impact.” The commentator stated that an overall communications strategy is key to promote popular understanding of the Fund as well as encourage collaboration, not competition, among entities.

#### The CWC Must Be Accountable

One commentator stated that the CWC needs to ensure accountability. She stated that both New York City taxpayers and Watershed residents need assurance from the CWC that it will make responsible investments that protect water quality and water rates and that promote economic development.

#### Funding Process Must be Streamlined

Several commentators asked that the CWC streamline the loan process and “move faster to get small funds to the public.” One commentator remarked that “quick, fair, and transparent handling of loan applications will be crucial.”

#### The Primary Goal Should be to Pursue Investments that Respect Nature

One commentator expressed his concern that water quality is “in tenuous position” and that the Report’s description of the Watershed as “pristine” is “disingenuous” when considered in context. The commentator stated that economic development should not be equated with growth.

#### Is CFF funding contingent on hamlets and villages completing a Whole Hamlet Plan?

One commentator requested clarification on whether or not CFF funding in hamlets and villages is contingent on having completed a Whole Hamlet Plan. HR&A has added language to the Report to clarify that CFF funding in hamlets and villages is indeed contingent on a Whole Hamlet Plan.

#### Report Could Provide Guidance to Town Planning Questions

One commentator, a Town Supervisor, stated that the Report and the CWC could provide guidance to his town’s zoning and planning upgrade. He said, “The weight of this document could work in our favor.”

### Need to Standardize Policies in overlapping DEC and DOT Regions

One commentator noted that the Watershed consists of different DEC and DOT regions, and suggested that standardization of policies between those entities be considered.

### Towns Should Not be Pitted Against Each Other

Several commentators remarked that the CFF's programs should include provisions to prevent competition between areas seeking the same companies. One commentator asked, "What would prevent Margaretville, for example, from stealing a firm looking for a loan to locate in Grahamsville?"

### The DEP Is Willing To Assist With Contractual Challenges Of Implementation

The DEP stated that they "appreciate that HR&A referenced the contractual challenges of implementing some of the [Report's] recommendations," such as "master loans", QEDP determinations, "right of objection", financing determinations by staff, and EFC loan closings. The DEP reaffirmed its willingness to "seek reasonable solutions to these issues."

Commentators included:

Brook Alderson, Resident  
Sherry Alpern, NYC Watershed Council  
Larry Bauer, Resident  
Leni Binder, Sullivan County Legislator  
Roger Ian Bobley, Resident  
Clayton Brooks, Town of Denning Supervisor  
Jim Brown, CWC Board  
Charlie Buck, Town of Jefferson Supervisor  
Al Buff, Adirondack Mountain Club  
Ann Buswell, East Branch Art Gallery  
John Clinton, Resident  
Terry Cohen, Resident  
Richard Craft, Resident  
Hon. Clifford Crouch, Assemblyman , 122<sup>nd</sup> District  
Rosanna DiMaria, Resident  
Mark Doherty, Resident  
Melissa Everett, Resident  
Sally Fairbairn, Belleayre Conservatory  
David Ferguson, Croton Watershed Clean Water Coalition  
Joe Fishman, Sierra Club  
Wayne Garelick., Resident  
Anne Marie Gardi, Jerome Park Conservancy  
Jeff Gratz, US EPA  
Dr. Edward Gershey, EHF Solutions  
Ralph Goneau, Resident  
Neil Grant, Town of Shandaken Supervisor  
John Gregg, Businessowner  
Nancy Harding, Roxbury Arts Group  
Paul Heisig, USGS  
Amie Brockway Henson & Richard Henson, The Open Eye Theatre  
John Higgins, Resident  
Phyllis Horowitz, American Whitewater  
Dale Hughes, Resident  
Jonathan Lang, Watershed Subcommittee of the Committee on Environmental Law of the  
Association of the Bar of the City of New York  
Gene Lemoriello, Promotion and Public Information Supervisor, Sullivan County  
Gail Lennstrom, Crystal Spring House  
Ron Leonard, Resident  
Georgianna Lepke, Town of Neversink Supervisor  
Raymond Lippert, Resident  
Sam Magarelli, Ulster County Legislator

