EVALUATION OF NEW YORK STATE INDUSTRIAL DEVELOPMENT AGENCIES

Prepared for:

Empire State Development

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Center for Governmental Research (CGR) Mission Statement

CGR is an independent, nonprofit research and management consulting organization that serves the public interest. By developing comprehensive perspectives on issues facing communities, CGR distinguishes itself as a unique professional resource empowering government, business and nonprofit leaders to make informed decisions. CGR takes the initiative to integrate facts and professional judgment into practical recommendations that lead to significant public policy action and organizational change.

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Summary

The Center for Governmental Research (CGR) and Mt. Auburn Associates were engaged by Empire State Development to conduct an evaluation of NYS industrial development agencies in accordance with 1993 NYS legislation. The legislation mandated that the consultant measure the impact of IDAs on job creation and retention, the value of tax exemptions and the value of payments received in lieu of taxes. In addition, the law required the consulting team to develop summaries of the types of projects that received financial assistance, the types of financial assistance provided by IDAs, project evaluation criteria employed by agencies and tax exemption policies.

This report is based on extensive analysis of data on job creation and retention reported by IDAs through the Office of the State Comptroller and unemployment insurance data obtained through the cooperation of the NYS Department of Labor. In addition, CGR and its partner, Mt. Auburn Associates, sent surveys to all IDA directors and to all the beneficiaries of all projects closed in 1994 and 1995. Finally, CGR and Mt. Auburn Associates staff interviewed nearly 100 stakeholders either singly or in a small group format.

CGR was not able to measure job creation and retention. The consulting team concluded that reported data were gathered in such disparate ways that these numbers are ultimately unreliable when aggregated. Unfortunately, the NYS Department of Labor's unemployment insurance database is not suited to the task of substituting for traditional sources of information on job creation and retention. Extensive recommendations on reporting procedures are included in the body of the report. Similarly, the system for gathering information on sales tax exemptions is flawed and does not provide comprehensive and accurate information on the scale of sales tax exemptions conferred by IDA activity.

IDAs do appear to influence the behavior of project developers. Of those responding to the survey of IDA project developers/beneficiaries, about thirty percent reported that projects

would have moved out of New York State or been canceled outright without IDA assistance. Alternatively, twenty percent of respondents reported that their projects would have moved forward unchanged. The remaining projects would have been altered by timing, location within the state, or scale. In a related question from the same survey, 79 percent of the companies reported that the IDA helped to insure their stay in New York State, and 92 percent said the services provided through the IDAs are important to the State's economic future.

CGR data indicate that IDAs have added significant taxable value to local communities. CGR was able to gather data on assessed value for 324 projects. The increase in equalized assessed value from these project totaled $2.5 billion, with many communities experiencing a substantial relative increase in tax base as a result of IDA-sponsored projects. In many cases the payments in lieu of tax (PILOT)–even in the first year of the PILOT agreement–were higher than taxes received on the properties before the project. Some IDAs have embraced this condition as a formal policy. Of course, a share of these projects would have gone forward without IDA assistance, an inevitable "leakage" of public money that occurs with virtually any economic development assistance. Assuming that the CGR/Mt. Auburn survey of project beneficiaries is representative of all IDA projects, we would expect that about twenty percent of this increase in assessed value would have been achieved without IDA assistance but that the remaining added value (as well as the jobs and other benefits associated with these projects) would have been lost, displaced, diminished or delayed.

Using a geographically-dispersed sample of projects for which CGR was able to gather fairly complete information, the consultant team measured the value of all tax abatements conferred on the sample projects over a twenty year time horizon. In many cases, the discounted present value of tax abatements granted to project developers was less than the discounted present value of the sum of PILOT payments and property tax receipts. In other cases, there was a cost associated with the project, but this cost was modest when presented on a "per job" basis.

Due to the difficulties encountered with data collection, CGR's principal recommendations address recordkeeping and reporting issues more than larger policy questions. Unfortunately, a truly comprehensive evaluation of New York's industrial development agencies must wait until the process of collecting outcome data has been improved.

Table of Contents

Acknowledgments

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Staff Team

Gregory Sokaris assumed a large share of the day-to-day management of this project. His organizational skills and diligence were invaluable. Mike Hanmer's efforts, particularly with the cost-benefit modeling are deeply appreciated. The assistance of Sarah Bierley, Isao Kamata, Shannon Richter, and Peter Tomanovich is also gratefully acknowledged.

Beth Siegel and her colleagues at Mt. Auburn Associates contributed significantly to the effort. Mt. Auburn took principal responsibility for surveying developers of recent IDA projects and managed two regional workshops.

Introduction

Study Goals

The Center for Governmental Research Inc. (CGR) was engaged by Empire State Development to conduct the evaluation of Industrial Development Agencies (IDAs) mandated by 1993 IDA Reform Legislation (Laws of New York, 1993, Chapter 356 §12(3)):

> *Such evaluation shall identify the effect of agencies and authorities on: (a) job creation and retention in the state, including the types of jobs created and retained; (b) the value of tax exemptions provided by such agencies and authorities; (c) the value of payments received in lieu of taxes received by municipalities and school districts as a result of projects sponsored by such entities; (d) a summary of the types of projects that received financial assistance; (e) a summary of the types of financial assistance provided by the agencies and authorities; (f) a summary of criteria for evaluation of projects used by agencies and authorities; (g) a summary of tax exemption policies of agencies and authorities; and (h) such other factors as may be relevant to an assessment of the performance of such agencies and authorities in creating and retaining job opportunities for residents of the state. Such evaluation shall also assess the process by which agencies and authorities grant exemptions from state taxes and make recommendations for the most efficient and effective procedures for the use of such exemptions. Such evaluation shall further include any recommendations for changes in laws governing the operations of industrial development agencies and authorities which would enhance the creation and retention of jobs in the state.*

IDAs in NYS

IDAs were established in New York State with passage of the Industrial Development Agency Act of 1969. The New York State Legislature passed the act with the goal of easing the high tax burden and regulations faced by businesses in New York. An IDA may be established by the state legislature at the request of a county, city, town or village. Since their inception, 145 IDAs have been established in New York, with at least one in each of the 57 counties, although some have subsequently been dissolved.

Of 90 IDAs reporting projects between 1990 and 1995, there are 49 county IDAs, 21 city IDAs and 20 town or village IDAs. In 1995, all agencies were involved in financing 1,128 projects throughout the state of New York.

Purpose

Industrial Development Agencies were created by the state of New York

> *to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing, commercial, research and recreation facilities including pollution control facilities, educational or cultural facilities, railroad facilities, horse racing facilities and life care communities . . . and thereby advance the job opportunities, health, general prosperity and economic welfare of the people of the state of New York and to improve their recreation opportunities, prosperity and standard of living.* (General Municipal Law §858)

While created by the NYS Legislature, IDAs are governed by their sponsoring municipalities. The board of the IDA—consisting of between three and seven members—is appointed by the governing body of their municipality.

Powers

While the role of IDAs in local industrial development is broad, the specific powers granted to agencies by state legislation are primarily financial. Unlike many other states (see summary of industrial development policies by state below), most federally-tax exempt industrial revenue bonds are issued by IDAs under local discretion. In addition to federally-tax-exempt bonds, IDAs can also issue bonds that are taxable for federal purposes but exempt from NYS income tax.

The volume of federally tax exempt industrial revenue bonds was significantly reduced in 1986, thus increasing the importance of taxable bonds. The impact of state-only tax exemption on the interest rate of federally-taxable bonds is relatively small—in many cases, the interest rate is the same as on corporate bonds of similar risk and maturity. Many projects funded with taxable bonds involve the IDA principally for the purpose of conferring mortgage, sales and property tax exemptions. For this reason, many IDAs have substantially reduced the volume of bonds issued, conferred tax abatements on a project through a sale-leaseback transaction. By selling the project property to the IDA for a token sum, title on the property or equipment is shifted to the IDA. The IDA then leases the property back to the firm.

The Liability of the IDA for Bonds Issued on Behalf of a Project

In practical terms, the IDA is a conduit for a financial transaction between the private developer (termed the "project beneficiary" in this report) and the lender. Bonds issued by industrial development agencies are effectively the debt of the private or public entity undertaking the project. The role of the IDA is to facilitate the project by conferring a tax exemption on project activities.

The issue of asset ownership and the role of the IDA is complex. There is a great deal of confusion over the nature of IDA ownership of project property and the extent of IDA liability for debt incurred on behalf of a project. IDAs take formal title to the properties on which tax abatements are conferred. It is this legal "ownership" by a public benefit corporation (the IDA) that exempts the subject property from taxation. Thus the IDA is certainly the "titled owner" of the bonded project. Then the IDA enters into an agreement with the project beneficiary (or what could be termed the "beneficial owner" of the project) that involves either a lease agreement or an installment sale agreement. Bonds are then issued on behalf of the project beneficiary by the IDA. As typically structured, however, the bond documents do *not* pledge all assets of the IDA as security for the bonds. These are structured as "limited obligation" or "special obligation" bonds, in which the IDA's liability is limited to the IDA's assignment of its legal interest in the property. This interest includes the lease or installment sale agreement with the project beneficiary, a mortgage on the assets of the project and a corporate guarantee from the project beneficiary. Thus in the case of a default, if the value of project property is insufficient to repay the bondholders, it is the assets of the project beneficiary that are at risk, not those of the IDA. The IDA's liability is expressly limited to the IDA's interest in the specific project. The IDA is simply the conduit for a financial transaction between the lender and the project beneficiary.

Typical language from a bond issued by NYS IDAs reflect the limitation of the IDA's liability. Specific language from a bond issued in 1994 states:

> COUNTY OF __________ INDUSTRIAL DEVELOPMENT AGENCY (the "Issuer"), a public benefit corporation of the State of New York (the "State") acknowledges itself indebted and for value received does hereby promise to pay, *but solely from the sources and as hereinafter provided* to . . . [emphasis added]

> Section #. Special Obligation: (A) This Bond is a special obligation of the Issuer and is payable solely out of the revenues and other monies derived from the leasing, sale and other disposition of the Project Facility and as otherwise provided in the Resolution, the Bond Purchase Agreement, the Installment Sale Agreement, the Pledge and Assignment and the other Financing Documents.

It is also clear that IDA bonds are neither the debt of New York State nor its local governments. General Municipal Law §870 addresses this question directly, stating

> The bonds or notes and other obligations of the authority shall not be a debt of the state or of the municipality, and neither the state nor the municipality shall be liable thereon, nor shall the be payable our of any funds other than those of the agency.

The bond document quoted above goes on to reiterate this point in a subsequent paragraph. It states explicitly that the bond is not the obligation of the IDA, the county or the State of New York.

As the IDA formally holds title to the property, the project beneficiary (the *de facto* owner) received an exemption from property, mortgage recording, and sales taxes. As part of the negotiation, the project beneficiary enters into an agreement with the IDA stipulating the level of property taxes to be paid to affected municipalities in lieu of taxes that would have been paid were the IDA not the titled owner of the property.

Limitations

The powers of the agencies are limited. Section 862 of the General Municipal Law specifies that "no financial assistance of the agency shall be used in respect of any project if the completion thereof results in the removal of a facility or plant of the project occupant from one area of the state to another area of the state or in the abandonment of one or more plants or facilities of the project occupant located within the state." Exceptions can be made if "the project is reasonably necessary to discourage the project occupant from removing such other plant or facility to a location outside the state or is reasonably necessary to preserve the competitive position of the project occupant in its respective industry." (GML §862(1))

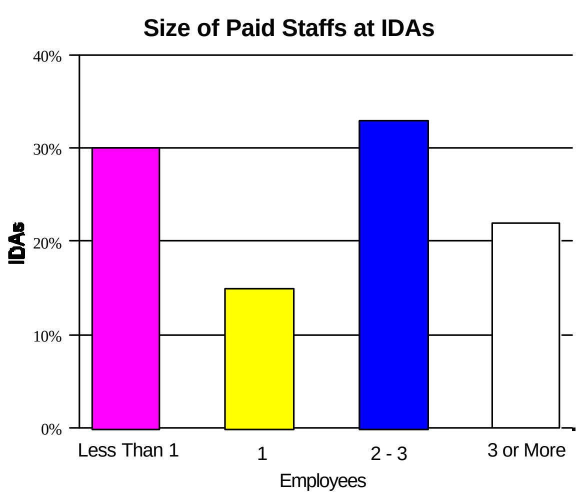
Nor can assistance be provided for "facilities or property that are primarily used in making retail sales to customers who personally visit such facilities," although such uses are acceptable if they constitute less than 1/3 of the project cost. The definition of "retail sales" includes both sellers of tangible personal property and services sold to aforementioned customers. Exceptions are made for tourism destination projects, facilities that would be relocated outside the state but for IDA assistance, the provision of "goods or services which would not, but for the project, be reasonably accessible to the residents of the city, town or village" and for projects in distressed areas. (GML §862(2))

Characteristics of IDAs

A total of 127 surveys were distributed to IDA directors or board chairs, although only about 90 IDAs were active between 1990 and 1995. Forty-six surveys were returned. Respondents represented a mix of IDAs from across the state. The input received from each IDA was weighed equally in the data analysis. A list of respondents is provided in the appendix.

One important conclusion that can be drawn from both the survey and our extensive interviews is that the range of variation among IDAs is tremendous. IDAs play vastly different roles in some communities than in others. In some, they are the sole organization with responsibility for economic development. Services offered by these IDAs are far more diverse than the services offered by an independent IDA in a community with several other economic development institutions. Generalizations about IDAs are, therefore, risky.

Funding Sources. According to survey respondents, the majority of IDAs are fully funded by fees collected (62 percent). The fees charged by IDAs vary, but they average about one half of one percent of the total bond amount for most projects. For lease-back transactions IDAs generally charge a fee between a few hundred dollars and a few thousand dollars, depending on the size of the project. IDAs that do not depend solely on project revenue are funded from a combination of project revenue and local government support. IDAs that receive outside support (e.g. county or municipality) often provide specialized economic development services to the municipality providing the support.



Staffing. As indicated in the accompanying graphic, one-third of IDAs have paid staff of 2-3 employees (33 percent). The next largest group was IDAs with less than one full time employee (30 percent). This would include both IDAs with volunteer staff and IDAs with a director who divides his/her time between the IDA and a related economic development agency. In general, IDAs are very creative with their staffing. For example, Schoharie County is staffed by a part-time director who is available on a full-time basis and a part-time administrative person. The Saratoga IDA has no paid staff. Instead, all IDA activity is handled by Saratoga County Planning Department staff. Similar sharing of personnel occurs in Onondaga and Wayne counties. About 20 percent of IDAs surveyed indicated that their IDA is staffed by the same personnel and maintains the same office as the city or county economic development agency.

Community Economic Development Services. IDAs often provide economic development services to the communities unrelated to loan/lease-back transactions. Seventy-three percent of IDAs surveyed allocate a share of their IDA project revenue to unrelated local economic development assistance, and 81 percent allow their staff to dedicate a portion of their time to this role.

For the most part, IDA-supported staff provide technical/advisory assistance and serve as community planning consultants. Roughly 17 percent of IDAs surveyed indicated that they provide technical assistance to the community. Technical assistance include a wide range of services, which are as follows:

Financial packaging/ preparation of state funding application for various organizations;
Small business loan reviews for the community;
Feasibility studies/site location assistance to various businesses.

For example, in 1996 staff from the Steuben County IDA co-chaired a farm retention committee and participated in export and telecommunications studies. In 1996 the Amherst IDA staff provided advisory services to the Town of Amherst regarding an ice rink proposal, the feasibility of a new senior center, zoning amendments, and served on the Chamber of Commerce Board. Amherst IDA revenue was also used for an international trade distribution study, the Border-Net Initiative, and marketing of University at Buffalo industry services.

According to the results of this survey, IDA revenues are directed to supporting economic growth by assisting infrastructure development as well as providing job training opportunities. However, only 42 percent of the IDAs surveyed indicated that they routinely used IDA revenues to support economic development activities that are unrelated to IDA-sponsored loans or leases. Another 31 percent indicated that they occasionally used IDA revenues to support economic development activities that were unrelated to IDA-sponsored loans or leases. The statistics on expenditure of IDA revenues on non-project related activities differ greatly from the commitment of IDA-supported staff (73 percent indicated that they routinely provide staff support). IDAs are more apt to provide labor to support economic development activities that are non-project related than to provide capital. When they do provide financial support for non-project related activities, IDA revenues are mainly directed to support the development/enhancement of infrastructure, strengthening the quality of labor, and marketing their respective communities. Some typical IDA financed items include revolving loan funds, industrial parks, multi-tenant industrial incubators, and marketing campaigns. In the Southern Tier, for example, the IDAs worked together to purchase a railroad branch line which would have been abandoned had it not been for IDA intervention.

1993 IDA Legislation

In 1993, legislation was passed altering the powers of IDAs. In addition to mandating this evaluation, the 1993 legislation required that IDAs:

Submit written PILOT agreements, including payment allocation, to taxing jurisdictions;
File real property tax exemptions with county CEOs and school districts;
Submit data on outstanding projects annually to the NYS Comptroller's Office;
Hold public hearing for all projects in excess of $100,000;
Adhere to the same conflict of interests code of ethics as municipalities.

This legislation also restricted the ability IDAs to finance retail and service businesses. In addition, firms claiming sales tax exemptions on IDA projects were required to file annual statements to NYS Department of Taxation and Finance on all sales tax exemptions claimed. The legislation included other changes, of course, which are not highlighted here.

Interstate Comparisons: Industrial Revenue Bonding

In order to provide a context for our analysis of IDA activity, CGR examined incentive programs in ten states that are commonly compared to New York due to their size, proximity or competitive position. A telephone survey was used to collect most of this information (a copy of the survey form can be found in the appendix). In addition, interviews were conducted with officials in the ten comparison states focusing on types of incentive programs, structure of the economic development agencies, and the level of political support for economic development activities. In general, we found that New York State and the ten comparison states have similar business incentive programs. A state-by-state summary plus a tabular overview follow.

California

The issuance of Industrial Revenue Bonds (IRBs) is controlled at the local level in California. Local agencies also control how tax abatement incentives are crafted. The guidelines imposed on the issuance of IRBs are: the projects must be manufacturing in nature; the bonds must be used for either real estate or capital expenditures; the bond maturities must be from 15 to 30 years; and one job must be created for every $50,000 in financing. There are no reporting requirements for the local agencies that issue IRBs.

"Team California" is the name of a general agreement among the IRB-issuing agencies of the state that they will not compete against each other in attracting businesses. Currently, political support for economic incentives such as IRBs is stable although the resources allocated to IRBs was recently reduced by the state and directed toward housing programs.

Connecticut

The state of Connecticut has a range of business incentive programs including tax abatements to assist companies in expansion, relocation, and the creation of jobs. They are available from the Connecticut Department of Economic and Community Development (DECD), not local agencies.

