



Memorandum in Opposition

Part W of the Article VII Revenue Bill (S. 2009/A.3009) *Executive Control over Local Industrial Development Agencies (IDAs)*

This provision would effectively shift control of local IDA projects away from local government and toward the Executive.

This proposed policy is part of a trend that began with the centralization of economic development grants in the Executive Office through the Regional Economic Development Councils (REDCs).

IDAs are the creation of Home Rule-enacted statutes. IDAs have been established to understand and meet the *local* economic development needs of the communities they serve by responding in a *timely* manner to create and retain local jobs.

According to the State Comptroller's most recent annual report, IDAs are currently assisting 4521 active projects that have created 114,000 new jobs with total investment exceeding \$73 Billion. **The average cost per job created was \$2,588 – significantly better than any other economic development program in the state.** These projects have generated more than \$72 Billion in private sector investment.

In contrast, this proposal would make New York less competitive, and result in fewer jobs being created by mandating the approval or rejection of most IDA projects by the state and adding delay through new restrictions and requirements.

This proposal is bad for business development and job creation in several ways. Specifically, it would:

- Require ESD to approve or reject any project that includes a sales tax or mortgage recording tax exemption (the majority of IDA projects);
- Delay the economic development process by requiring additional approvals by ESD and the Department of Taxation & Finance that could be extended indefinitely; and
- Give the Authority Budget Office (ABO) unprecedented powers to restrict the ability of IDAs to assist local economic development projects.

NYSEDC urges the Senate and Assembly to reject this proposal.

Additional Provisions of Part W

Impedes Assistance to Key Projects

Economic development organizations across the state work every day to create clusters of industries in their communities. Industry clusters connect supplier chains to key customers and establish networks of talent for which businesses in the targeted clusters compete. This drives up wages and contributes to a strong tech-based local economy.

A provision in Part W would prohibit the awarding of state tax exemptions if a project is deemed to compete with another business in the community. This provision, for example, could prohibit an IDA from assisting a housing project if the community already has a housing project, or if another housing developer complains that the project would be competitive.

The provision could also prohibit an IDA from assisting a bio science firm in Buffalo, the Hudson Valley, or NYC - regions that are well underway in developing strong bioscience clusters. The Governor's office has recognized the importance of developing industry clusters by directing the REDCs to include cluster initiatives in this year's round of funding. This component of Part W is in direct conflict with that directive.

Manufacturing and Adaptive Reuse Projects would be Harmed

The proposal states that the DED "shall not approve any project that provides financial assistance consisting substantially of exemptions from state taxes." This could prevent an IDA from approving projects that require sales tax only, or sales and mortgage recording tax only benefits. For example, a manufacturing project or other type project seeking only sales tax and/or mortgage recording tax exemption benefits, and all adaptive re-use projects that do not utilize an IDA real property tax abatement would no longer be authorized to receive IDA financial assistance.

Expands Unevenly ABO Enforcement Powers

Part W would add enforcement powers to the Authority Budget Office that were never contemplated and that would apply only to IDAs. The ABO was established to be an independent overseer of all state and local public authorities. This proposal inserts the ABO into the IDA statute and imposes unique enforcement powers on one class of public authorities.

The ABO, for example, could prohibit an IDA from assisting any new projects and prohibit it from extending tax benefits to existing projects if the IDA is found to be in violation of any provision of the Public Authority, Public Officers, or Freedom of Information Laws. This enforcement power far exceeds the enforcement power the ABO can exercise over any other state or local public authority.

Overbroad Recapture Provision

The proposal would impose "clawback" requirements on IDAs that are more restrictive than the requirements contained in ESDC incentive contracts.

Onerous State Tax and Finance Requirements

Part W would require IDAs to gain clearance from Tax and Finance that project owners and their subcontractors/vendors do not have more than \$500 in outstanding state tax liabilities. Large economic development projects could have 1,000 vendors and subcontractors, and gaining tax clearance from Tax and Finance for all could take several months. The proposal contains no time frame for Tax and Finance to respond to the IDA or their agents or operators and projects could not move forward without such clearance.

New York's high costs (Taxes, workers compensation, energy, health care, unemployment insurance) and harsh regulatory environment make economic development difficult in most regions of the state. This proposal would

compound these obstacles, centralize local economic development decision-making in Albany, and add new costs, time, and uncertainty to the job creating process.