



February 21, 2018

Hon. Andrew M. Cuomo
Executive Chamber
State Capitol, Second Floor
Albany, NY 12247

Re: Deferment of Business Tax Credits: Part S of the Revenue Memo of FY 2018-2019 Budget

Dear Governor Cuomo:

The Erie County Industrial Development Agency and the County of Erie are very supportive of your efforts to redevelop Buffalo, Erie County and western New York. As we all know, until you took office the state of New York neglected the economic needs of our region of the state. Your administration's assistance has positively impacted Erie County, and we thank you for your continued commitment to western New York.

Nevertheless, we write to note our concern with "Part S" of your administration's 2018-2019 Executive Budget proposal, which would require businesses and taxpayers that have been awarded or will be awarded in 2018 – 2019 to defer the use and refund of certain business tax credits. This would include critical tax credit programs like the Investment Tax Credit ("ITC"), Brownfield Tax Credits, and Historic Tax Credits at a time when Buffalo and Erie County are seeing these tools spur private investment in our communities.

As a result of our partnership with Empire State Development, Erie County, through our Industrial Development Agency, invested over \$6 million in remediating and acquiring approximately 150 acres of the former Bethlehem Steel site in Lackawanna to create a new state of the art manufacturing industrial park. Additionally, the County will spend another \$10 million in 2018 on a master plan newly built road, rail, and bike path, as well as other infrastructure improvements to the property to help further its marketability. In the short time that we have owned the site, we are advancing several major projects which could bring thousands of jobs and hundreds of millions of investment to the site.



The availability of the Brownfield Tax Credits has been crucial to our ability to attract interest to the site. Deferment of the credits would have a significant, negative impact on the marketability of the property as most of development costs occur at the beginning of a project. A three-year deferment would impact a project's ability to be financed and cover the upfront development costs that the tax credits are designed to mitigate.

Furthermore, passage of this budget proposal would result in a disruption to these valuable economic development tools and will negatively impact businesses already in these programs. These businesses have budgeted these tax credit programs into their pro-forma and deferment of credits will cause major disruption in their budgets, potentially impacting their ability to meet investment and job goal requirements.

For example, banks and other lenders frequently collateralize and rely upon Brownfield Tax Credits to secure loans and/or expedite loan repayment. Brownfield Tax Credits frequently play a significant role in leveraging private financing related to challenged properties and projects. Deferral of Brownfield Tax Credits may adversely impact both existing loans and future private lending institutions ability to finance critical brownfield development projects in our community.

Equally as troubling to the delay of the Brownfield Tax Credits is the deferment of the Historic Tax Credits. Over the last several years Buffalo and Erie County have seen a major rebirth, particularly in our urban center. One of the tools which we have utilized to encourage the Adaptive Reuse of previously abandoned and blighted structures has been the Historic Tax Credit program. Since 2008, our Adaptive Reuse program has helped to redevelop over 4 million sq. ft. of previously blighted and abandoned structures, leveraging over \$632 million of investment and increasing the assessed property value by 229%. The majority of these projects utilized Historic Tax Credits to offset the costs associated with the rehabilitation of older blighted buildings. Deferment of the credits could jeopardize the ability of developers and lenders to finance and offset the increased costs associated with preserving these important historic structures.




Simply put, the deferment of these credits would negatively impact our ability to attract new investment to the Buffalo-Niagara region whether it be in our urban center or our old industrial parks. These credits are typically part of an incentive package offered to companies considering locating to Western New York and the State as a whole that help us compete nationally when attracting new job creation and investment. In addition, tax credits like the Brownfield Tax Credit and Historic Tax Credit help to encourage businesses to reinvest in our communities, advance smart growth principals, and offset the higher costs associated with brownfield redevelopment.



In conclusion, the Erie County Industrial Development Agency and the County of Erie strongly oppose the deferment of these tax credit programs and request that they be removed from consideration in the final budget agreement. We would welcome the opportunity to further discuss this matter and share firsthand the expected ramifications if such policy was implemented. We will contact your office in the coming weeks to schedule a briefing.

Thank you for your consideration.

Sincerely yours,

		
Brenda McDuffie Chair, ECIDA	Mark C. Poloncarz Erie County Executive	Steve Weathers CEO, ECIDA

cc:

Members of the WNY Senate and Assembly Delegation
Members of the Board of Directors of the Erie County Industrial Development Agency
Members of the Board of Directors of the Erie County Industrial Land Development Corporation
Mayor Geoffrey Szymanski
City Council of Lackawanna
Erie County Legislature
Members of the WNY Regional Economic Development Council