The Connecticut Development Authority (CDA), the independent financing arm of DECD, operates various types of financial assistance programs to create or retain jobs. They give priority to manufacturing, skilled jobs, urban areas, enterprise zones, woman and minority owned firms, exporters, and producers of innovative products. Each program has special targets and eligibility.

Connecticut has two types of bond programs. Self-Sustaining Revenue Bonds (S-S) are taxable and tax exempt bonds issued for economic development projects, including up to $10,000,000 for manufacturing facilities, water and solid waste disposal facilities, local district heating and cooling facilities, state and local government facilities, and other qualified corporations. Tax Increment Financing Bonds (TIF) are bonds for special economic development projects using incremental state tax revenues as a partial security for the bonds. Firms are expected to remain in Connecticut for a period of five years.

Connecticut offers the following tax abatements: property tax, sales tax on construction materials, and corporate income tax. Property taxes are abated for a maximum of five years on a schedule determined by the state. There is a great deal of political support for financial incentives in Connecticut.

Illinois

At the state level, the Illinois Development Finance Authority, a self supporting state agency, is charged with encouraging economic development by providing access to capital in the state. Industrial Development Bonds (IDBs), however, are controlled at the local level.

Property tax, corporate income, mortgage tax, and sales tax abatement on construction materials are offered to firms that seek economic development assistance. The maximum period for property tax abatement is 10 years, with the schedule determined at the discretion of the local development agency.

Manufacturing projects are the only type of project eligible for IDBs in Illinois. There are no job creation or retention standards specified in order to receive economic development incentives. The law in Illinois mentions new and expanded businesses, but sets no criteria. Federally taxable IRBs are routinely used in Illinois, with no volume cap or size limit. The earnings on these IRBs are subject to state personal income tax.

All local economic development agencies have the authority to issue IRBs. The governing board is selected at the discretion of the local area. Cities, villages, county boards, and townships have elected boards.

Although it seems to pose some problems in Illinois, no controls are in place to prevent one jurisdiction from attempting to attract businesses across districts with added tax incentives. Reporting requirements do exist in Illinois. Agencies are required to report outstanding bonds to the Office of the Illinois State Comptroller.

The option to use leaseback transactions varies by county. The one requirement when employing this tool is that the property must be occupied by a manufacturer.

Massachusetts

Massachusetts has a number of programs that provide companies with direct financial assistance for business growth, including loans and guarantees. Tax-exempt development bonds are available to finance construction or renovation of industrial facilities and the purchase of land, buildings and new equipment. The state government (Massachusetts Office of Business Development; MOBD) also has the Taxable Industrial Bond Program which funds a wide variety of projects. The state's financing programs specifically target smaller businesses, high-tech firms, and traditional manufacturing firms.

The state initiated the Economic Development Incentive Program to stimulate economic development in distressed areas, attract new businesses, and encourage existing businesses to expand. There are 34 designated economic target areas (ETAs) throughout the state. Qualified projects within ETAs are eligible for additional tax and financing incentives, including: a 5 percent state investment tax credit; a 10 percent abandoned building tax deduction; priority status for state capital funding; and local property tax benefits such as special tax assessments or tax increment financing.[1]

Michigan

The Michigan Strategic Fund is the state entity that controls the issuance of bonds at the state level, with Economic Development Councils (EDC) at the county, city, town, and village level. Bondholders receive state personal income tax exemption on IRBs. In Michigan Renaissance Zones, property tax, corporate income tax, mortgage tax and sales tax abatements on construction materials are offered as incentives for development assistance. There is not a maximum period of time over which property taxes can be abated and there is no uniform schedule.

Manufacturing, non-profit projects and public facility projects, such as solid waste and cogeneration facilities are eligible for the development bonds. A target goal of five jobs per million dollars is applied for manufacturing projects, although this is not a requirement.

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[1]Tax increment financing allows municipalities to provide targeted incentives to stimulate job-creating development. The municipality agrees to a tax deduction based on the percentage of the value added through new construction.

Federally taxable IRBs are used routinely in Michigan. They are not subject to state personal income taxation, but the projects must pay local income taxes. There is a very high level of local political support for IRBs and other incentives for development in Michigan.

Jurisdictional boundaries are established by the issuing agency, for example, the City of Detroit or Oakland County may create an economic development agency. Governing Boards are appointed by the mayor or the highest elected agent, such as the county commissioner, and then confirmed by the council or corresponding agency.

If 20 or more employees transfer to a new location, the corresponding unit of government is required to sign off on the move. This control was put into place to prevent one jurisdiction from employing tax incentives to attract businesses from one area of the state to another.

The agencies are required to report annually, but only a handful do. Leasebacks are occasionally employed as a technique for offering tax incentives.

New Jersey

The issuance of IDBs is controlled at the state level by the New Jersey Economic Development Authority (NJEDA). The Authority offers a five-year tax abatement program to firms that are seeking economic development assistance. There is a 100 percent tax waiver the first year, an 80 percent waiver the second year, a 60 percent waiver the third year, a 40 percent waiver the forth year, and a 20 percent waiver the fifth year. After year five, the normal property taxes are paid.

Manufacturing, commercial, retail, non-profit and public facility projects are all eligible for development bonds. Job creation and retention standards are determined on a case by case basis by the Development Authority. Federally taxable IRBs are not used in New Jersey.

North Carolina

The issuance of IRBs is controlled at the state level with counties acting as the liaison to businesses. The bonds can be used for new or expanded-product manufacturing facilities, distribution centers, and research and development facilities necessary to the manufacturing process and cannot exceed $10 million.

Qualifying projects must include: local support; a commitment either to pay wages above the county manufacturing wage or 10 percent above the state average manufacturing wage or to locate in an area of severe unemployment. Companies are required to create a sufficient number of jobs to impact the local economy (a minimum of six jobs per $1 million of bonds) and assure that the new financing will not result in the company closing another North Carolina facility. Currently, economic development in North Carolina enjoys substantial political support.

Ohio

The Ohio Department of Development, through the Small-Project Pooled IDB Program, issues tax-exempt industrial bonds to give lower cost financing to manufacturing companies that are seeking to expand or relocate in Ohio. The Ohio Pooled Bond Program pools industrial development bonds together to accommodate smaller projects. Counties and municipalities can also issue industrial development bonds to private manufacturing companies for expansion or relocation.

The Ohio Enterprise Bond Fund offers long-term, fixed rate financing for qualifying industrial and commercial businesses in the state. This funding can be used for land, building, machinery, or equipment. All borrowers receive a market interest rate that is fixed for the life of the bond. No participating lender is required.

Ohio offers tax abatements for property taxes and corporate income taxes. Property taxes are abated for a maximum of 15 years. In addition to these, Ohio has a program initiated in 1993 called the Job Creation Tax Credit. This program provides a corporation franchise/income tax credit to businesses creating at least 25 new jobs in Ohio. The tax credit is based upon a percentage of the new state income tax revenue generated from the new jobs. This program is executed through the Office of Tax Incentives.

Local authorities are obligated to submit an annual audit report. If this is not done, the agency is classified as inactive. These programs are generally popular and the level of political support is high.

Pennsylvania

Industrial Development Bonds are issued through the Pennsylvania Economic Development Financing Authority. This organization issues and sells the bonds, and then loans the proceeds to finance land, equipment and buildings. Borrowers usually must have their loans guaranteed by a bank. The targets of these bonds are manufacturing, non-profit, energy, solid waste disposal, and transportation facilities. Retail businesses are not eligible.

Companies are required to apply through Industrial Development Authorities and Corporations. There is at least one of these in each of the counties and municipalities (local governments may establish them as well). There are approximately 130 such agencies in Pennsylvania.

There are fairly strict guidelines for job creation and retention in these programs. For manufacturing projects one job must be retained or created for each $50,000 in bond financing. For all other projects, the requirement is 10 jobs per project.

The Industrial Development Authorities are required to report the application, the job expectations, the type of the project, and submit to annual audits. The Pennsylvania Bond Office is presently developing more stringent reporting requirements. These programs are popular in Pennsylvania and are generally non-controversial.

Texas

The issuance of IDBs is controlled by non-profit Industrial Development Corporations (IDCs) which are set up by local government districts. In addition to manufacturing projects, IDBs can be offered to commercial, retail, non-profit, and public facilities if the project is located in an area designated by the local agency as “developmental.” Bond proceeds may be used to finance land, depreciable property, inventory, raw materials, and research and development costs. IDCs can also craft various tax abatement incentives via leaseback arrangements. There are no reporting requirements of IDC activity and no controls in place to prevent one jurisdiction from employing tax incentives to attract businesses from one part of the state to another. Currently, IDCs enjoy broad-based support in Texas.

Interstate Comparison: Summary Table											
	NY	**PA**	**OH**	**CT**	**IL**	**NJ**	**MI**	**CA**	**TX**	**NC**	**MA**
Level of Gov't that issues IDBs	State, Local	State, Local	State, Local	State	State, Local	State	State, Local	State, Local	State, Local	State	State
Personal Income Tax Exemption	yes	no	no	no	no	no	yes	no	N/A	no	no
Property Tax Abatement	yes	yes	yes	yes	yes	yes	no	no	no	no	no
Sales Tax Abatement on Construction Materials	yes	no	no	yes	yes	no	no	no	no	no	no
Corporate Income Tax Abatement	no	yes	yes	yes	yes	no	no	no	no	no	no
Mortgage Tax Abatement	yes	no	no	no	yes	no	no	no	no	no	no
Max Time for Property Tax Abatement (yrs)	N/A	10	15	5	10	5	N/A	30	30	N/A	20
Uniform Schedule of Property Tax Abatement	no	no	no	yes	no	yes	N/A	no	no	yes	no
If Yes, Determined By	N/A	N/A	N/A	state	N/A	state	N/A	N/A	N/A	state	N/A
IDB's Offered for Manufacturing Projects	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
IDB's Offered for Commercial Projects	yes	no	no	no	no	yes	no	no	no	no	yes
IDB's Offered for Retail Projects	no	no	no	no	no	yes	no	no	no	no	yes
IDB's Offered for Non-Profits	yes	yes	no	no	no	yes	yes	no	no	no	yes
IDB's Offered for Public Facilities	yes	yes	yes	yes	no	yes	yes	no	no	no	yes
Standards for Job Creation/Retention	no	yes	yes	yes	no	case by case	no	yes	no	yes	no
Federally Taxable IRBs	yes	yes	yes	yes	yes	no	yes	yes	yes	yes	yes
If Yes, are IDBs Subject to State Personal Income Tax	no	yes	yes	yes	yes	N/A	no	yes	N/A	yes	yes
Level of Political Support	high	high	high	high	fair	high	high	fair	high	high	high
Number of Local Authorities	127	130	250	N/A	unknown	N/A	unknown	unknown	unknown	N/A	unknown

Interstate Comparison: Summary Table											
	NY	**PA**	**OH**	**CT**	**IL**	**NJ**	**MI**	**CA**	**TX**	**NC**	**MA**
Boundaries Established By	locality	city/ county	city/ county	N/A	locality	N/A	bond issuer	city/ county	city/ county	county	city/ county
Governing Board Selected By	locality	local agency	local agency	N/A	locality	N/A	appointed	local	local	N/A	local
Controls to Prevent Pirating	yes	yes	yes	N/A	no	N/A	yes	no	no	N/A	yes
Reporting Requirements	yes	yes	yes	N/A	yes	N/A	yes	yes	no	yes	yes
Use of Sale/Leaseback	yes	yes	yes	N/A	yes	N/A	yes	yes	no	no	yes

Methodology

Reviewing and Augmenting Established Data Sources

IDA Annual Reports

Industrial development agencies are required to submit annual reports both to the Office of the State Comptroller (OSC) and Empire State Development (ESD). Legislation passed in 1993 confers the power on OSC to sanction agencies that do not comply. OSC has used its new authority to ensure some level of reporting by all active agencies, although compliance with some of the more difficult components of the report has been less than universal. The supplemental schedule of the annual report includes data on projects by type (manufacturing, retail, commercial, etc.), the date of loan origination, principal amount, tax exemptions, and the number of jobs created/retained.

Although this database contains considerable project information, key data elements to complete this evaluation, such as site occupant and site address, were missing. To improve the accuracy of data reported to OSC, CGR developed a questionnaire for each active IDA, reprinting relevant data for each project appearing in the OSC database. In addition to data on project occupant(s) and address, CGR collected information on PILOT terms, project type, pre and post project assessed value, and the 485b eligibility of each project. We received approximately 45 of these surveys back (representing almost 70 percent of total loan volume reported to OSC between 1990 and 1995). A sample survey can be found in the appendix. Non-respondents were contacted by mail or fax at least three times and by phone at least twice.

Department of Labor Unemployment Insurance Records

A major element of the project involved comparing job creation and retention reported to the IDAs and subsequently to OSC with the records maintained by the NYS Department of Labor under contract to the US Department of Labor. Each firm covered by unemployment insurance is required to report its payroll and employment on a periodic basis to the state. As a way of ensuring accurate and timely reporting, federal law prohibits the disclosure of records for individual firms. The Center for Governmental Research and Empire State Development entered into an agreement with NYS DOL that permits access to the records of individual firms, provided that any publication of findings conforms to the disclosure rules established by NYS DOL, ensuring that confidentiality of individual records is maintained.

With the assistance of the IDAs and NYS DOL, CGR attempted to measure changes in employment levels at individual firms by reference to these unemployment insurance records. CGR staff worked closely with NYS DOL staff to analyze firm records, subsequently comparing our findings to project reporting submitted by IDAs based on their contacts with aided firms.

Sales Tax Reports to Taxation & Finance

Since the 1993 IDA legislation, information on sales tax exemptions has been reported to the NYS Department of Taxation and Finance by those firms receiving the sales tax exemption. This information is also submitted to OSC by IDAs in annual reports. Sales tax exemptions reported to OSC were compared to information on total annual exemptions by project furnished to CGR by the NYS Department of Taxation and Finance. CGR then summarized exemptions by project and analyze this data in terms of jobs created and other tax abatements that accrued.

Workshops & Interviews

Regional IDA Workshops

In February, March, and April of 1997, CGR and Mt. Auburn conducted regional workshops across the state. Every IDA in the state was invited to one or more of these workshops. The meetings were held in Merrick, Elmira, Buffalo, Geneva, Syracuse, Albany, Kingston, and Potsdam. Mt. Auburn staffed the Kingston and Albany meetings and CGR staffed the remaining. Attendance at these meetings was strong and discussions were often very animated. These forums were crucial for developing a good rapport with the IDA directors and ensuring the high level of cooperation that was exhibited during this study. These meetings were integral to our task of obtaining information and deepening our understanding of the complex relationships among IDAs and their communities. A copy of the general agenda used for these meetings is included in the appendix.

Interviews

CGR and Mt. Auburn staff have met with many individuals who have an interest in the regulation of IDAs in the state. CGR made presentations to the NYS Economic Development Council at their February 1997 legislative meeting in Albany at their Annual Meeting in Cooperstown in May 1997. Staff also met with the NYS EDC Executive Director, the NYS EDC Board of Directors and discussed these issues with many IDA directors individually. CGR staff also contacted or were contacted by many others who were identified as having a specific interest in the issue of IDA regulation. These interviews included some individuals supporting the *status quo* and some favoring a further limitation on IDA powers. Interviews completed include Heather Bennett, Counsel to Senator William Larkin; Samuel Colman, Chair of Assembly Local Government Committee; George Cregg, Hodgson, Russ and Goodyear; Dorothy Dooran, Assembly Program and Council staff; Kevin Greiner, Commissioner of Planning, City of Buffalo; Shawn Griffin, Harris, Beach & Wilcox; Sam Hoyt, NYS Assembly (Buffalo); Frank Mauro, Executive Director of the Fiscal Policy Institute; Francis Pordum, former chair of the Assembly Local Government Committee; Marsha Van Wagoner, Office of the State Comptroller, New York City; Steve Williams, Legislative Director of the NYS School Boards Association; and several regional directors of Empire State Development Corporation. Other NYS Senate staff were asked for interviews but demurred in favor of others already on the list of interviewees.

CGR also met with three IDAs individually: New York City, Erie County and Monroe County. CGR's separate meeting with the Monroe County staff was a matter of professional courtesy to CGR's local agency. The meeting with ECIDA was scheduled at the request of the IDA and in recognition of the volume and variety of activities undertaken by Erie County. New York's IDA (managed by the New York City Economic Development Corporation) contends with more extensive reporting as required by NYC Local Law 69. As the largest and most complex agency in the state, separate discussions with NYC EDC seemed prudent and necessary.

Fortunately, New York City's Local Law 69 requires a level of record keeping that is far more comprehensive than what is required of other IDAs in the state. The project-by-project supplemental survey used for other IDAs was unnecessary in New York's case.

Questionnaires

Questionnaire of IDA Directors

In order to gain perspective on issues of community benefits delivered by IDAs, the impact of 1993 legislative reform, and key policy issues being debated on the state level, we administered a survey to all IDA directors. The primary goal of this survey was to enable us to report on the unique services that individual IDAs bring to their communities beyond their role in brokering loan/lease transactions. We received approximately 45 of these surveys back. A copy of the questionnaire is included in the appendix.

Questionnaire of Project Beneficiaries

Our third survey gathered information from project developers. In particular, we were interested in obtaining information from developers on the importance of services provided by IDAs to their siting decisions. This survey was drafted and administered by Mt. Auburn Associates. The response rate for this survey was just over 30 percent. It was sent to 516 developers, with 152 surveys completed and 40 returned as undeliverable. A copy of the survey instrument is included in the appendix.

Report Findings

This section of the report summarizes IDA project activity for the study period (1991-95), then analyzes data acquired for the projects according to the requirements of the 1993 legislation (listed in the legislation as elements a-h).

Summary of IDA Project Activity: 1991-1995

Measuring IDA activity is not perfectly straightforward. As IDAs use a mix of bonds and sale/leaseback arrangements to aid businesses in their communities, both the value of bonds and the number of projects help define the level of activity for a particular IDA. A table follows listing all active IDAs alphabetically with number of projects of each type and the value of total bonds issued in this period. The largest IDAs by number of projects and by volume of bonds are listed in graphical form following the table.