Gary Manning, Town of Delhi Supervisor  
Roger Masse, CEO, Margaretville Memorial Hospital  
Dorothy McArdle, Resident  
Christine McCarthy, Resident  
Jack McShane, Catskill Forest Association  
Barbara Mellon & Justin Kolb, Mellon Music Management  
Peter Molnar, Margaretville-Arkillville Revitalization (M-ARK) Project  
Kyle Myers, Cornell Cooperative Extension, Sullivan County  
Steve Newman, Office of the Comptroller, City of New York  
Carol O'Beirne, Frost Valley YMCA  
Reginald Oberlag, Watershed Communications Group & the Catskill Media Alliance  
Tom Oppenheimer, Resident  
Jeff Potent, ITAC  
Muriel Pratt Robinson, Resident  
Donna Sanford, Resident  
Robert Selkowitz, Resident  
Marjorie Shea, Women's City Club  
Dinnie Sloman, Catskill Forest Association  
Alan Sorensen, Sullivan County Planning Department  
Ira Stern, New York City Department of Environmental Protection  
Michael Stock, Town of Woodstock Councilman  
Alycia Terry, Schoharie County Planning Department  
Beth Waterman, Resident  
Nancy Wolf, Resident

## Appendix F: Summary of Public Comments at the Final Stage

The due date for the receipt of public comments on the "*Draft Final Plan for the Catskill Fund for the Future*" was June 22, 1999. The CWC received numerous comments on the Draft Final Plan, and as with prior drafts commentators included local residents, business-owners, non-profit organizations, organizations representing environmental interests, and public stakeholders such as the New York City Comptroller's Office and Department of Environmental Protection. As a result of these comments and HR&A's further consideration of certain issues, numerous changes were made, which are reflected in this report.

The following provides a summary of commentators' concerns and a discussion of other issues raised by commentators during public hearings in June 1999:

**Telecommunications Providers and Utilities should be eligible for REDI-Loan Funding.**  
One commentator requested that the report make explicit that telecommunications providers and utilities in the Watershed may be eligible for REDI loans.

### Refine Whole Hamlet Program Description

One commentator suggested that a specific cap be placed on the amount of CFF funding that can be used for planning versus implementation. The same commentator also suggested that the CWC establish guidelines with respect to the content and format of Whole Hamlet Plans so that communities who did not wish to participate in the RFP process could prepare Whole Hamlet Plans independently, or could update and adapt existing plans to meet the requirements of the Whole Hamlet Planning process. Another commentator suggested that a community with a compliant comprehensive plan in place be fast tracked in the Whole Hamlet Planning process in order to provide an example to others of how the process might work.

### Loans/Grants to Ski Operators are Inadequate

Several commentators took exception to the report's characterization of the state of the Catskill Watershed ski industry and type of financial products proposed for ski operators. One commentator noted that with proper funding and promotion, Belleayre can become a pre-eminent ski area whether it is privatized or not. Another commentator noted that the level of funding proposed for the small ski areas is inadequate to their needs. In general ski industry participants felt that the report's recommendations were not adequately responsive to their financial circumstances and that the report failed to acknowledge the important role that skiing plays in the Watershed economy. In response, HR&A believes that skiing is an important component of the Watershed economy, but that the costs associated with upgrading many of the existing facilities is well in excess of that which can be provided by the CFF. The CFF may be able to participate in financing some types of improvements to ski areas, as long as private lenders take the lead and substantial owner equity is in place.

### Independence is Crucial

An individual commented on the importance of keeping politics out of loan and grantmaking decisions by retaining an independent and autonomous loan committee with private sector representation.

### NYSCA Matching Requirement Unfair to Small Grassroots Arts Groups

Several commentators noted that using the CFF to provide matching funds to NYSCA recipients was unfair to smaller grassroots arts organizations who don't receive NYSCA grants. In response, the report was modified to state that "in limited instances, non-NYSCA recipients may also be considered for grants, if they can demonstrate a legitimate contribution to the watershed economy."

### Integrate Reports 1 & 2 into the Final Report

Several commentators suggested that Reports 1 & 2 be included in the Final Report, rather than being characterized as a Technical Appendix, since they provide important background and context and are integral to understanding the findings and recommendations in the Final Report. HR&A concurs that while the final report provides highlights of Reports 1 and 2, to have a full grasp of the process that led to the ultimate findings and recommendations, it is necessary to refer to the prior reports.