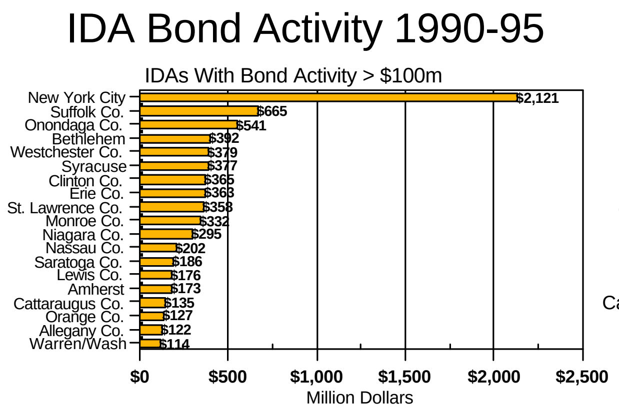
Summary of Projects by Project Number and Bond Amount
1990-1995 IDA Projects

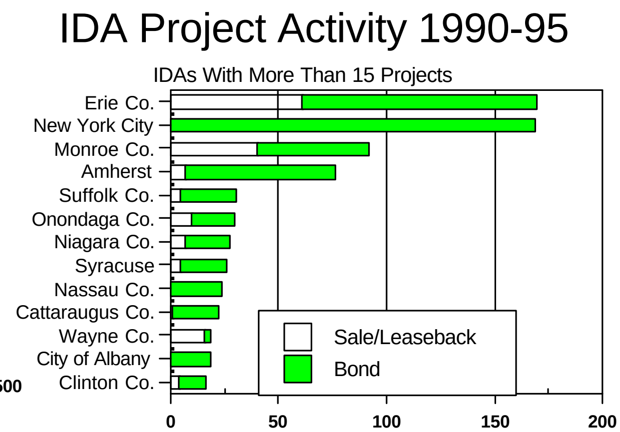
IDA	# of Lease Projects	# of Bond Projects	Total Projects	Amount of Bonds
Albany Co.	0	4	4	$5,975,000
Allegany Co.	2	5	7	$122,002,000
Amherst	7	69	76	$173,468,704
Amsterdam	7	0	7	$0
Auburn	1	2	3	$8,300,000
Babylon	2	4	6	$21,835,000
Bethlehem	0	1	1	$392,000,000
Brookhaven	2	5	7	$23,691,394
Broome Co.	6	8	14	$28,336,000
Carmel	0	1	1	$3,200,000
Cattaraugus Co.	1	21	22	$134,545,000
Champlain	0	6	6	$10,310,000
Chautauqua Co.	6	8	14	$26,226,170
Chemung Co.	4	4	8	$31,500,000
City of Albany	0	18	18	$76,874,000
Clarence	3	5	8	$2,679,000
Clifton Park	0	4	4	$15,694,619
Clinton Co.	4	12	16	$365,132,285
Cohoes	0	1	1	$22,320,000
Colonie	0	5	5	$72,574,500
Columbia Co.	0	5	5	$15,395,000
Concord	0	3	3	$1,875,000
Corinth	0	1	1	$0
Cortland Co.	0	3	3	$14,495,000
Dutchess Co.	2	6	8	$39,145,000
Erie Co.	61	108	169	$362,987,924
Franklin Co.	0	6	6	$62,737,181
Fulton Co.	8	3	11	$7,200,000
Genesee Co.	1	5	6	$77,574,088
Geneva	1	3	4	$11,100,000
Glen Cove	0	2	2	$17,181,850
Glens Falls	0	5	5	$17,554,400
Greene Co.	0	1	1	$3,000,000
Guilderland	0	2	2	$10,300,000
Hamburg	0	8	8	$6,317,867
Hempstead Town	0	1	1	$14,350,000
Herkimer Co.	3	3	6	$31,600,000
Hornell	1	0	1	$0
Hudson	0	1	1	$265,000
Islip Town	0	7	7	$29,237,000
Jefferson Co.	0	6	6	$34,611,111
Lancaster	0	13	13	$21,352,000
Lewis Co.	2	5	7	$175,650,000
Livingston Co.	2	1	3	$2,250,000
Lockport	0	1	1	$1,600,000
Madison Co.	2	1	3	$2,420,000

Summary of Projects by Project Number and Bond Amount
1990-1995 IDA Projects

IDA	# of Lease Projects	# of Bond Projects	Total Projects	Amount of Bonds
Mechanicville	1	2	3	$7,600,000
Middletown	0	1	1	$0
Monroe Co.	40	51	91	$331,937,000
Montgomery Co.	0	8	8	$21,931,904
Nassau Co.	0	23	23	$201,958,228
New Rochelle	0	2	2	$12,955,000
New York City	0	168	168	$2,121,319,010
Newburgh	0	1	1	$5,920,000
Niagara Co.	7	20	27	$294,852,263
Oneida Co.	3	6	9	$64,920,000
Onondaga Co.	10	19	29	$540,521,536
Ontario Co.	10	2	12	$7,385,000
Orange Co.	0	10	10	$126,506,415
Orleans County	7	1	8	$950,000
Oswego County	4	2	6	$75,200,000
Otsego Co.	1	0	1	$0
Poughkeepsie	0	2	2	$6,541,500
Rensselaer City	1	0	1	$0
Rensselaer Co.	4	6	10	$99,313,946
Rockland Co.	0	3	3	$11,700,000
Rotterdam	0	1	1	$8,000,000
Saratoga Co.	1	12	13	$185,831,096
Schenectady City	0	6	6	$27,061,500
Schenectady Co.	0	3	3	$9,170,000
Schoharie Co.	2	0	2	$0
Schuyler Co.	2	1	3	$3,300,000
Seneca Co.	1	1	2	$19,500,000
St. Lawrence Co.	1	12	13	$358,065,700
Steuben Co.	0	1	1	$2,800,000
Suffolk Co.	5	25	30	$665,220,279
Sullivan Co.	0	3	3	$50,310,000
Syracuse	5	20	25	$377,359,724
Tioga Co.	4	2	6	$4,900,000
Tompkins Co.	2	11	13	$38,702,293
Troy	0	5	5	$45,177,600
Ulster Co.	1	2	3	$3,975,000
Utica	0	10	10	$44,687,095
Warren/Wash	1	6	7	$114,417,040
Waterford	0	2	2	$40,900,000
Wayne Co.	16	2	18	$8,910,000
Westchester Co.	1	10	11	$378,890,000
Wyoming Co.	0	11	11	$8,160,000
Yates Co.	0	2	2	$9,895,000
Yonkers	0	5	5	$25,775,000
Total	**258**	**859**	**1117**	**$8,853,406,222**

Source: Industrial Development Agency Annual Reports





Other statistics describing IDA activity in New York follow in their appointed sections.

(a) Job Creation & Retention in the State

To many, the most important question that can be asked of an economic development program is simply, “Did it create or preserve jobs?” Given the prominence of this question in the minds of many, the consultant team spent the largest share of its time and budget attempting to resolve conflicting answers to the question with respect to the state’s IDAs. Our findings are, unfortunately, inconclusive. At the present time, we believe that there is no reliable way to report job creation and retention by IDAs. As agreed to in CGR’s contract with Empire State Development, we rigorously examined two sources of information on job creation, IDA annual reports as submitted to the Office of the State Comptroller and unemployment insurance reporting to NYS Department of Labor. As discussed in greater detail below, both sources of data have shortcomings that, in our judgment, render them unreliable for this evaluation. Were we to include information on IDA projects from either source, we would be misrepresenting the true picture of job creation and retention.

We neither state nor imply that industrial development agencies misrepresent job creation and retention or that NYS Department of Labor statistics on employment are in error. Unfortunately, each IDA gathers and reports information in different ways, interpreting the OSC annual report request differently. When aggregated, these reported statistics lose their validity. Similarly, the NYS Department of Labor unemployment insurance records are gathered and maintained for the purpose of supporting the unemployment insurance system. Data collection procedures that reliably fulfill this mission leave gaps in the data when we attempt to use them to monitor site-by-site employment.

This said, there is a great deal that can and should be done in the future to improve the consistency and reliability of this reporting process, ensuring that a future evaluation can report job creation and retention with confidence. Specific recommendations regarding project reporting are addressed in detail in the Policy Recommendations section of the report.

We strongly urge Empire State Development to convene a dialogue aimed at rationalizing, simplifying and standardizing IDA reporting that would include the Legislature, NYS Economic Development Council, the Office of the State Comptroller and the Department of Taxation and Finance.[2] CGR offers to participate in the initial stages of these discussions.

Job Creation & Retention Reported to OSC

IDA annual reports, as submitted to the Office of the State Comptroller, include job creation information provided to the IDAs from the firms they assist. While we found no evidence that IDAs falsify or inflate these statistics, we still have serious reservations about the quality of the summary statistics reported from this source. Our concerns are as follows:

> Definitions of individual fields in the report form developed and administered by the Office of the State Comptroller up 1995 (the end point of our study period) are subject to multiple interpretations. OSC's Supplemental Schedule requested that IDAs report number of jobs created and number of jobs retained. However, because OSC did not specify full-time vs. part-time jobs, the annual number of jobs created/retained vs. number over the life of the project, or permanent vs. temporary/construction jobs, this request was interpreted differently by the various IDAs. OSC recognizes the problem and in an effort to remedy it the revised Supplemental Schedule requests six separate pieces of information related to employment: Number of FTE employees at location before IDA status, original estimate of jobs to be created, original estimate of jobs to be retained, number of current

[2]We further recommend that NYC's Economic Development Corporation be represented. As the volume of data managed by NYC EDC is vastly greater than that of other IDAs in the state, NYC EDC staff have more experience with data collection, analysis and reporting than other IDAs.

FTE employees, number of FTE jobs created during the fiscal year, and number of construction jobs created during the fiscal year.

Most IDAs obtained the information requested by OSC (regardless of how this information was interpreted) by sending questionnaires to participating firms. The willingness of firms to respond to these questionnaires varies, as with any survey. CGR contacted the largest IDAs in the state and found that each pursues a slightly different procedure for gathering and reporting employment creation. One large IDA reports a 60 percent response rate. While quite acceptable for opinion polling, information on 60 percent of diverse projects doesn't permit useful estimation of the remaining 40 percent, although IDAs often estimate missing data for firms that do not report. Others reported similar response rates to mailed surveys, but follow-up by telephone and increase the total response rate to 85-90 percent. New York City requires compliance with employment reporting in loan documents, threatening default for firms that are uncooperative. As a result, they report job creation for virtually every project.

IDAs adopt a different approach to data that are missing. Some report either the result of a survey or an estimate based on prior information for every project. Others leave the space on the OSC form blank when they have been unable to secure current information. The OSC report does not, however, distinguish between missing data and zeros. If an IDA does not report job creation on an established project, the field is left blank and is read as a zero.

The period of reporting varies substantially across IDAs. Some send questionnaires asking for employment as of the end of the calendar year. Others specify employment as of June 30.

After extensive review and manipulation of these data and innumerable calls to individual IDAs and business firms, CGR reluctantly concludes that the data reported to OSC on the IDA annual reports are unreliable. Rather than releasing data we believe to be substantially misleading, we believe that our responsibility in this instance is to offer suggestions for improvement of data collection methods, not issue a report in which we lack confidence. Recommendations in the Policy Recommendations section below lay out the conditions that must accrue if these data are to be considered reliable in future evaluations[3].

[3]CGR's original proposal for this evaluation specified that the IDA annual reports, as submitted to OSC, would be the basis for job creation reporting and that these statistics would be verified against NYS Department of Labor's unemployment insurance reporting. While the Legislature asked that the report summarize job creation and retention associated with IDA activities, we find ourselves unable to comply without auditing project-by-project results, which is beyond the scope of our contract with Empire State Development.

Using Unemployment Insurance Reporting to Augment IDA Reports

Presuming that information presented on OSC reports was itself consistent, CGR proposed to compare job creation reported by project by IDAs to job creation reported by firm to NYS Department of Labor. A substantial portion of CGR's total effort was devoted to acquiring and analyzing unemployment insurance information by IDA project.

To obtain these data, CGR worked closely with the NYS Department of Labor and the state's industrial development agencies. The first task was obtaining a list of firms associated with IDA projects, given that IDA annual reports include information on the project beneficiaries (the *de facto* project owners), not actual site occupants. CGR contacted each active IDA and requested a list of site occupants for each reported project. Simultaneously, DOL and CGR used site addresses to identify firms conducting business at the project site.

While most IDAs were very cooperative, some chose not to respond after repeated requests. For projects sponsored by those IDAs that did not respond to our survey, information gleaned from site addresses had to suffice. With neither federal tax ID number nor the state employment registration number (ERNO) available, the first task for NYS DOL was to match the site occupant name to the ERNO. Using both the reported firm name and the site address, DOL matched names to the to the records of individual firms in DOL's unemployment insurance (ES-202) files for 1989-1995.

The process of matching projects to firms occurred in several rounds, with firm names and DOL information going back and forth between DOL and CGR. Ultimately, Department of Labor and CGR were able to identify at least one occupant for 309 of the 1,128 sites (involving 673 firms) included in the OSC database covering the period 1991-1995.

CGR encountered a number of serious obstacles during this process of matching firms to sites. DOL's ES-202 data are not gathered for the purpose of doing this type of analysis. The ES-202 database is built upon the unemployment insurance reporting of individual firms. The database has several limitations, some more serious than others.

The database excludes sole proprietors. Given the nature of typical IDA projects, this should present no particular difficulty.

Firms are not legally obligated to provide site information for multi-site firms, only for statewide employment.[4] It is for this reason that, in 1996, the NYC Economic Development Corporation discontinued its practice of requiring firms to send copies of the employment information furnished to DOL (submitted on a form designated IA-5). Of firms aided by IDAs, the proportion of multi-site firms is quite high, particularly so in New York City. DOL is aware of the problem and developed the Multiple Worksite Report to account for it. This is a parallel system of reporting for multi-site firms. While compliance with unemployment insurance reporting is mandatory (with penalties for non-compliance), the system of reporting employment by site is purely voluntary. In some cases, the assignment of employment to sites appeared to be somewhat arbitrary. DOL has no way of verifying data provided by individual firms and cannot require that reporting firms assign sufficient resources to the reporting process to ensure accuracy, although DOL does verify that employment reported on the Multiple Worksite Report match the total reported on the form IA-5, Employer Report on Contributions.

It is not uncommon for firms (even if they have only a single business site) to have billing addresses that differ from the site address and to have more than a single name. Firms need only file a business name with their county (called a "doing-business-as" or "DBA" filing) to do business under a name that is different from the name of the parent partnership or corporation. Thus "Bosham, Williams and Courtney, LLP" might file with the Department of Labor under the address of one of the partners, yet do business at a different address under the name, "Precision Milling and Manufacturing." This accounts for a large share of the projects in which DOL and CGR were unable to find the name reported by the IDA in the ES202 database.

Even when the name of the firm received from the IDA appeared to match the firm in the ES202 database, the address was often different. The address in the DOL data file is the address of record for unemployment insurance reporting. As firms often use agents (payroll processing and accounting firms, for example) to manage the recordkeeping

[4]Employment totals for individual counties and metropolitan areas reported by the NYS Department of Labor to the public are different from the raw values in the ES202 database. Before publically releasing employment totals, DOL adjusts individual records using other sources of information and estimation procedures to account for the actual location of employment (and other weaknesses of the ES202 series). The official record of employment is called the "current employment" or "CES" series, as distinguished from the ES202 series, generally referred to as "employment covered by unemployment compensation" or the "covered employment" series.

process with the state, it was common to find an out-of-state address in this field. Even when the address was in New York, it may have been in a different community or a completely different region of the state. Thus many of the records that appear to match IDA project sites may still not be a match.

A large number of projects involve a site with multiple tenants. The problems associated with matching firms to projects is thus multiplied many times. If we are unable to locate a single tenant in a building, the employment series for the site becomes unreliable.

Employment through contract worker agencies, even if long-lasting, is recorded in DOL records according to the name and address of the agency, not the work site. As this method of employment is becoming more common, there may be some instances among IDA projects in which employment reported by reference to DOL records is less than actual site employment.

For the reasons enumerated above, even data for the 309 projects with some tie to a business site in the ES202 database remain questionable. Just as we concluded in our review of the IDA annual reports, we believe that a greater disservice would be done to all stakeholders were CGR to release data of questionable validity.

(b) Value of Tax Exemptions Provided by Agencies & Authorities

Sales Tax Exemptions

In our discussions with IDA officials, we learned that IDAs did not all have access to this information and that data provided was obtained in a number of different ways. Some IDAs simply require that project beneficiaries submit a copy of the form sent to Taxation and Finance. In other cases, IDAs surveyed project beneficiaries separately. In yet other cases, IDA directors indicated that they estimate sales tax exemptions based on the value of the project. Overall, IDA directors expressed little confidence in the accuracy of the numbers they reported to the state. Of 1,128 projects reported to OSC by IDAs, 205 projects include information on sales tax exemptions. This reflects the fact that sales tax reporting by IDAs is a current year statistic. Many IDAs report sales tax exemptions only for the first year of a project, assuming that the exemption granted in later years is very small or zero.

With the assistance of the NYS Department of Taxation and Finance (T&F), CGR analyzed sales tax exemption totals reported by designated agents (usually the project owner) to T&F on Form ST-340. The 1995 sales tax exemptions claimed by agents were subsequently tallied by IDA for 1994 and 1995 projects. This information was compared to that which was reported to the State Comptroller's Office.

The same problem encountered when attempting to match projects to business firms in the ES202 database occurred with the sales tax analysis. Because there is no reliable system to identify projects on the ST-340, CGR had to attempt to match project names between the OSC database (developed from IDA Annual Reports) and the data files supplied by T&F. We were successful at matching only 146 projects with any confidence.

The gap between sales tax exemptions reported to OSC on IDA annual reports and those reported to T&F is substantial. Unfortunately, once again we reluctantly must conclude that neither source provides us with accurate information on the size of sales tax exemptions granted by IDA projects. IDAs acknowledge that they are unable to report accurately. For projects in which CGR was able to match T&F and OSC records with confidence, 77 were either exactly the same or close. In 69 cases, the two numbers varied by more than 50 percent. As a general rule, the IDA estimates were less than statistics reported directly to T&F. In 128 cases, sales tax reporting to T&F was higher than the figure estimated by the IDA. The T&F files indicate that for 201 projects (through 1995), sales tax exemptions totaled $113 million, well above the total reported to OSC on the IDA annual reports ($79 million and 203 projects).

Further investigation of individual project differences revealed that project beneficiaries frequently misunderstood Form ST-340, reporting the entire value of purchases instead of the value of the sales tax exemption granted. In one case, the IDA estimated a sales tax exemption of $386,436 while the project beneficiary reported $6,223,242–on a $6.6 million project. A representative of the firm confirmed CGR's suspicions: The entire value of purchased materials had been reported as the value of the tax exemption. This suggests that T&F might consider changing the form by asking only that the total value of the sale be reported. T&F could then apply the appropriate tax rate based on the county of sale and calculate the sales tax exemption granted.

In some cases, information reported to either the IDA or T&F by the project beneficiary is reliable. When a project is managed by a general contractor, all bills for materials flow through the general contractor, thus enabling one party to gather information on all sales tax exemptions claimed on the project. In other cases, project beneficiaries may not be in any better position to know the total value of the tax exemption than the IDAs. In another significant discrepancy between the two reported numbers, the project beneficiary reported $144,731 while the IDA estimated $8,000. In this instance, the project beneficiary acknowledged that their company has no process for gathering tax exemptions received from their contractors. The amount that was included in the form is just an estimate based on the expected volume of sales. In the words of this owner, "you might as well pay the sales tax as spend all that money keeping track of how much you saved."

Another project beneficiary painted the same picture. He reported that giving the tax exemption letter to a contractor was "a leap of faith" and that they didn't know how the letter was used or how much of a sales tax exemption was obtained. In his case, he estimated the total by assuming that materials constituted 40 percent of a contractor's bill and multiplied that total by 8 percent. In another case, the company representative described in detail the system used to capture sales tax exemptions on purchases made directly by the company, but acknowledged that they had no system for measuring sales tax exemptions claimed by sub-contractors.

Thus both sales tax exemptions reported to OSC by the IDAs and exemptions reported to T&F by project beneficiaries appear to be estimates. In the cases in which the OSC and T&F numbers agree, it only proves that they came from the same source, not that the common number is correct. Some IDAs wisely require project beneficiaries to supply the IDA with copies of the ST-340 form, ensuring unanimity but not accuracy. Certainly some of these numbers are precisely correct. Our interviews with project beneficiaries and IDA directors suggests that many, perhaps most, are not.

Sales Tax Exemptions Reported to OSC

IDA	Total Sales Tax Exemptions	Number of Projects
Albany Co.	$0	0
Allegany Co.	$0	0
Amherst	$623,270	9
Amsterdam	$0	0
Auburn	$0	0
Babylon	$0	0
Bethlehem	$99,230	1
Brookhaven	$245,882	2
Broome Co.	$495,392	4
Carmel	$0	0
Cattaraugus Co.	$447,168	8
Champlain	$0	0
Chautauqua Co.	$410,337	6
Chemung Co.	$0	0
City of Albany	$79,000	1
Clarence	$100,654	3
Clifton Park	$219,520	2
Clinton Co.	$171,472	2
Cohoes	$0	0
Colonie	$0	0
Columbia Co.	$25,000	1
Concord	$0	0
Corinth	$10,000	1
Cortland Co.	$0	0
Dutchess Co.	$6,141,096	3
Erie Co.	$2,697,232	25
Franklin Co.	$0	0
Fulton Co.	$645,564	4
Genesee Co.	$0	0
Geneva	$0	0
Glen Cove	$0	0
Glens Falls	$0	0
Greene Co.	$0	0
Guilderland	$0	0
Hamburg	$0	0
Hempstead Town	$0	0
Herkimer Co.	$0	0
Hornell	$72,000	1
Hudson	$0	0
Islip Town	$0	0
Jefferson Co.	$0	0
Lancaster	$0	0
Lewis Co.	$0	0
Livingston Co.	$0	0
Lockport	$0	0
Madison Co.	$0	0
Mechanicville	$119,950	2

Sales Tax Exemptions Reported to OSC

IDA	Total Sales Tax Exemptions	Number of Projects
Middletown	$0	0
Monroe Co.	$2,642,992	27
Montgomery Co.	$74,731	1
Nassau Co.	$1,528,116	5
New Rochelle	$0	0
New York City	$50,538,880	27
Newburgh	$0	0
Niagara Co.	$1,070,085	5
Oneida Co.	$3,476,855	4
Onondaga Co.	$292,670	3
Ontario Co.	$436,814	7
Orange Co.	$2,144	1
Orleans County	$43,996	5
Oswego County	$0	0
Otsego Co.	$6,563	1
Poughkeepsie	$1,088	1
Rensselaer City	$0	0
Rensselaer Co.	$0	0
Rockland Co.	$0	0
Rotterdam	$0	0
Saratoga Co.	$736,932	5
Schenectady City	$327,633	4
Schenectady Co.	$0	0
Schoharie Co.	$0	0
Schuyler Co.	$0	0
Seneca Co.	$0	0
St. Lawrence Co.	$369,202	2
Steuben Co.	$0	0
Suffolk Co.	$3,311,554	10
Sullivan Co.	$0	0
Syracuse	$213,500	2
Tioga Co.	$16,063	2
Tompkins Co.	$418,600	1
Troy	$0	0
Ulster Co.	$23,243	1
Utica	$468,860	3
Warren/Wash	$5,460	1
Waterford	$175,000	1
Wayne Co.	$94,156	5
Westchester Co.	$230,779	2
Wyoming Co.	$28,948	2
Yates Co.	$0	0
Yonkers	$0	0
Total	**$79,137,631**	**203**

What Do IDA Tax Expenditures Cost?

This section examines the net tax expenditure for a sample of IDA projects. This list includes a variety of projects from different IDAs and regions, all of which are believed to have created employment. The selection was not random, however, as we were constrained by available information on individual projects. Thus the selected projects are illustrative, not truly representative.

The period for analysis for all projects was 20 years. This period was chosen as this was the length of the longest PILOT agreement in the sample set. Equity demands that an equal period of analysis be applied to every project. Cash flows received at different periods of time during the 20 year time horizon were converted to a present value using a discount rate of six percent.

Estimated public sector costs include local property tax, state and local sales tax, mortgage recording tax, and NYS personal income tax (PIT) abatements. Information that would reveal the identify of individual firms has been suppressed. Using employment totals reported to OSC by the IDAs, CGR estimated NYS personal income tax and both state and local sales tax for each project as an offset to the tax expenditure estimates.

Cost v. Benefit. Our task was to total the "tax expenditure" of each of the selected projects—how much tax revenue is lost as a result of the projects. Supporters of IDA incentives quite rightly point out that the tax revenue received over the life of an IDA project is typically much greater than would have been received in the absence of the project, despite the relative reduction in taxation that occurs as a result of the PILOT agreement.

Disagreement over the value of IDA projects centers, therefore, on the likelihood that the project would have occurred in the absence of the IDA incentive. If the project would have occurred without the IDA incentive, then the tax expenditure is a pure loss to the state and local community. If, however, the project would not have gone forward, then the community would have lost not only the jobs, but the increase in tax base as well. What share of the sample projects would have occurred in the absence of their respective IDAs is unknown. However, assuming that the data gathered from the Mt. Auburn survey of project beneficiaries is representative of the whole (as we believe it is), we would estimate that at least 30 percent of total projects would have conferred no benefit whatsoever to the state either by being canceled or by being sited out of state. An additional 45 percent of projects would have been either scaled back or delayed (or both). The results of this survey are discussed in greater detail elsewhere in this report.

Comparing Property Taxes or PILOT Payments Received With & Without the Project. For a sample of IDA projects that includes large and small IDAs and a cross-section of regions, CGR estimated property tax abatements over the life of the project, subtracting this from property tax payments that would have been received on the property value added to the project site. We assume that in the absence of the project, the prior level of tax receipts would have continued, but that the increase in site value would not have occurred. Taxes paid prior to the project were determined by reference to the pre–project equalized value.

CGR also considered the impact of RPTL §485b on the subject properties. Where §485b applied, CGR estimated the tax abatement that would have applied in the absence of IDA involvement and subtracted the §485b abatement from the tax expenditure reported.

The pre and post-project assessed values were gathered by CGR from local assessors and the IDAs, then were equalized by CGR using NYS Office of Real Property Services equalization rates for individual years. The 1996 tax rate on equalized value was applied to determine taxes paid in the absence of a PILOT agreement. Depending upon respective PILOT provisions, yearly abatement percentages reported by IDAs were applied either to the estimated tax liability on value added or to the estimated tax liability of the entire post-project assessed value. In several cases, we were furnished with a schedule of actual PILOT payments. For these cases, it was still necessary to estimate the tax liability on which those payments were based. The net reported below is based on a 20 year period. In some cases, the PILOT agreement extends for the entire period. In others, the PILOT period is shorter and actual property tax payments for the remaining years were estimated based on current tax rates and equalized values.

Each of the sample projects increased the equalized value of the subject property. The individual value increase by project letter is listed in the table below.

Project	Property Value Added
A	$717,615
B	$4,731,292
C	$2,223,891
D	$3,150,485
E	$3,163,916
F	$801,654
G	$381,700
H	$960,797
I	$293,367
J	$953,051
K	$6,127,652
L	$30,654,955
M	$147,700
N	$156,389
O	$10,166,104
P	$4,285,279
Q	$3,454,039
R	$342,679
S	$67,775,000
T	$328,272
U	$362,422
V	$764,676
W	$2,016,106
X	$1,200,000
Y	$1,460,060
Z	$996,017
AA	$3,940,618

Sales Tax. The sum of sales tax exemptions reported to NYS Department of Tax and Finance in 1995 on IDA projects was four percent of the total bond amount. While actual sales tax exemptions on the selected projects surely differs from that average, CGR was unable to match these particular projects to sales tax exemptions reported to T&F (see discussion below on the system for gathering information on sales tax exemptions). For leaseback transactions, we substituted the difference between pre-project and post-project equalized value for the bond amount.

Mortgage Recording Tax. To calculate the value of mortgage tax exemptions, we reasoned that project mortgages were likely to be equal to the value of the bonds for bond projects or the increase in assessment for sale/leasebacks. This is an overestimate of the cost of the mortgage recording tax for two reasons. First, we assumed that all projects in our sample were had mortgages, which was surely not true. Second, many projects involve the purchase of substantial amounts of tangible personal property which would not be subject to the mortgage recording tax. This overestimate of the value of the mortgage tax abatement was calculated by applying individual county mortgage recording tax rates. These were either 0.75 or 1 percent.

Personal Income Tax. Personal income tax exemptions on interest income earned from IDA bonds were estimated for all bonds associated with the projects in our sample. To the extent that these bonds are purchased by corporations or tax exempt organizations without a NYS tax liability, our estimates will be inaccurate.

First, the interest paid out by each bond was calculated annually for the life of the bond. None of the selected projects issued federally tax exempt bonds, so the interest rate selected was the average rate on long term high grade (Moody's Aaa) corporate bonds.[5]

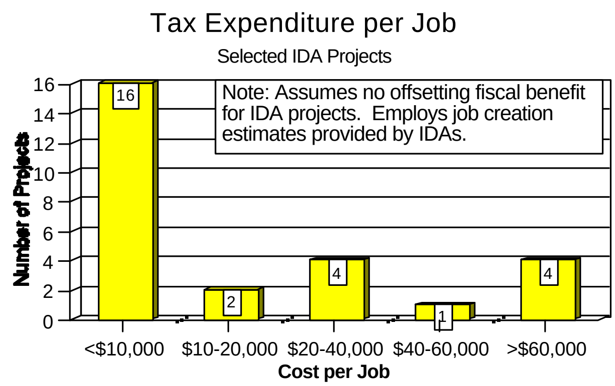
The interest rate applied was based on the project year as reported to OSC. Then, total annual personal income tax abatements granted to individuals holding these bonds were estimated using the top NYS PIT tax rate on interest income. Abatement amounts were tallied, converted to present value as of the first year of the bond, and then converted to 1996 dollars, matching the 1996 basis used for property tax abatements.

[5]We did not assume that the interest rate was reduced due to the exemption from NYS taxation as we were told be several responsible sources in the financial community that the federally-taxable IDA bonds were generally purchased by institutions, many of which were located outside the state and not subject to NYS taxation. This, of course, raises the question of whether the exemption from NYS personal income taxation actually costs the state revenue. By assuming that all the bonds are held by NYS taxpayers, we are overestimating the tax expenditure of IDA bonding.

Investment bankers stated to CGR that a large proportion of these bonds are normally purchased by institutions and individuals living out of state. To the extent that bond holders have no NYS tax liability, the tax-exempt status of these bonds is irrelevant. As confirmation, the marketplace does not assign a lower interest rate to these bond issues, suggesting that the value of the tax exemption to bond holders is limited. This implies that the tax expenditure is overestimated in our analyses.

NYS Tax Collections. Using project job creation to date as reported to OSC, CGR assumed that the state would net 6.49 percent of the increase in total wages. Wages were based on the average manufacturing wage ($27,114) as reported by NYS DOL for 1996. Taxes paid are based on a report prepared by NYS Taxation and Finance, Office of Tax Policy Analysis, which indicates that total tax collections in 1996 constituted $64.94 per $1000 personal income. CGR did not estimate the impact of added employment on local tax collections.

Tax Expenditure per Job. A summary of the tax abatements calculated for our sample projects follows. Cost per job is provided using employment reported to OSC. The figure to the right illustrates the wide range of values for the cost per job created. Without including any offsetting fiscal benefit, costs range from about $600 per job to slightly over $1 million per job. This vast range also highlights the fact that IDA projects have many purposes. The four most expensive projects (from a cost per job perspective) were all highly capital intensive projects in which job creation *on site* was desirable, but not the primary goal of the project. The largest project, for example, is a co-generation project intended to preserve the viability of a nearby manufacturing site.



Note that this quantification of fiscal benefits does not take into account the number of jobs retained, only the number created. In some cases, good projects can actually result in the retention of a smaller workforce, which would be reported to DOL as a loss of employment. In some cases, the benefit of the project is the ripple effect on the neighborhood or municipality in which the investment has taken place.

When the state tax benefits accruing from increased employment are added, the cost per job falls to zero for all but a handful of these projects. The addition of local tax revenue to these calculations would reinforce the same finding.

Summary. Our findings are only illustrative. As has been exhaustively discussed elsewhere in this report, we have little confidence in the job creation statistics used in our analysis. Without better data it is impossible to come to firm conclusions about the relative cost of job creation. Nonetheless, we are much more confident about statistics demonstrating a significant increase in property value among IDA projects. Our survey data indicates that most of the projects undertaken by IDAs would not have moved forward at all or at the same scale or timing without IDA assistance. The property tax abatements provided to project beneficiaries seem a small price to pay for the substantial and permanent increase in tax base received by the sponsoring municipalities.

Empire State Development and New York City's EDC both have procedures for estimating the net benefit of prospective projects under review. Legislation passed in the summer of 1997 (NYS Bill A08448) requires that project applications "include an analysis of the costs and benefits of the proposed project" (A.08448 §3). CGR endorses this conceptually, although with two caveats. First, we do not recommend that the calculation of costs and benefits be the exclusive responsibility of project owners. This is a very difficult task and requires considerable familiarity with local taxation for the end product to be remotely reliable. We urge NYS EDC to work with ESD to adapt the ESD model for widespread use. The common application of a simple economic model will force consistency in the collection and application of key data elements, dramatically improving the quality of subsequent evaluations. Without the use of a consistent and carefully-designed model, this addition to the IDA statute will only confuse a complicated situation still further. Second, we recommend that the legislature amend the statute to apply the requirement only to for-profit projects. IDAs are often used as conduits for civic facility financing. Applying the cost-benefit analysis tool in these instances makes little sense.

Summary of Tax Expenditures for Sample IDA Projects (Over 20 Years)													
Project	PILOT & Tax Payments on Value Added	Property Taxes Abated	Property Taxes Abated if just 485b applied	Difference Between Actual and 485b	Sales Taxes Abated	Mortgage Rec. Taxes Abated	PIT Taxes Abated	Total Tax Expenditure	Jobs	NYS Tax Revenue from New Jobs	Net Tax Expend	Ttl Tax Expend. per Job	Net Tax Expend per Job
A	$143,145	$83,083	$43,391	$39,693	$70,000	$17,500	$28,444	$199,027	58	$1,171,364	($1,115,482)	$3,431	$0
B	$914,705	$576,839	$286,078	$290,761	$120,000	$30,000	$90,429	$817,268	31	$626,074	($723,510)	$26,363	$0
C	$443,608	$257,475	$134,468	$123,007	$120,000	$30,000	$131,165	$538,640	21	$424,114	($329,083)	$25,650	$0
D	$628,440	$364,753	$190,494	$174,259	$276,000	$69,000	$207,986	$917,740	381	$7,694,647	($7,405,348)	$2,409	$0
E	$631,119	$366,308	$191,306	$175,002	$152,000	$38,000	$146,675	$702,983	140	$2,827,429	($2,755,565)	$5,021	$0
F	$90,554	$162,168	$48,472	$113,696	$18,000	$4,500	$15,400	$200,068	125	$2,524,491	($2,414,976)	$1,601	$0
G	$56,691	$63,640	$23,079	$40,561	$15,200	$3,800	$11,454	$94,094	11	$222,155	($184,752)	$8,554	$0
H	$185,752	$117,140	$58,095	$59,046	$38,000	$9,500	$34,720	$199,360	1	$20,196	($6,588)	$199,360	$0
I	$53,647	$96,074	$28,717	$67,358	$11,735	$2,200	$0	$110,009	2	$40,392	$15,970	$55,005	$7,985
J	$190,589	$120,191	$59,608	$60,583	$45,000	$11,250	$30,125	$206,566	11	$222,155	($206,178)	$18,779	$0
K	$2,498,413	$391,900	$554,361	($162,461)	$414,600	$77,738	$514,795	$1,399,032	140	$2,827,429	($3,926,811)	$9,993	$0
L	$5,575,763	$6,827,324	$2,377,213	$4,450,110	$2,853,164	$713,291	$3,542,676	$13,936,455	13	$262,547	$8,098,145	$1,072,035	$622,934
M	$45,669	$14,557	$11,551	$3,006	$5,908	$1,108	$0	$21,573	35	$706,857	($730,953)	$616	$0
N	$23,668	$19,310	na/partial	na/partial	$6,256	$1,564	$0	$27,130	10	$201,959	($198,498)	$2,713	$0
O	$3,662,156	$869,092	$869,092	$0	$406,644	$101,661	$0	$1,377,397	7	$141,371	($2,426,130)	$196,771	$0
P	$1,431,309	$305,716	$305,716	$0	$240,000	$60,000	$160,321	$766,038	33	$666,466	($1,331,736)	$23,213	$0
Q	$1,541,300	$0	na	$0	$138,162	$0	$0	$138,162	65	$1,312,735	($2,715,874)	$2,126	$0
R	$108,577	$50,962	$30,600	$20,362	$13,707	$2,570	$0	$67,239	34	$686,661	($728,000)	$1,978	$0
S	$21,210,047	$12,022,688	$4,030,283	$7,992,405	$2,508,000	$470,250	$0	$15,000,938	15	$302,939	($6,512,048)	$1,000,063	$0
T	$68,288	$69,520	$26,432	$43,088	$13,131	$3,283	$0	$85,934	13	$262,547	($244,902)	$6,610	$0
U	$60,654	$61,748	$23,477	$38,271	$14,497	$3,624	$0	$79,869	13	$262,547	($243,332)	$6,144	$0
V	$159,070	$161,940	$61,570	$100,370	$30,587	$7,647	$0	$200,174	59	$1,191,560	($1,150,456)	$3,393	$0
W	$297,103	$172,442	na-not eligible	$172,442	$122,000	$30,500	$30,125	$355,067	95	$1,918,613	($1,860,649)	$3,738	$0
X	$404,292	$184,115	$84,249	$99,866	$48,000	$9,000	$0	$241,115	108	$2,181,160	($2,344,336)	$2,233	$0
Y	$576,854	$139,070	$134,537	$4,533	$58,402	$10,950	$0	$208,423	17	$343,331	($711,763)	$12,260	$0
Z	$224,825	$53,355	$66,696	($13,341)	$57,480	$14,370	$0	$125,205	14	$282,743	($382,363)	$8,943	$0
AA	$731,159	$369,426	$285,837	$83,589	$1,040,000	$195,000	$0	$1,604,426	75	$1,514,694	($641,428)	$21,392	$0

(c) Value of Payments Received in Lieu of Taxes (PILOT)

A traditional property tax abatement agreement involves the partial forgiveness of property tax payments, usually on a schedule that requires the project beneficiary to slowly increase payments over a period of years. The cost of these agreements to the public depends on several things. The simplest definition of the “tax expenditure” examines the difference between taxes paid under the PILOT agreement and taxes that would have been paid were the project fully entered on the tax rolls. Yet an accurate comparison must consider the fact that, in some cases, the project would not have occurred in the absence of the property tax abatement or that the project would have been delayed or reduced in scale.