### Plan Fails to Emphasize Retirement Community Opportunities

One commentator criticized the report for failing to emphasize the potential benefits from development of upscale retirement communities in the Watershed. Report 1 provides a discussion about the opportunities for development of retirement and lifecare communities. While there may be limited opportunities for such development, due to the sparse population and remote location of the Watershed, HR&A believes that the Watershed is unlikely to attract a substantial retirement market. The CFF, however, is flexible, and should one or several retirement community developers submit a loan proposal that meets all applicable criteria, CFF funds may be available to fill financing gaps.

### Plan Fails to Consider Impact of Internet

A commentator criticized the report as lacking "vision" for not acknowledging the future impact of internet commerce. In response to this criticism, implicit and explicit in the findings and recommendations of this report and Reports 1 and 2 is the notion that the digital revolution, particularly the emergence of the internet, has changed the rules of the game in terms of where people, live, work and shop. The Watershed is likely to benefit from this revolution in numerous ways: small high-tech businesses are no longer as dependent on an urban core as in the past, entrepreneurs with a preference for the rural lifestyle, can now conduct business with ease, weekend residents can extend their stays by telecommuting and people who live in remote areas can shop for goods and services over the internet. The emerging technology for bringing low cost high speed internet access to areas like the Watershed, where broadband wirelines, like cable television, won't work, is LMDS, High-Speed Fixed Wireless and Broadband Satellite access. This discussion has been included in the text of this report.

### Natural Resource-Based Lending Requires Special Expertise

One commentator emphasized that natural resource-based lending requires a specialized loan products which is very different than regular commercial loans. They suggested that the CWC secure the services of an experienced loan officer to handle loans and grants to this sector. This individual also urged that the CWC use the Watershed Agricultural Council and Catskill Family Farms as technical resources providing support in development of the natural-resource-based industries pilot programs.

### Develop Benchmarks to Evaluate Success

One commentator suggested that the CWC needs to identify benchmarks or indicators to help determine if progress is being made toward achieving goals and objectives of the MOA. Any benchmarking exercise should consider per capital income rather than merely job creation in order to understand community health as well as economic activity. On the environmental side, it will be important to review City water quality data to assure that goals are being met. Other goals of environmental stewardship should not be excluded from consideration.

### Regional Marketing is a Priority

A commentator suggested the formation of an advisory group to discuss regional marketing issues. They noted the importance of placing ads and editorials New York City newspapers and installing better directional signs. Several other commentators suggested that better outreach is needed to attract businesses and activities that will diversity the economic base.

### Issue an RFP to Assess Community Needs

One commentator suggested that the CWC issue a Request for Proposals for grants from community-based organizations to gauge the nature of demand. Based on the outcome, the CWC could better develop eligibility criteria, based on community needs.

Commentators included:

Dr. E. H. Ahrens, Mountaintop Arboretum  
Sherry Alpern, Watershed Council of the City Club of New York  
Karen Argenti, Friends of Jerome Park  
Curtis Barker, Delhi Telephone Company  
Carolyn Bennett, Mountaintop Cooperative Council  
Steve Botti, Mayor, Village of Hunter  
Helen Budrock, Catskill Center for Conservation & Development  
Thomas Briggs, Delaware County Office for the Aging  
John Clinton, Resident  
Richard Coombe, Watershed Agricultural Council  
George Elias, Resident  
Dean Gitter, Crossroads Ventures LLC  
Jeffrey Gratz, United States Environmental Protection Agency  
Allen Hinkley, Scotch Valley Resort  
Joan Hoffman, CUNY and John Jay College of Criminal Justice, Resident  
Joe Kelly, Coalition to Save Belleayre  
Roger Masse, Margaretville Memorial Hospital  
Erick McCandless, Environmental Facilities Corp  
Jack McShane, Catskill Forest Association  
Carol O'Beirne, Frost Valley YMCA, Belleayre Conservatory  
Michael Osterer, Resident  
Jeff Potent, Environmental Business Association of New York  
Arthur Rashap, Crossroads Ventures LLC  
Robert Selkowitz, Sunlight Studio  
Marjorie Shea, Woman's City Club  
Claude Shostal, Regional Plan Association  
Orville Slutsky, Hunter Mountain Ski Bowl  
Paul Solodnic, Resident  
Geddy Sveikauskas, Catskill Center of Conservation & Development, Woodstock Publishing  
Bob Terry Delaware Heritage  
Mike Tancredi, Village of Hunter Trustee  
Alexander Treadwell, New York State Secretary of State  
Laszlo Vajtay, Ski Plattekill