Were Property Tax Abatements Necessary?

Without IDA, This Project Would Have . . . CGR explored the likelihood that individual projects would have been undertaken in the absence of financial incentives through a survey of project beneficiaries, conducted by team member Mt. Auburn Associates. Of all projects begun in 1994 or 1995, 212 project beneficiaries responded to the survey (a response rate of about 44 percent) and 192 to this question. The expected outcomes, had the IDA financing not been available, varied. One third of the respondents felt they would have developed the project anyway, although only 20 percent would have undertaken the project in the same location. Five percent would have sited the project in another community within the state, and nine percent would have moved the project outside New York State. Another 45 percent reported that they would delayed, scaled back or both delayed and scaled back their projects. Finally, 21 percent would have canceled the project altogether.

When different subsets of the sample set are examined separately, the results don’t change appreciably. Despite the type of IDA, the numbers remain roughly the same. Only when project purpose is examined do differences appear. Civic facility projects depend more heavily on IDA financing than other types of projects. Only 11 percent of projects would move forward unhindered without IDA assistance. Respondents indicated that 43 percent of projects would be canceled out of hand. Naturally, no civic facility projects would have moved to another NYS community.

Expected Outcome Without IDA Financing: By Type of IDA

	All	Large	Med/Small	County	Sub-County

Canceled Project or Developed Outside NY State	26%	29%	31%	29%	33%
Scaled Back the Project, Delayed the Project or Both	45%	45%	42%	46%	40%
Developed the Project in Another Community in NY State	5%	5%	4%	4%	5%
Developed the Project in the Same Location	20%	20%	24%	21%	22%
Total Respondents	192	119	72	136	55

NOTE: "Large" IDAs include the largest 15 IDAs, defined jointly by project volume and bonding activity.

Expected Outcome Without IDA Financing: By Project Purpose

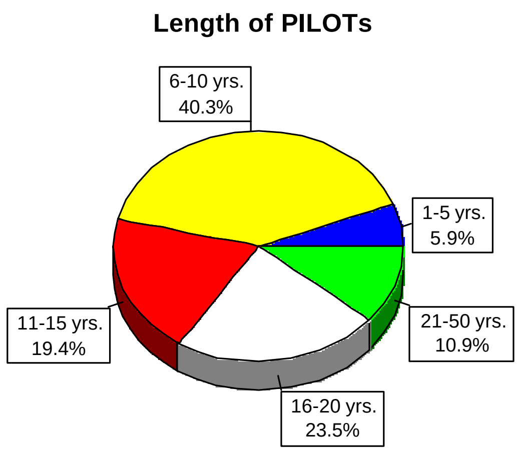
	Mfg	Service	Civic Facility	Trade	FIRE	Trans-portation
Canceled Project or Developed Outside NY State	27%	24%	43%	23%	40%	78%
Scaled Back the Project, Delayed the Project or Both	47%	54%	46%	27%	30%	0%
Developed the Project in Another Community in NY State	5%	4%	0%	14%	0%	11%
Developed the Project in the Same Location	21%	18%	11%	36%	30%	11%
Total Respondents	62	50	28	22	10	9

Based on these data, the assumption that most IDA-sponsored projects would have moved forward without IDA assistance appears to be incorrect. Among respondents, 30 percent of projects would have conferred no benefit whatsoever on NYS without IDA assistance, as the projects would have been canceled outright or moved out of state. Local governments would have lost an additional 5 percent of projects as the site moved to another municipality. And 45 percent of sample projects would have been delayed, scaled back or both.

A related question from the same survey found that 79 percent of the companies felt that the IDA helped to insure their stay in New York State, and 92 percent said the services provided through the IDAs are important to the State's economic future. When asked why they felt IDAs were important, 27 percent of respondents indicated that IDAs play a crucial role in keeping jobs and companies from leaving the state. Another 16 percent said that taxes would be too high without IDAs, while 14 percent said that IDAs maintain New York State's competitiveness with other states. Ten percent expressed the belief that IDAs offer favorable financing opportunities, seven percent appreciate the role of IDAs in helping small businesses and encouraging growth in the state, and six percent said that IDAs help attract new businesses to the State.

In many cases, total property tax receipts to a municipality increase shortly after the project is completed as many IDAs formally exempt only the value added to a particular parcel, ensuring that property taxes paid to site municipalities never fall below prior levels. Of course, property taxes would have been higher if the project had moved forward and the tax abatement had not been granted.

For projects included in these survey results, the majority (about 40 percent) had agreements reducing property tax payments (often referred to as "PILOT" or "payment in lieu of tax" agreements) for a period 6 and 10 years. In this group, the most common length for a PILOT was 10 years. Overall, the next most common length was 20 years, followed by 15 years.



Total PILOT Payments Received

Total PILOT payments received from IDA projects was $65 million in 1995, one percent of total post-project equalized value (for projects for which this information has been reported).

Summary of 1995 PILOT Payments

IDA	Total PILOT 1995 Payments	Projects with PILOT data	Projects w/o PILOT data
Albany Co.	$0	0	4
Allegany Co.	$0	0	7
Amherst	$1,623,097	60	17
Amsterdam	$7,180	3	4
Auburn	$27,127	1	2
Babylon	$0	0	6
Bethlehem	$1,700,000	1	0
Brookhaven	$317,455	5	2
Broome Co.	$427,875	10	5
Carmel	$0	0	1
Cattaraugus Co.	$442,961	4	18
Champlain	$100,764	4	2
Chautauqua Co.	$139,973	5	9
Chemung Co.	$23,239	2	6
City of Albany	$512,350	7	11
Clarence	$36,877	5	3
Clifton Park	$0	0	4
Clinton Co.	$2,642,647	11	5
Cohoes	$57,876	1	0
Colonie	$238,810	3	3
Columbia Co.	$40,000	1	4
Concord	$66,004	3	0
Corinth	$225,000	1	0
Cortland Co.	$0	0	3
Dutchess Co.	$61,411	1	7
Erie Co.	$1,709,836	91	84
Franklin Co.	$144,570	2	4
Fulton Co.	$39,872	4	7
Genesee Co.	$413,286	3	3
Geneva	$100,912	2	2
Glen Cove	$0	0	2
Glens Falls	$58,413	3	2
Greene Co.	$0	0	1
Guilderland	$0	0	2
Hamburg	$11,199	6	2
Hempstead Town	$0	0	1
Herkimer Co.	$479,612	6	0
Hornell	$25,000	1	0
Hudson	$0	0	1
Islip	$597,638	5	2
Jefferson Co.	$503,678	5	1
Lancaster	$24,433	5	8
Lewis Co.	$43,984	4	3
Livingston Co.	$76,287	2	1
Lockport	$0	0	1
Madison Co.	$30,921	2	1
Mechanicville	$37,571	1	2
Middletown	$0	0	1
Monroe Co.	$3,349,758	31	60
Montgomery Co.	$119,341	3	5
Nassau Co.	$0	0	23
New Rochelle	$396,200	1	1
New York City	$20,746,990	35	133
Newburgh	$0	0	1
Niagara Co.	$1,820,621	15	12
One Co.	$364,999	2	8
Onondaga Co.	$0	0	29
Ontario Co.	$117,903	5	7
Orange Co.	$254,033	2	8
Orleans County	$23,603	4	4
Oswego County	$202,118	1	6
Otsego Co.	$0	0	1
Poughkeepsie	$121,893	2	0
Rensselaer City	$768,075	1	0
Rensselaer Co.	$1,383,033	9	1
Rockland Co.	$182,344	2	1
Rotterdam	$0	0	1
Saratoga Co.	$1,243,090	10	3
Schenectady City	$0	0	6
Schenectady Co.	$64,915	2	1
Schoharie Co.	$0	0	2
Schuyler Co.	$326,084	3	0
Seneca Co.	$0	0	2
St. Lawrence Co.	$1,255,716	8	5
Steuben Co.	$15,000	1	0
Suffolk Co.	$4,511,890	10	20
Sullivan Co.	$103,615	2	1
Syracuse	$9,136,365	18	7
Tioga Co.	$83,120	4	3
Tompkins Co.	$55,352	4	9
Troy	$0	0	5
Ulster Co.	$0	0	3
Utica	$418,583	6	4
Warren/Wash	$440,128	3	4
Waterford	$104,119	1	1
Wayne Co.	$428,022	16	2
Westchester Co.	$3,612,812	2	9
Wyoming Co.	$356,944	8	3
Yates Co.	$0	0	2
Yonkers	$169,138	3	2

Comparing Property Taxes or PILOT Payments Received With & Without the Project

[Analysis of these issues appeared in the previous major section.]

Changes in Assessed Value of Project Sites

A comparison between property tax and PILOT payments actually received and either expected receipts without the abatement or expected receipts without the project was not feasible for the entire data set, largely because of missing data. The small sample discussed above was enormously time consuming. CGR was able to estimate the impact of IDA projects on the tax base of site communities, however.

As indicated in the table below, IDA project sites have been shown to appreciate substantially in value. When the PILOT agreement expires and the parcel is deeded back to the private owner, property tax payments are often far greater than payments made before the project. In the case of new construction, many projects are built on vacant parcels, farmland or land that was tax exempt prior to the project. A Hornell IDA project, for example, was a hotel built on farmland. Similarly, the Seneca County IDA reports values for a large outlet mall built on farmland. Estimates of assessed value in this table were furnished by the IDAs and converted to equalized values by CGR. For the 324 projects below for which CGR was able to gather data on assessed value, the increase in equalized assessed value was $2.5 billion.

Summary of Changes in Assessments of IDA Properties*

IDA	Sum of Pre-Project Equalized Values	Sum of 1996 Equalized Values	Net Increase in Equalized Values	# Projects with Valuation Data
Amherst	$15,266,309	$143,950,493	$128,684,184	60
Amsterdam	$808,309	$3,128,931	$2,320,622	5
Brookhaven	$486,628	$7,847,032	$7,360,404	3
Chautauqua Co.	$20,499,737	$34,292,619	$13,792,882	4
Erie Co.	$67,958,494	$238,755,979	$170,797,485	108
Franklin Co.	$1,062,384	$23,109,801	$22,047,417	5
Genesee Co.	$5,487,474	$41,882,910	$36,395,436	6
Geneva	$770,273	$9,020,748	$8,250,475	1
Hamburg	$618,468	$5,768,182	$5,149,714	7
Hempstead	$34,393,135	$174,924,131	$140,530,996	1
Hornell	$2,501	$1,462,560	$1,460,059	1
Islip	$11,441,826	$66,256,763	$54,814,937	6
Livingston Co.	$321,780	$749,775	$427,995	1
Madison Co.	$2,159,265	$2,774,789	$615,524	1
Monroe Co.	$110,852,264	$508,476,070	$397,623,806	42

Summary of Changes in Assessments of IDA Properties*

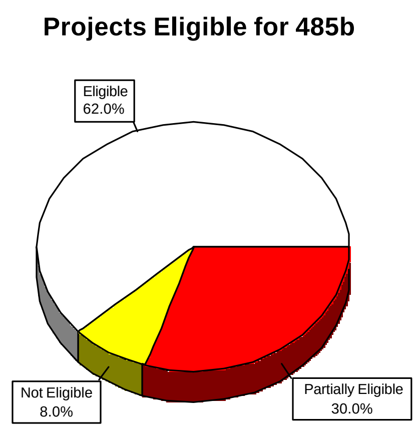
IDA	Sum of Pre-Project Equalized Values	Sum of 1996 Equalized Values	Net Increase in Equalized Values	# Projects with Valuation Data
Niagara Co.	$23,985,651	$68,218,958	$44,233,307	16
Onondaga Co.	$538,386,823	$1,774,868,787	$1,236,481,964	22
Orleans County	$599,287	$694,798	$95,511	3
Oswego County	$306,748	$8,626,449	$8,319,701	1
Rensselaer Co.	$6,199,249	$40,820,704	$34,621,455	3
Seneca Co.	$31,230	$15,579,560	$15,548,330	1
St. Lawrence Co.	$1,738,207	$80,125,481	$78,387,274	4
Suffolk Co.	$20,292,861	$84,169,362	$63,876,501	7
Tioga Co.	$98,172	$1,513,881	$1,415,709	3
Wayne Co.	$4,139,385	$21,701,784	$17,562,399	12
Yates Co.	$15,911	$1,755,191	$1,739,280	1

***For 1990-1995 projects where assessment data were reported by IDAs to CGR**

Source: CGR Survey

Role of §485b Eligibility

Section 485b of the NYS Real Property Tax Law establishes a schedule for property tax abatements for new commercial, business, or industrial projects. To the extent that a project is already eligible for a §485b tax abatement, any property tax abatement conferred by the participation of the IDA should be measured not against full tax payments but against what would have been received under §485b.



One question that CGR asked of the IDAs for each project was whether the project was eligible for §485b tax abatements—a county, city, town, village, or school district may opt not to participate in §485b. For municipalities that do participate in §485b, projects are automatically entitled to receive this benefit. Of the projects that received IDA assistance, about 62 percent were already eligible for §485b, while only 8 percent were not. Another 30 percent were eligible for a partial exemption under §485b, reflecting the fact that one or more taxing jurisdiction (often a school district) has chosen not to participate in §485b while others do participate. As the property tax exemption schedules of most IDAs are similar to (or, in some cases, identical to) the §485b tax exemptions, any estimate of the value of property tax exemptions conferred on firms through IDA involvement should acknowledge that a similar level of exemption would have been awarded in a large proportion of cases.

CGR estimated the difference in IDA tax abatement schedules and the §485b exemption on a sample basis (see description above). Summary data for the §485b issue are reproduced below. The median tax abatement (over the 20 year life employed in our analysis) under the §485b exemption was estimated to be 19%, compared to a median tax abatement of 37% under the IDA-negotiated PILOT agreement. This is, of course, based only on sample projects.

Project	Property Taxes Abated	Property Taxes Abated if just 485b applied (PV)
A	$83,083	$43,391
B	$576,839	$286,078
C	$257,475	$134,468
D	$364,753	$190,494
E	$366,308	$191,306
F	$162,168	$48,472
G	$63,640	$23,079
H	$117,140	$58,095
I	$96,074	$28,717
J	$120,191	$59,608
K	$391,900	$554,361
L	$6,827,324	$2,377,213
M	$14,557	$11,551
N	$19,310	na/partial
O	$869,092	$869,092
P	$305,716	$305,716
Q	$0	na
R	$50,962	$30,600
S	$12,022,688	$4,030,283
T	$69,520	$26,432
U	$61,748	$23,477
V	$161,940	$61,570
W	$172,442	na-not eligible
X	$184,115	$84,249
Y	$139,070	$134,537
Z	$53,355	$66,696
AA	$369,426	$285,837

(d) Types of Projects That Received Financial Assistance

According to the IDA annual reports, between 1990 and 1995, 58 percent of projects involved new construction. About 23 percent were expansions of existing facilities. Projects that fell into the “other” category were typically related to the purchase of equipment, site remediation, or relocation to an existing facility.

As discussed previously, IDA projects generally involve either bond transactions or sale/leasebacks. For projects between 1990 and 1995, the majority of IDA projects involved the issue of bonds (76 percent). Sale/lease back transactions consisted of about 24 percent of IDA project activity.

Projects by Industry Sector

The table below summarizes IDA project activity by sector (purpose) for 1990-1993 and 1994-1995. Activity for most project categories was steady between periods. As expected, the proportion of retail projects decreased after 1993. About 8 percent of total bond activity was for retail projects in the 1990-1993 period, while only 3 percent of bond activity was classified as retail in the 1994-1995 period.

SUMMARY OF PROJECT ACTIVITY BY PURPOSE, 1990-1993

Purpose	**Lease Projects**	**Bond Projects**	**Bond Value**	**Share of Total Bond Value**	**Share of Projects**
Agriculture	0	7	$164,339,000	2.8%	1.0%
Civic Facility	14	102	$1,130,542,050	19.3%	15.8%
Construction	2	27	$192,687,050	3.3%	4.0%
FIRE	7	48	$523,115,323	8.9%	7.5%
Manufacturing	61	93	$721,051,050	12.3%	21.0%
Retail	9	41	$461,517,200	7.9%	6.8%
Service	23	172	$902,736,991	15.4%	26.6%
Transportation	5	45	$1,549,871,848	26.4%	6.8%
Unknown	2	41	$110,027,000	1.9%	5.9%
Wholesale Trade	4	29	$111,520,053	1.9%	4.5%
Total	**127**	**605**	**$5,867,407,565**	**-------**	**-------**

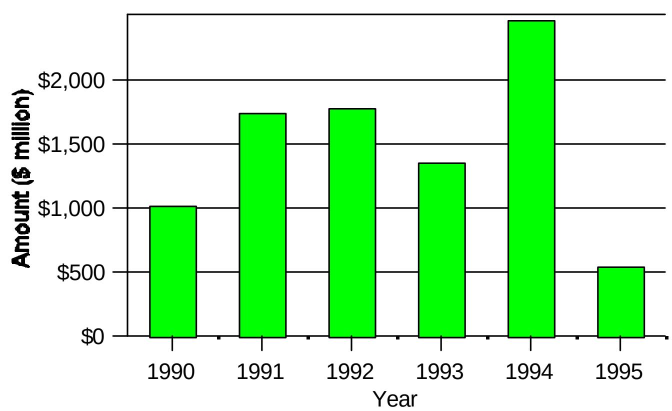
SUMMARY OF PROJECT ACTIVITY BY PURPOSE, 1994-1995					
Purpose	**Lease Projects**	**Bond Projects**	**Bond Value**	**Share of Total Bond Value**	**Share of Projects**
Agriculture	1	1	$11,000,000	0.4%	0.5%
Civic Facility	12	29	$846,222,173	28.3%	10.5%
Construction	9	9	$30,880,000	1.0%	4.6%
FIRE	5	16	$259,105,200	8.7%	5.4%
Manufacturing	53	71	$206,952,470	6.9%	31.9%
Retail	9	12	$96,369,404	3.2%	5.4%
Service	15	64	$513,927,873	17.2%	20.3%
Transportation	6	17	$801,835,000	26.8%	5.9%
Unknown	4	31	$197,469,170	6.6%	9.0%
Wholesale Trade	17	8	$28,212,367	0.9%	6.4%
Total	**131**	**258**	**$2,991,973,657**	**-------**	**-------**

The classification of projects by purpose was made by the IDAs. For the projects in which the Department of Labor was able to match the employer registration number to the individual project (roughly 1/3 of projects), CGR verified the classification using SIC codes assigned by DOL. We found that the classification of projects was accurate, particularly with respect to retail and service projects.

Although smaller in percentage, there were still a significant number of retail and service projects after the passage of the 1993 IDA reform legislation. Note that the 1993 legislation prohibits more than what DOL classifies as “retail” businesses. The legislation reads “ . . . no financial assistance of the agency shall be provided in respect of any project where facilities or property that are primarily used in making retail sales to customers who personally visit such facilities constitute more than one-third of the total project cost. For the purposes of this article, retail sales shall mean: (i) sales by a registered vendor under article 28 of the tax law primarily engaged in the retail sale of tangible personal property . . . or (ii) sales of a service to such customers. Except, however, that tourism destination projects and projects operated by not-for-profit corporations shall not be prohibited by this subdivision.” Thus many (but by no means all) service businesses are included in the prohibition.

CGR, using SIC codes assigned by DOL, selected all projects occurring in 1994-95 that were classified as retail or service and contacted the individual IDAs to explore the justification for these projects if there was any question about its eligibility. CGR did not identify a single project that violated the restrictions placed on IDAs in 1993. All projects classified as service or retail were either outside the definition specified in the law or fell into one or another of the allowable exceptions. In some cases—the Big V Supermarket in Orange County and the Tops Supermarket projects in Monroe and Niagara counties—the projects were induced prior to passage of the 1993 legislation, although the bonds were issued in 1994. Seven of the Amherst IDA's retail and service projects involved the refinancing of a project induced and completed before 1993. In several other cases, the site housed corporate offices of a service firm, not a facility directly serving the public. In the "Bert's Bikes" project in the Town of Hamburg, for example, 70 percent of the site is dedicated to corporate offices, warehouse space, and their mail order business. While this allocation would by itself enable the IDA to participate in the entire project, the IDA chose to grant a property tax exemption only to the non-retail portion. Other eligible exceptions to the 1993 restrictions include the Syracuse IDA's 1995 Wegmans Food Markets project which was located in a distressed area, Monroe County IDA's 1995 Fairport Inn project which was tourism-related, and Niagara County IDA's 1995 Target Shoe project which also qualified as a tourism destination. While some opponents of IDAs may object to the exceptions enacted into law in 1993, CGR found that all retail and service projects financed in 1994 and 1995 were legal.

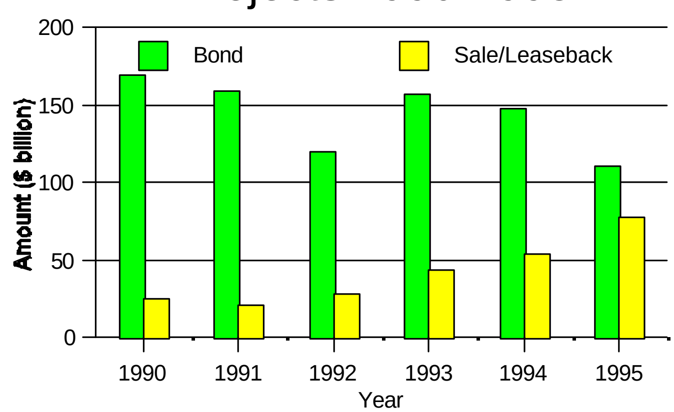
IDA-Sponsored Bonds 1990-1995



(e) Types of Financial Assistance Provided by the Agencies and Authorities

While bonds—combined with property, sales and mortgage tax exemptions—remain the most prevalent vehicle for IDA tax exemptions, the sale/leaseback vehicle is becoming more and more common. When IDAs can use part of New York's share of federally tax-exempt bonding, the bond is clearly

IDA Projects 1990-1995



superior. But in a period of relatively low interest rates, the "spread" between conventional loan rates and state tax exempt bonds virtually disappears. As the transaction costs of a bond deal are greater than those of a sale/leaseback arrangement, many IDAs have shifted a substantial share of total activity to the less costly vehicle. With a sale/leaseback, the project can receive the same property, sales and mortgage tax exemptions as in a traditional federally-taxable bond financing but with lower transaction costs. In both instances, the business firm is obligated to find a willing lender given that IDA bonds are the sole obligation of the business, not the IDA or sponsoring municipality.

(f) Criteria for Evaluation of Projects Used by Agencies and Authorities

New York State IDA legislation specifies that only certain types of projects are eligible for IDA financing. These include manufacturing, warehousing, research, commercial or industrial facilities; or industrial pollution control, recreation, educational, cultural, horse racing, railroad, and civic facilities. Although the legislation provides a framework for eligible projects, the language is broad. Many IDAs have responded by developing their own specific project selection criteria. This allows such IDAs to have a more focused evaluative tool suited to the individual needs of their communities.

According to the 39 IDAs that responded to the survey question related to the use of formal criteria in project selection (or project consideration), 32 percent indicated that they had such criteria, while the other 68 percent indicate that they did not. In general, out of the 32 percent that indicated they have formal criteria, most policies impose greater limitations on the scope of eligible projects.

For example, the Wyoming County IDA limits consideration to projects that include manufacturing, industrial, and research and development activities. Other projects must meet one or more of the following additional criteria: (1) the applicant must demonstrate that significant new jobs will be created and/or retained, and that their project will not have a significant adverse impact upon existing businesses and employment; (2) total project costs should generally exceed $500,000; (3) the project contributes to the revitalization of economical and physically distressed areas, or (4) the applicant demonstrates a convincing need for IDA involvement.

Other formal criteria used by IDAs tend to focus on the issue of *need*. For example, it is the policy of the Hamburg IDA to only finance or participate in a project if there is *demonstrable* *need* for the project and the services it offers. The policy also requires that the applicant demonstrate that *but for* the availability of IDA financing or other participation in the project, it would not be economically feasible in the Town of Hamburg.

Of the IDAs that indicated that they do not have formal criteria for project selection, the typical manner for deciding whether or not to finance a project is the case-by-case approach. Although this process may seem rather loose, in order to approve a project, applicants must show economic benefit to the community and meet the minimum state standards discussed below.

(g) Tax Exemption Policies of Agencies and Authorities

Summary of Tax Abatement Policies

1993 IDA Reform Legislation (Section 2314) requires that IDAs establish uniform tax exemption policies. These guidelines must include period of exemption, percentage of exemption, types of projects for which exemptions may be claimed, procedures for payments in lieu of real property taxes, and instances in which real property appraisals are to be performed as a part of the application for tax exemptions. The legislation ultimately provides a broad set of factors that IDAs must consider, but not necessarily be limited by. Although most of the IDAs surveyed either have an existing tax exemption policy or are in the process of establishing one, the IDA Reform Legislation does not mandate that all IDAs have the same exemption policy. As we later note, within the basic framework mandated by IDA Reform Legislation, there is great variation when it comes to individual IDA uniform exemption policies. This section will illustrate procedures used by individual IDAs and identify variation in executing the 1993 IDA Reform Legislation. Specifically, this section will focus on the following:

Procedures used by IDAs to determine eligibility for tax exemption status;
Types of exemptions offered;
Procedures for payments in lieu of taxes (PILOT);

Variation in the period of exemption and percentage of exemption;
Variation in requirements for “separate/special” property appraisals.

Tax Abatement Eligibility Procedures. There is no single set of criteria used by all IDAs to determine eligibility for tax abatements. Some IDAs, for example, not only outline what types of projects that are eligible, but also the types of projects which are not eligible for tax abatements. Many include phrases in their policies that indicate that the benefit to the community will determine the type of tax abatement offered. Onondaga reports that only "net wealth generating projects, meaning primarily manufacturing or manufacturing support, or service industries that primarily serve a customer base outside Onondaga County" are eligible for property tax abatements.

Summary of Financial Assistance Policies Among NYS IDAs

IDA	Max PILOT Length (Mfg)	1st Year Prop Tax Reduction (Mfg)	Admin Fee: Bonds	Admin Fee: Lease	Basis for Lease Fee	Termination or Recapture Provision
Amherst	16	80%	na	na	na	n
Auburn	10	100%	0.50%	na	value of bond issue	y
Bethlehem	485b	485b	1.00%	na	value of bond issue	n
Brookhaven Town	based on community benefit	based on community benefit	0.75%	0.75%	ttl project cost	y
Cattaraugus County	15 years	100%	.875% to 1%	1.00%	project cost	n
Chautauqua County	10	50%	1.00%	1.00%	value of abatement to business	n
Chemung County	15	50%	0.50%	0.50%	value of bond issue	n
Clinton County	15	na	na	na	na	y
Cohoes City	485b	485b	0.50%	na	na	n
Erie County	15	80%	na	na	na	n
Essex County	10	50%	1.00%	na	value of bond issue	n
Genesee County	na	na	1.00%		value of bond issue	na
Geneva City	10	100%	1.00%	1.00%	project cost	y
Hamburg Town	based on community benefit	based on product type	1.00%	1.00%	project cost	n
Hempstead Town	485b (better for some manufacturers)	485b (better for some manufacturers)	0.50%	.1% to .5%	value of bond issue	y

IDA	Max PILOT Length (Mfg)	1st Year Prop Tax Reduction (Mfg)	Admin Fee: Bonds	Admin Fee: Lease	Basis for Lease Fee	Termination or Recapture Provision
Herkimer County	485b (better for projects of unusual benefit)	485b (better for projects of unusual benefit)	na	na	na	y
Hornell City	based on community benefit	based on community benefit	1.00%	0.50%	ttl project cost	n
Islip Town	485b (double for projects of unusual benefit)	485b (double for projects of unusual benefit)	0.50%	na	na	y
Madison County	na	50%	0.75%	0.75%	na	na
Monroe County	485b (better for projects of unusual benefit)	485b (better for projects of unusual benefit)	1.00%	0.50%	project cost	y
Niagara County	15	80%	1.00%	1.00%	project cost	y
Onondaga County	based on community benefit	based on community benefit	1.5% to 7.5%	7.50%	project cost minus soft costs	y
Ontario County	485b (better for many projects)	485b (better for many projects)	0.50%	.25% to .5%	value of bond issue	y
Orleans County	based on community	based on community benefit	.75% to 1.25%	.75% to 1.25%	na	y

IDA	Max PILOT Length (Mfg)	1st Year Prop Tax Reduction (Mfg)	Admin Fee: Bonds	Admin Fee: Lease	Basis for Lease Fee	Termination or Recapture Provision
	benefit					
Oswego County	20	50%	0.50%	0.50%	project cost	n
Rockland County	currently developing policy	currently developing policy	1.00%	.5% to 1%	value of bond issue	n
Saratoga County	10	50% to 100%	.1% to .75%	.1% to .75%	value of bond issue	n
Seneca County	based on community benefit	based on community benefit	1.00%	no set fee	value of bond issue	y
St. Lawrence County	10	100%	1.00%	0.50%	recorded mortgage	n
Steuben County	20	100%	.1% to 1%	na	value of bond issue	y
Suffolk County	based on community benefit	based on community benefit	.1% to .75%	na	project cost	y
Sullivan County	20	50%	na	na	na	n
Wayne County	10	100% of value added	1.00%	1.00%	contruction costs	y
Wyoming County	na	na	1.00%	1.00%	project cost	na
Yates County	15	100%	0.75%	0.75%	value of bond issue	n

For bond projects, Cattaraugus County IDA (CCIDA) eligibility provisions for tax abatements require that least 33 1/3 percent of total project costs be financed through bonds issued by CCIDA with respect to the land and building, at least 10 percent of total equipment costs be financed through bonds issued by CCIDA, and the amortization of bonds (principal and interest) be approximately equal over the term of financing. Other IDAs are more inclusive in this regard. For example, the Bethlehem IDA's policy is to not only grant exemptions to projects that *are currently being* financed by the IDA, but also projects that *have been* financed by the IDA.

Cattaraugus County has different procedural requirements for projects that are sale/leaseback transactions. Projects using CCIDA's sale/leaseback options must adhere to the following policies: 1) Payment in lieu of taxes (PILOT) are applicable only on new real property values as determined by the local assessor; 2) When the sale/lease transaction is in an eligible NYS Economic Development Zone, the PILOT must be equal to 485e, excluding special district taxes; 3) Special district taxes are abated under no circumstances; and 4) A ten year program of abatement starting the first year with a 50 percent abatement followed by an annual five percent decrease in abatement through the tenth year.

One of the most common conditions assessed for determining eligibility for tax abatements is the extent the proposed exemption will impact the community's finances. Many IDAs, such as Hornell City IDA, require that PILOTs granted generate no less revenue than the taxes collected from the site before IDA intervention.

As a condition for approval of tax abatements, some IDAs require all PILOTs to be approved by host municipalities. The Westchester County IDA, for example, has such a restriction. Although it is not generally the case that host municipalities approve every IDA project, host municipalities must approve any deviation the IDA makes from its *normal* policies and procedures. When considering a deviation from their regular policies, IDAs must, as mandated by law, have a framework for granting such exceptions. The framework usually includes, but is not limited to, the following issues:

Extent to which the project will create or retain permanent, private sector jobs;

Estimated value of any tax exemptions to be provided;

Whether affected tax jurisdictions should be reimbursed by the project occupant if the project does not fulfill the purposes for which the exemption was provided;

Impact of the proposed project on existing and proposed businesses and economic development projects in the vicinity;

Amount of private sector investment generated or likely to be generated by the proposed project;

Demonstrated public support for the proposed project.

Types of Exemptions Offered. Under the New York State Tax Law, a community (municipality, city, or town) may opt not to participate in the 485b Real Property Tax Exemption. Under 485b, property taxes are abated ten years. The first year of the project taxes are abated by 50 percent, and this abatement subsequently decreases annually by 5 percent until full taxes are paid. IDAs located in communities that participate in 485b, at a very minimum, offer project applicants the 485b exemption. In some instances, IDAs *only* offer real property tax abatements equal to those pursuant to 485b. Orleans County IDA's general policy is to grant applicants real property tax abatements equal to those provided by Section 485b *regardless* of whether such abatements would be available from the municipality and the school district where the project is located if conventional financing were to be used. The comparative advantage for a company located in a participating 485b community is that other tax exemptions follow, such as sales and mortgage recording tax exemptions. The following section will detail these types of tax abatements.

Generally speaking, the mortgage recording tax exemption is provided for projects where the IDA holds title. In the event the IDA does not hold title to a project, the IDA is unable to provide exemption from mortgage recording taxes. Although this policy seems straightforward, there are some exceptions. The Geneva IDA offers exemptions from mortgage recording not only for IDA financed projects, but also for non-IDA financed projects. A non-IDA financed project would be one where the IDA is not providing traditional financial assistance (bond/lease) to the applicant. Exemption from mortgage recording taxes for non-IDA financed projects have additional requirements on the part of the applicant. For the Ontario County IDA, mortgage recording tax exemptions are permitted on non-IDA financed projects when a second mortgage on the project is necessary to secure subordinated indebtedness of the project applicant. The Ontario County IDA considers the use of the property, the degree of investment, the degree and nature of employment, and the economic condition of the area in which the facility is located before permitting such exemptions on non-project related financing.

As outlined by Article 31 of Tax Law, certain real estate transfers are subject to taxation. The New York State Department of Taxation and Finance allows the transfer of property from an IDA back to the project beneficiary to be exempt from real estate transfer taxes. The uniform tax exemption policies of the various IDAs comply with this law.

Most, if not all, IDAs have PILOT agreements that include the following components:

Period of PILOT Schedule;
Amount of Abatement- PILOT payments are computed for each taxing entity, depending on the PILOT and the applicable tax rate of each tax entity;
Percentage of Exemption- Listed for every year of the PILOT;
Special District Taxes- Makes clear that applicant is not exempt from special district taxes;
Enforcement by Agency- Outlines remediation steps a taxing jurisdiction not receiving a PILOT payment may take. Policies usually identify the IDA as the entity that must take action to enforce the PILOT agreement once petitioned by the affected taxing jurisdiction.

Variation on the Period of Exemption and Percentage of Exemption. The periods for exemptions outlined in IDA uniform exemption policies vary from a minimum of 5 years to a maximum of 20 years for industrial projects, and a minimum of 10 years to a maximum of 15 for non-industrial projects. Accordingly, the percentage for exemptions usually follows the 485b Real Property Tax Exemption, but can vary. For example, Geneva City IDA provides up to seven years of full tax exemption for industrial projects and decreased percentage exemptions in the seventh, eighth, ninth, and tenth years.

Property Appraisals. *Separate* real property appraisals are usually not required by IDAs. The general policy of the IDAs surveyed is to base the project value for the PILOT on a valuation performed by the assessor of the municipality. IDAs typically require an additional real property appraisal when the assessor of a taxing jurisdiction requires one and/or when the valuation of the project for payment in lieu of tax purposes is based on a value determined by the applicant or by someone acting on behalf of the applicant, rather than by the assessor of a taxing jurisdiction or the IDA. Some IDAs, such as Seneca County IDA and Onondaga County IDA, determine whether an appraisal should take place based on the case-by-case recommendations of a technical assistance group. For these two IDAs, the technical assistance group is comprised of the county treasurer, the county economic development director, the county manager, and the chairman of the IDA.

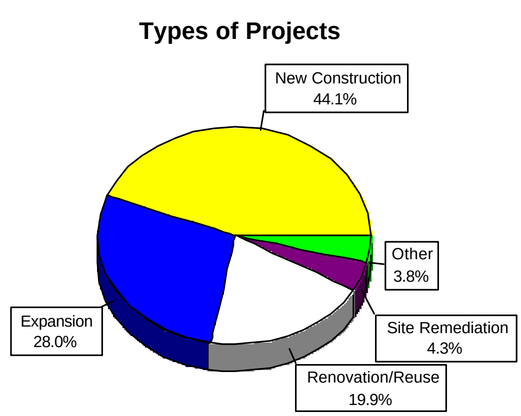
Benefit Attenuation or Recapture

Many IDAs place provisions into project contracts that specify goals—usually in terms of job creation or retention—for the project owner. If the goals are not attained, the recipient firm is subject to some kind of sanction, ranging from a termination of the bonds or a suspension of PILOT benefits to the repayment of part up to a multiple of the benefits received. Many Empire State Development Corporation programs also include recapture provisions. Of all the state's IDAs, NYC's Economic Development Corporation (NYCEDC) has the most extensive experience with these tools. Of the IDA policies reviewed for this study, 17 allow for benefit attenuation or recapture in their published policies. In interviews with some of these IDAs, they reported that the recapture provision did not seem to limit their ability to entice firms to locate in their communities. New York City reports imposing some level of sanction in about twenty cases.

(h) Other Issues

Satisfaction With IDA Services

The popularity of "total quality management" has reinforced the importance of customer satisfaction. As part of the Mt. Auburn Associates survey of 1994-95 project beneficiaries, the consultant team explored project beneficiary perceptions of the value of IDA services. This survey had a response rate of 44.3 percent (of the 518 surveys that were sent out, 212 companies completed surveys, and 40 were returned as undeliverable).



The respondents were largely made up of manufacturers, service firms and nonprofits. Close to 31 percent of the respondents were manufacturers, while 15.6 percent were in the service sector and 14 percent were either nonprofit organizations or public sector agencies. Real estate development companies and wholesalers/distributors made up an additional 24 percent of the pool. Other companies included retailers, construction firms, and warehousing companies.

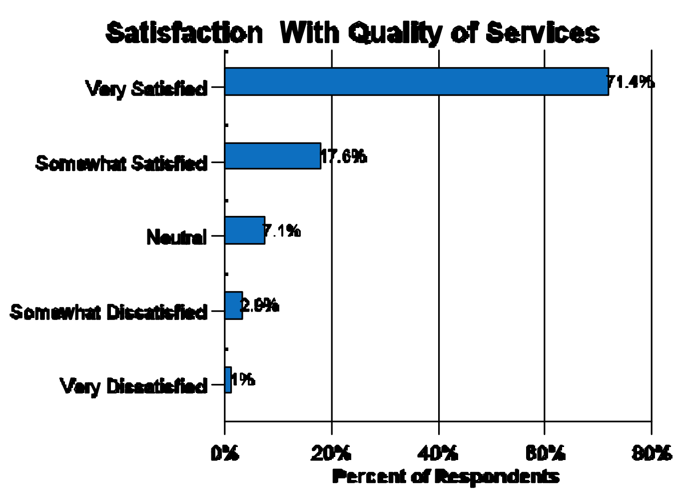
For the vast majority of the respondents (81.5 percent), projects consisted of developing and occupying a facility. Another 10 percent developed a site for another company and now lease the facility to that company. Other scenarios include leasing a facility, buying and occupying a facility, and developing a site to lease to several other occupants.

Most of the projects were either new construction (44 percent) or the expansion of an existing facility (28 percent.) Another 20 percent of the projects involved the renovation or reuse of an existing facility. Other types of projects included site remediation, relocation to an existing facility, and purchasing equipment.

Company Relationship to IDA Project

Description	Respondents Number	Respondents Percent
Developed and Occupy the Facility	172	81.5%
Developed Site for Another Company and Currently Lease to that Company	21	9.9%
Developed Site for Another Company and Have Sold the Facility to that Company	2	0.9%
Other	16	7.6%
Total	**211**	**100.0%**

Over half of the respondents (53 percent) relocated or expanded an existing facility within the same municipality, while 15.5 percent did so in another New York State community. Less than 2 percent relocated or expanded a facility previously located outside the state. Finally, 30 percent developed a new facility in New York State.

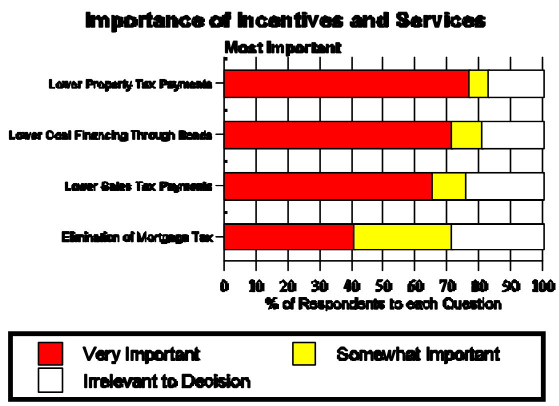


In most cases (71 percent), the IDA

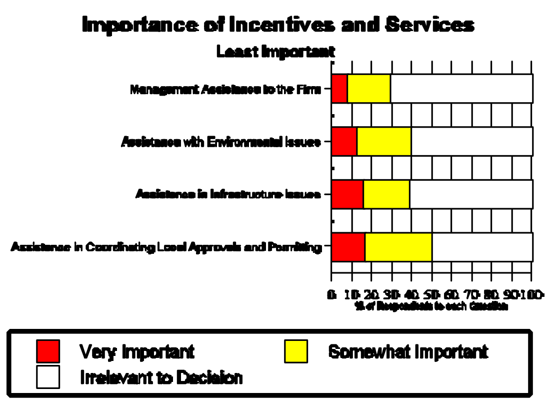
provided only financing and tax incentives. For the remaining 29 percent, however, it provided additional services. For 22 percent of the projects, the IDA also coordinated local approvals and assisted with the permitting process. For another 12 percent, the IDA assisted the firm in addressing environmental issues at the site. Just under 11 percent of the companies received assistance in water and sewer issues while the same number were provided with formal or informal management assistance. Finally, the IDA coordinated other sources of financing for 5 percent of the projects.

Overall, most of the respondents were pleased with the quality of services they received from IDAs. Over 71 percent of respondents were very satisfied, while another 17.6 percent were somewhat satisfied. Just over 7 percent felt neutral about the services and 4 percent expressed some dissatisfaction. Among those who expressed dissatisfaction, the most common complaint was the high cost of working with IDAs. Half specifically complained about excessive paperwork.

The respondents listed lower property tax payments, lower cost financing through bonds and lower sales tax payments as the most important incentives or services received through the IDAs. Lower property tax payments were very important for 77 percent of the respondents, and lower cost financing through bonds for 71 percent. Sixty-five percent of the companies felt that lower sales tax payments were a very important incentive. The elimination of the mortgage tax was very important for 41 percent of the respondents, somewhat important for 30 percent, and irrelevant for 29 percent.



Management assistance to the firm was the least important service offered by the IDAs, followed by assistance with environmental and infrastructure issues.



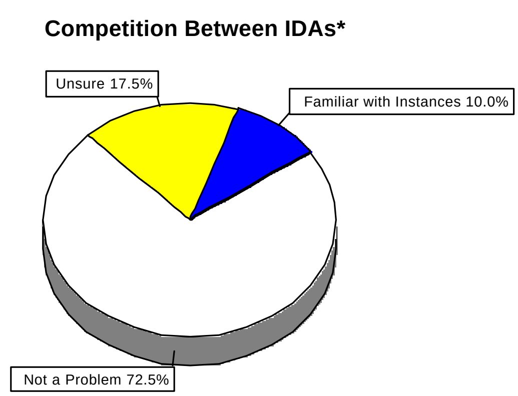
Nearly 71 percent of the respondents felt that management assistance was irrelevant to their decision to undertake the project through the IDA, and only 7.6 percent felt it was very important. About 60 percent of the companies felt that assistance with water and sewer issues and assistance with environmental issues was irrelevant. Finally, half of the respondents were not interested in assistance in coordinating local approvals or permitting.

In response to the question regarding possible improvements to IDA services, 12 out of 74 respondents (or 16.2 percent) felt that no improvements are necessary. However, 24.3 percent felt that IDAs need to reduce red tape and paperwork, while 21.6 percent said that the legal fees involved were too high. Other suggested improvements were shortening the time frame for approval and processing, reducing competition between IDAs, and making information regarding IDA services and incentives more available.

Competition Among IDAs

When asked whether they were aware of instances where competition between IDAs over tax abatement levels ultimately reduced local taxes received from a project, the majority of IDAs surveyed indicated that this was not a problem in their communities. About 73 percent felt strongly that competition was not a problem, 10 percent indicated some concern about this issue, and 17 percent were unsure.

The survey of IDA directors asked IDAs to comment on the issue of competition. The comments varied widely. One IDA director indicated that IDAs in his region had a high level of cooperation, but parenthetically expressed that towns tended to be extremely competitive. Another IDA director stated that it was his experience that companies do not leave an area in New York State to go to another area within New York State over tax abatement but other issues drive the decision, such as inadequate facilities, lack of land to expand, lack of cooperation in one locality versus another. As one IDA



*Instances where competition between IDAs resulted in abatements for firms that were unlikely to leave NYS.

director expressed, “tax abatements are nothing more than frosting on the cake. Companies move or stay for the cake, not the frosting.”

Although most comments tended to underscore disagreement with the statement that competition over abatements have reduced local taxes, there were some IDAs whose comments supported this assertion. One IDA indicated that within the same labor region, multiple IDAs with differing PILOT and eligibility policies invite shopping.

Competition for IDA Projects

The respondents to Mt. Auburn’s survey of project beneficiaries were almost equally divided between those who had looked at other competing sites for the project (45 percent) and those who had not (55 percent.) A total of 87 respondents considered 143 other sites. Of these sites, about half were located in New York State. Another ten percent were in neighboring New Jersey while 12 percent of competing sites were divided roughly evenly between Pennsylvania and North Carolina. Other competing sites were located throughout the country, including Ohio, Connecticut, Florida, South Carolina, and Tennessee.

Location of Competing Sites

State	Number of Other Sites	Percent of Other Sites
New York	70	48.9%
New Jersey	14	9.8%
Pennsylvania	9	6.3%
North Carolina	8	5.6%
Ohio	5	3.5%
Connecticut	4	2.8%
Florida	4	2.8%
South Carolina	4	2.8%
Tennessee	4	2.8%
Arizona	3	2.1%
Arkansas	2	1.4%
California	2	1.4%
Maryland	2	1.4%
Missouri	2	1.4%
Texas	2	1.4%
Utah	2	1.4%
Colorado	1	0.7%
Georgia	1	0.7%
Iowa	1	0.7%
Kansas	1	0.7%
Nevada	1	0.7%
Washington	1	0.7%
Total	**143**	**100.0%**

Note: Number of Respondents = 87 (respondents may have considered more than one other site)

Erie County was the most popular location for competing sites among the 48 companies that considered other sites within New York State (not surprising, given the high level of IDA activity within Erie County). These 48 companies considered a total of 70 sites in the state, 26 percent of which were located in Erie County. Monroe and Westchester counties each claimed 8.6 percent of the competing sites, while Rockland and Ulster counties claimed 5.7 percent each. Other significant competing counties included Chautauqua, Niagara and Livingston with 4.3 percent of the sites each, and Ontario, Otsego and Suffolk counties with 3 percent each. The remaining sites were spread throughout the state.

Over half of the companies (55 percent) pursued conventional financing before turning to an IDA. While only 8 percent of the 114 companies could not obtain any financing at all and 10 percent could only obtain part of the needed financing, 52 percent could obtain financing privately but at non-viable terms. An additional 30 percent could obtain all financing privately at viable terms, but used an IDA anyway.

Of the 56 companies that would have developed the project in another community in the absence of IDA financing, most would have done so in New York (16 percent), New Jersey (12.5 percent), North Carolina (12.5 percent) or Pennsylvania (10.7 percent.) Another 9 percent would have chosen South Carolina, while 5.4 percent would have turned to Connecticut and 3.6 percent to Ohio. Just over 14 percent were unsure as to where they would have invested. The states of Arizona, Colorado, Florida, Georgia, Illinois, Missouri, Tennessee, Texas, and Utah were each selected by about 2 percent of the respondents as places they would have invested.

Impact of 1993 Reform Legislation on IDA Practice

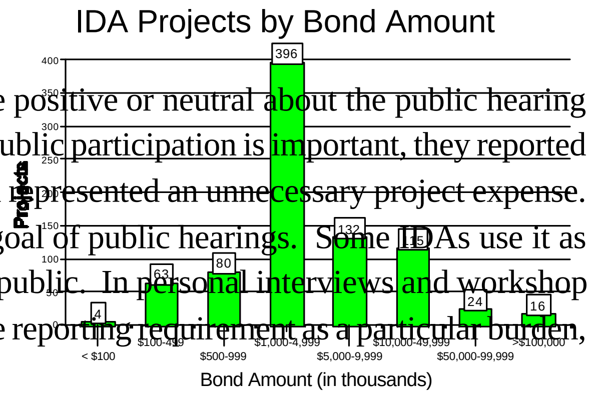
Much of the information below is based on a survey of IDA staff, a copy of which appears in the Appendix.

Reporting Requirements

Only about 40 percent of IDAs responding to the survey supported the new reporting requirements. Extensive conversations with all participants in the reporting process suggests that significant improvements are possible. IDA directors are concerned about both the cost of compliance and a perception that the data gathered are not well used, thus making the effort rather fruitless. More extensive discussion of the reporting issue follows.

Reporting requirements enjoy general support in theory, but generate considerable frustration in practice. IDA directors appeared to be very willing to participate in a data collection system that is fair and accurate. As recommended above, the reporting requirements should be limited to information that the IDAs can gather and report with confidence and without a cost that exceeds the value to the public.

Public Hearing



About 50 percent of IDAs responding were positive or neutral about the public hearing requirement Although most directors agreed that public participation is important, they reported that most public hearings are not well attended and represented an unnecessary project expense. They also felt there was need to better clarify the goal of public hearings. Some IDAs use it as an informational meeting, others use it to hear the public. In personal interviews and workshop meetings, we found relatively few who regarded the reporting requirement as a particular burden, however.

The value of the public hearing is questioned by many IDA directors, although few are strongly opposed to its continuation. The threshold for public hearings may be set too low. The existence of the threshold indicates a legislative intent to exempt small projects from the requirement. Of the 1,100 projects closed between 1991 and 1995, only four had bond amounts less than $100,000. A more realistic threshold might be $1 million. The distribution of bonds by amount appears in the accompanying graphic.

Retail Restrictions

Based on survey responses, IDA directors clearly have mixed feelings about the IDA legislation that was enacted in 1993. Over 60 percent felt comfortable with new restrictions on retail projects. In personal interviews and workshop meetings, many IDA directors reported that they supported the position of the Legislature on retail projects, indicating that retail development represents sound economic development only in selected instances. Many indicated that the legal impediment to doing retail projects had not limited their ability to promote local economic development.

As discussed above, the restrictions on retail projects in the 1993 legislation are supported by most IDA directors. Our data show that the restrictions have had the desired effect, as fewer retail and service projects received IDA assistance after the legislation passed. Our data also confirm that the retail and service projects that do occur either refinance earlier projects, were induced before the legislation was passed or qualify under one of the established exceptions. There is some sentiment for making the restrictions more specific, perhaps by establishing a set of eligible SIC codes. This is an area in which NYSEDC could take a leading role. While restrictions passed by NYSEDC would not have the power of law, they could provide guidelines for IDA directors who find the present rules too vague.

Recommendations

The role of the state in regulating industrial development agencies has been vigorously debated in the NYS Legislature during the 1990s. Much of the debate turns on whether the IDAs are providing subsidies to business ventures that would have moved forward without assistance. The survey of project beneficiaries discussed above confirms that a relatively small proportion of IDA projects would have occurred at the same time, scale and location without IDA incentives. Our analysis of selected projects suggests that the typical cost of IDA incentives per job created is modest, although the cost per job is highly variable across IDAs and project types.

The consultant team views its central task as one of assessing the impact of the 1993 changes in legislation governing IDAs. In large measure, these changes increased the level of oversight exercised by the state over IDAs. Most of our recommendations address the systems that were put in place by this legislation and their effectiveness.

As discussed in detail above, the consultant team was unable to measure job creation and retention to its satisfaction. This is a particularly troubling problem and one that must be addressed. The first set of recommendations discusses these issues in detail.

Additional record keeping requirements are also in need of improvement. The IDAs complain vociferously that the requirements imposed upon them are costly and unrealistic. We find many of their objections to have merit and discuss possible changes below.

Job Creation and Retention Must be Measured Differently

CGR is reluctant to draw firm conclusions about the role of IDAs in job creation in the State of New York as the data used to measure job creation are not useful in assessing the impact of IDA activity. For all the reasons listed above, we do not believe that either DOL unemployment insurance records nor current summaries of IDA reports provide a true representation of job creation on these projects. The OSC statistic is flawed due principally to conflicts in its definition. The DOL statistic is inappropriate for this use for a number of other reasons, which are enumerated above.

Survey Aided Firms to Measure Job Creation and Retention

NYS should be able to measure job creation resulting from IDA projects with confidence. All stakeholders should work together to establish a system that will generate reliable, defensible statistics. We do not believe that the unemployment insurance database can be used for monitoring purposes at this time.[6] The only source of site-level employment for aided firms is the company itself.

Employment Data Collection Continue to be IDA Responsibility. We recommend that IDAs continue to be the primary agents for data collection on site employment. Industrial development agencies develop a relationship with aided firms that will improve the willingness of the firm to comply quickly and accurately. IDAs are also in the best position to informally verify the data presented.

Adopt Uniform Employment Questionnaire Statewide. Employment questionnaires should be uniform statewide and require the signature of an officer of the firm. We recommend that Empire State Development and/or Office of the State Comptroller develop a common questionnaire to be used by all IDAs. The common questionnaire should include simple definitions of procedures, such as the effective date of the employment information and the correct procedure to follow when recording part-time employment. As a way of avoiding imposing an onerous burden on the firms, the survey should be brief.

Gather Information on Current Period Employment Only. Questionnaires should not ask firms to make judgments about the relationship between job creation/retention and IDA involvement or to report employment trends ("jobs created since . . ."). While some may disagree with our position, we believe that the interests of the state are better served by obtaining simple point-in-time employment statistics that can be empirically verified. By asking respondents to judge the impact of IDA involvement on employment, the final aggregated statistic will be

[6]Wisely, NYS DOL and NYS Taxation and Finance are involved in a project that will merge unemployment insurance reporting and the payroll withholding process. As this is an instance in which the same information is solicited from NYS firms by two different agencies using two different processes, this level of coordination will lower costs for NYS firms and may improve the quality of the combined data. If this transition is successful, the database may be more usable in the future.

virtually impossible to interpret.[7] If year-end employment is captured through a survey process, employment at assisted firms can be consistently tracked over the life of the project. Once OSC has developed a database of IDA projects, changes in employment can be easily calculated by OSC.

Capture Anticipated Job Creation/Retention in First Project Year. Estimates on the number of jobs expected to be created and retained should be gathered from the IDA in the first project year and not reported annually in the supplemental schedule. Baseline employment should be obtained by sending the firm the previous year survey, thus requesting total FTE employment at the end of the year before the project was begun.

Although retention is an extremely important function of IDAs, it is extremely difficult to validly measure. We do not believe that it is worthwhile asking the IDAs to separately report jobs retained. Retention should be defined simply total employment at the employment site.

If job retention is indirect (e.g. a co-generation facility that is intended to retain jobs at nearby industrial employer), then the name of the firm at which jobs will be retained and employment at that firm should be reported for the first year the project is reported. Employment at this firm should be gathered in subsequent years and attributed to the project.

Mandate Employment Reporting by Aided Firms. Voluntary reporting is probably not adequate. For firms that do not meet promised job creation, the temptation simply not to report is very strong. We recommend that IDAs mandate annual reporting in agreements negotiated with the aided firms (bond documents, for example).[8]

[7] An established principle of survey research is to stick to questions having a definite "right or wrong" answer. By asking respondents to speculate or estimate, the questioner invites a strategic response.

[8] Non-reporting constitutes an event of default for NYC bond projects. NYC EDC reports that they have never had to impose penalties on a firm for choosing not to report, but they have that option for firms that choose not to cooperate.

Distinguish Missing Data. Even if sanctions can be imposed on a firm that chooses not to report its employment, we recognize that there will be cases in which the information is not obtained. When employment has not been reported, we strongly recommend that IDAs report and

OSC record the number as missing. IDAs should not estimate missing data and OSC needs to create a missing value code in its database that ensures that the blank is not mistaken for a zero.

Recognize That NYS IDAs Emphasize Job Retention

Our data show that the emphasis of a large share of IDA activity is not on creating new jobs, but on job retention and on the improvement of community facilities—both worthy activities for a public benefit corporation. IDAs have financed many power/heat cogeneration facilities across the state, for example. These facilities enable the customers of the new power plants to bypass the unusually-high cost of energy in the state. The retention impact of these projects can be substantial, even if job creation on site is meager.

Consider IDA Success in Light of Economic Climate. Statistics on job creation should also be viewed with an understanding of employment trends in the Northeast in general and New York's manufacturing sector in particular. Improvements in productivity in manufacturing improve firm competitiveness, but often by reducing employment. Given the competitive climate of international business, many New York firms may need to shrink to remain in business. IDA projects also expand the tax base within their communities.

Monitor Employment Only For Projects Intended to Create or Retain Jobs. Reporting for IDA projects should reflect this reality. Each project report should include a "project goal" that would include a few simple categories, e.g. job creation, job retention, community infrastructure development, etc. Projects not intended to create or retain jobs should be exempt from employment reporting.

Industrial Development Agency Practices

Establish "Best Practices" Committee in NYSEDC

The diversity of practice among IDAs is substantial. This is neither surprising nor particularly troublesome. In fact, that is the strength of locally-controlled tax preference administration as each community operates with its own set of assets and needs. Nonetheless, CGR believes that criticism aimed at IDAs might be deflected if New York State Economic Development Council's IDA section were to establish a "best practices" committee that would serve as a forum for different perspectives on criteria for project selection, PILOT schedules, fee issues, interpretation of legislative restrictions on IDA practice and other concerns. This suggestion is supported by numerous interviews with individuals and institutions concerned with IDAs, including many IDA directors, many of whom volunteered the idea without prompting from CGR staff.

Consider Broader Application of Recapture Provisions in IDA Contracts

As documented above, many IDAs have incorporated recapture of benefit provisions into their tax abatement policies. We suggest that IDAs that do not currently include recapture provisions strongly consider their adoption. By making this suggestion CGR does not imply that there is widespread abuse of the benefits conferred on aided firms. We do not have evidence to suggest that this is a significant problem. We do believe, however, that such a provision would encourage a higher level of scrutiny of individual projects in the later project years and that such provisions would increase public confidence in IDAs without hampering their effectiveness.

Revise Record Keeping Requirements for IDAs

As noted earlier, 1993 IDA legislation required that all firms receiving IDA assistance submit within ninety days following the close of their fiscal year a financial statement that lists all sale/leaseback transactions and bonds issued, outstanding, or retired during the reporting period. In addition, all firms receiving IDA based sales tax exemptions must report the value of benefits received to the NYS Department of Taxation and Finance. Because the legislation is broad, the details of the reporting requirements have evolved independently at OSC and T&F.

The annual financial report for the Office of the State Comptroller consists of three major sections. The first deals with enterprise funds, the second with indebtedness, and the third with supplemental information. The third section relates to specific projects supported by the IDA. Tax and Finance's form (ST-340) consists of a one page document that must be filed by agents/project operators. Copies of both of these forms are provided in the appendix.

Record Keeping

CGR has developed several recommendations to allow for better coordination of the data being collected. In addition, we have several recommendations for addressing the issue of redundant/superfluous data reporting requirements. These changes will not only make reporting less burdensome, but also facilitate more effective monitoring of IDA performance.

Our review of annual reporting required of the IDAs suggests that a dramatic simplification of the report is warranted. We assume that the legislative intent in mandating an annual report was to facilitate the kind of evaluation attempted here and we make our recommendations with that goal in mind.

Data collection should observe several general principles: (a)Information that is of little value to the evaluation but is costly to acquire should be eliminated, (b)Information should be gathered at the cheapest point of collection, and (c)Information requests should be limited to what the respondent knows or can readily discover. In our experience, when respondents are required to provide information they cannot accurately provide, it encourages speculation and taints the attitude of respondents to all portions of the report.

Develop Joint Recommendations to Legislature on Record Keeping. There appears to be agreement between the IDAs and OSC concerning some of the reporting currently mandated. OSC seems responsive to the argument of the IDAs that some data are difficult or impossible to report accurately and that some data elements are more trouble to report than they are worth to OSC in its oversight capacity. We recommend that OSC staff, the leadership of NYS Economic Development Council (NYSEDC), Empire State Development, the Department of Taxation and Finance, and representatives of the local government committees of the Assembly and Senate work together to identify (a)what data are needed, (b)who is best able to gather these data accurately and efficiently, and (c)which project types require a particular type of monitoring.

Reduce Specificity of Reporting Requirements in Legislation. The IDA Annual Report form is developed by OSC in response to legislation (specifically GML §859(1)). The complexity and length of the report can be partially attributed to statutory requirements that are more specific than we believe to be necessary. We recommend that the legislation be re-drafted to reflect the general goals of the reporting process with details of the annual report's contents left to the discretion of OSC. The present legislation creates a report that is not only onerous but uninformative.

Develop Uniform Project Numbering System. Currently, there is no consistent set of identification numbers for IDA projects. While seemingly trivial, the absence of such a system was the single most difficult obstacle CGR faced in completing this analysis, dramatically increasing the cost of the evaluation and reducing the amount of information we were able to acquire and analyze. For internal record keeping, some IDAs assign individual identification numbers to projects, while others do not. Once the IDAs submit their forms, OSC assigns its own non-unique number to each project based on a combination of project type, project year, and a sequence number for each IDA. Beyond the fact that these identification numbers do not correspond with those assigned by IDAs (when used), this numbering system yields many duplicate project numbers.

NYS Department of Taxation and Finance assigns its own identification numbers to projects to track sales tax exemptions granted, but only after the reports have been filed by respondents. Although T&F numbers are unique to each project, they do not correspond to those used by OSC and the IDAs. It was impossible to establish a one-to-one correspondence between the T&F project identifiers and those assigned by OSC. While we assume that the T&F data correctly match sales tax exemptions to the proper IDA, there are duplicate project beneficiaries within the same year or across years (see Benderson Development or Sorrento Cheese in the Erie County records) and similar project names within and across years. This virtually guarantees that the assignment of project identifiers by T&F is inaccurate. CGR was able to match project names between T&F and OSC for fewer than 20 percent of total projects. Even when we were able to establish a one-to-one correspondence between project numbers, we found that the information gathered on an individual project basis was often in error.

A vehicle for ensuring standardized project identification in maintenance of records is crucial for efficient monitoring of IDA projects. We strongly urge Empire State Development to work with OSC, Taxation and Finance, and NYSEDC to establish a system of standardized identification numbers that would allow data collected by ESD and the Office of the State Comptroller to be readily linked to data collected by Taxation and Finance and the internal records of the IDAs. The most obvious approach would be to combine the IDA identifying number, the fiscal year and a sequence number within the fiscal year. Some projects might require an additional character to identify the different phases of the same project. New York City's multi-year retention projects, for example, might be assigned an identification code in their first year with a letter designating each bond series. All project information would be required to carry this code, including the form used by Taxation and Finance to monitor sales tax exemptions.

Eliminate Sales Tax Reporting Requirement on IDAs. A coordinated numbering system would also enable OSC to eliminate redundant questions relating to sales tax exemptions requested on their Supplemental Schedule. The IDAs are not in a position to gather accurate information on sales tax exemptions, although they are certainly capable of preparing reasonable estimates of expected exemption totals. As illustrated earlier, data currently reported to the Comptroller is of dubious accuracy. As the IDAs are required to report sales tax by state law, we recommend that this mandate on IDAs be removed by the legislature.

Improve Systems for Capturing Sales Tax Exemption Information. As discussed above, the current system used to capture sales tax exemptions is flawed. CGR identified many projects in which the respondent confused the sales tax exemption and the value of purchases on which the exemption should have been based, dramatically inflating reported sales tax exemptions. The system now in place generates inaccurate data that is not easily verified. Furthermore, while we found no evidence of abuse, the current system of reporting does not alter the potential for abuse. If the Legislature expected that the reporting requirement imposed in the 1993 legislation would reduce the risk of abuse, then little has been accomplished. A more robust approach to sales tax exemption measurement might involve either point of purchase monitoring or a rebate system under which contractors would pay the sales tax at the time of purchase and apply for a rebate later in the year. CGR recommends neither approach. We simply note that the current system of measurement does not seem to be effective.

Taxation & Finance Publish Sales Tax Report. Assuming that the system of capturing information on sales tax exemptions remains essentially unchanged, we recommend that T&F create an annual report of sales tax exemptions reported by IDA project and distribute it statewide in lieu of IDA sales tax reporting. Before releasing the annual report, Taxation and Finance should send a draft to each IDA and ask that IDA staff verify information that appears to be in error. The IDAs are in the best position to judge the accuracy of reporting to Taxation and Finance and to track down and correct errors before they become part of a final published report from T&F. Part of this “error checking” process will be accomplished by the addition of subdivision 9 to GML §874 (passed in the summer of 1997) which requires that IDAs estimate the sales tax exemption at the beginning of the project. This will enable T&F to perform its oversight task more effectively. Still, we urge that T&F work with the IDAs to refine the data collection process by annually providing each IDA with an annual report of sales tax exemptions claimed by agents of the IDA. As we have emphasized above, neither the sales tax reporting of

IDAs (in IDA Annual Reports) nor Taxation and Finance records (from form ST-340) are accurate. If T&F and the IDAs work together instead of generating parallel reports, we believe that the state will have a more accurate picture of actual sales tax exemptions conferred by IDA activity.

Request Update Information Only From IDAs. CGR has provided OSC with the database compiled from OSC's own spreadsheet files and the surveys completed by the IDAs. We recommend that OSC annually send each agency a form similar to that prepared by CGR for this evaluation that includes all project information currently in the OSC record. At the present time, IDAs are asked to submit a brand new form each year summarizing all project information. Not only does this increase the burden of reporting for the IDAs, it also increases the chances of error as the same information is recorded multiple times. By giving the IDAs an opportunity to review information previously submitted, OSC would improve the quality of its data while simultaneously reducing the burden on IDAs. We suggest that agencies be asked to make corrections on the form and to submit new project information in the same structure. This would reduce the burden on IDAs and improve the year-to-year consistency of reported data.

CGR is aware that OSC is exploring the feasibility of providing an electronic form on which the IDAs can submit new project information, reducing the time and effort of OSC in recording responses and reducing the number of data entry errors[9]. We encourage them to provide this opportunity to all IDAs, not simply the largest agencies, beginning with the 1997 report cycle.

As mentioned above, we also recommend that OSC use a code for missing data when entering information provided by IDAs. This would prevent analysts from confusing missing data with zeros.

Add Site Occupant and Employer Registration Number to Report. In the OSC Supplemental Schedule, projects are listed according to the name and address of project beneficiaries (as required by the legislation). For the purpose of tracking permanent job creation, however, the site occupant(s) is a key piece of information. Although we do not presently

[9]The complexity of the data reported recommends the use of a database manager such as dBase, FoxPro or Access. Currently, OSC records project information in a spreadsheet program. A relational database would permit files with different functions to be linked and facilitate the "one-to-many" correspondence necessary for proper reporting. CGR has provided OSC with the database and reporting forms used for this evaluation which might be used as a foundation for future OSC record keeping.

recommend using Department of Labor records for monitoring employment trends, we hope that this will be possible in the future as DOL and T&F revise their systems for gathering employment data. We recommend that in addition to project owner, IDAs be required to submit the names and employer registration numbers of the site occupant(s).

Gather Property Information at Beginning of Project. Assigning a value to property tax exemptions awarded to participating firms was extremely difficult. IDAs should be required to gather and provide to OSC property information, including the site address, pre-project assessed value, eligibility for RPTL §485b (specifying municipality when exemption is only partial) and taxing jurisdiction (if this is not clear from the site address, a common phenomenon on Long Island). These data are easily gathered at the beginning of a project, but are much more difficult to obtain years later.

Bond Information

This section of the Comptroller's report is particularly troublesome for IDAs to complete. While reducing the reporting burden of IDAs is not the goal of this study, we suggest that the quality of information will increase if most of the requested information has a clear purpose and can be fairly reported by the IDA.

Request Bond Information at the Beginning of Project. Because IDAs do not consider outstanding bonds as a liability of the IDA, IDAs do not maintain information on the current interest rate and outstanding balance for previously-issued bonds as part of their normal course of business. There is a significant cost imposed on the IDA when required annually to report the outstanding balance and interest rate on previously issued bonds. We recommend that information on the bonds be requested only once at the outset of the project and not on an annual basis.

Conclusion

As the principal agents of local economic development, industrial development agencies are acknowledged by most as key components of the state's overall economic development program. As IDAs confer exemptions from state and local taxes, however, policymakers question whether the policies of IDAs are appropriate and adequately monitored. This evaluation was conducted because of a requirement passed into law by the NYS Legislature in 1993. The evaluation was meant to broadly measure the impact of IDAs on economic development in the state and judge whether the procedures put in place to monitor IDAs were adequate and functioning as intended.

CGR and Mt. Auburn Associates were unable to fulfill the first half of that mandate, largely because systems for measuring IDA activity are inadequate. As a general rule, the consultant team found the staff of IDAs to be cooperative, knowledgeable, and responsible. Many IDA directors and staff members gave generously of their time. Most appear genuinely interested in meaningful reporting and are convinced that their work is important to their communities and will bear up well under scrutiny.

Assessing the impact of economic development programs is difficult even with reliable information on job creation and retention. IDAs provide a range of services to a community that are difficult to tally numerically. IDA projects themselves confer a range of benefits on a community that extend beyond simple job creation and retention. Conversely, even with certain knowledge of job creation, the evaluator cannot be confident that the investment that did occur was better than the potential investment it may have displaced.

CGR data indicate that IDAs have added significant taxable value to local communities: $2.5 billion for 324 relatively-recent projects. In many cases the payments in lieu of tax (PILOT)–even in the first year of the PILOT agreement–were higher than taxes received on the properties before the project. Some IDAs have embraced this condition as a formal policy. Of course, a share of these projects would have gone forward without IDA assistance, an inevitable "leakage" of public money that occurs with virtually any economic development assistance. Assuming that our survey of project beneficiaries is representative of all IDA projects, we would expect that about twenty percent of this increase in assessed value would have been achieved without IDA assistance but that the remaining added value (as well as the jobs and other benefits associated with these projects) would have been lost, displaced, diminished, or delayed.

Missing and inconsistent data did not allow the consultant team to formally estimate the ratio of benefits to costs for all IDA projects closed during the study period. Using a sample of projects, however, CGR found that the increase in PILOT and tax payments for many of these projects outweighed the value of tax abatements, when measured over a twenty year period. In virtually all of the remaining projects, the net tax expenditure was quite modest when measured on a per job basis. Given the various problems with the data, this was not a statistically valid sample and cannot be used to predict results for the entire population. Nonetheless, our analysis suggests that IDA projects add more to a community's economic well-being than they cost in taxes foregone.

CGR's principal recommendations address recordkeeping and reporting issues more than larger policy questions. Unfortunately, a truly comprehensive evaluation of New York's industrial development agencies must wait until the process of collecting outcome data has been improved.

Appendix I: Project Questionnaire

Appendix II: Survey of Industrial Development Agency Staff

IDA: ___________________________

Address: ___________________________

____

Director: ___________________________

2. How are the activities of your IDA financed?

Supported fully by IDA project fees and revenue from IDA assets

Supported fully by local municipalities

Combination: ____**%** IDA Revenue ____**%** Local Gov't ____**%** Other:____________

3. How many paid staff are dedicated to the work of the IDA?

______ Full Time Equivalent (FTE) Staff No Paid Staff

Tell us about community benefits other than IDA-sponsored loans or lease arrangements that are secured through the activity of your agency.

4. *During 1996,* did **IDA-supported staff** provide economic development assistance to the community unrelated to IDA-sponsored loans or leases?

Rarely or not at all Occasionally Routinely

If yes, please give a specific example(s): ____

____

5. *During 1996,* was **IDA revenue** used to support economic development activities that were unrelated to IDA-sponsored loans or leases?

Rarely or not at all Occasionally Routinely

If yes, please give a specific example(s):____

6. *During 1996,* approximately how much **IDA revenue** was used to support economic development activities that were unrelated to IDA-sponsored loans or leases?

$____________

7. *During 1996,* how much **state or federal financial assistance** was obtained for the community directly through IDA activity?

$___________

Please identify the **largest single** 1996 state or federal grant and its purpose (a complete list would be great, but we'll take one):

$___________ Source: ____

Purpose:____

8. *During 1996,* what contribution did the IDA make to specific projects **IN ADDITION TO** brokering financial incentives? Please provide specific examples.
1996 activity was limited to the financial side of projects

Project Description: ____

IDA Role (non-financial): ____

____

(*Multiple examples are welcome. Please add sheets)*

Tell us about the impact 1993 legislative changes have had on your IDA.

9. Public hearings held in response to 1993 legislation have (circle the number under the most appropriate response):

Provided helpful information, improving funding decisions	Contributed little in the way of substance, but are good public relations for the IDA	Been nothing but a waste of money

1 ***2*** ***3*** ***4*** ***5*** ***6*** ***7***

10. For your IDA, 1993 restrictions on retail projects (circle the number under the most appropriate response):

Provide sensible criteria for selection & ranking of retail initiatives	Unnecessarily limit your ability to create and retail jobs in our community

1 ***2*** ***3*** ***4*** ***5*** ***6*** ***7***

11. Reporting requirements strengthened in the 1993 legislation have:

Sharpened internal record-keeping in the IDA	Had little impact on costs or records kept by the IDA	Added a costly and unnecessary burden to the work of the local IDA

1 ***2*** ***3*** ***4*** ***5*** ***6*** ***7***

12. Please identify any elements of the Comptroller's Annual IDA Report Bond/Notes and Strait Lease Supplemental Schedule that seem **ill-defined** or **excessively burdensome**. Attach additional paper, if necessary. Code your comments with **B** for a burdensome requirement and **I** for a data element that can be interpreted in multiple ways.

No elements inadequately defined or excessively burdensome

Supplemental Schedule Element (1996 form)	**Burdensome or ill-defined? Please explain, e.g. - B: “IDA isn’t informed; info must be obtained by survey.” I: “With or without 485b? Not clear.”**
Purpose	
Amount	
Sales Tax Exemption	
Real Property Tax Exemption	
Mortgage Recording Tax Exemption	
Total Exemptions Net of RPTL 485b Exemption	
PILOTS	
Jobs Created/Retained	

13. List/discuss any concerns regarding elements from other sections of the Comptroller’s Annual IDA Report (attach additional pages if necessary):

____

____

14. For reporting purposes, how do you estimate the value of the sales tax exemption?

____

We conclude the survey with some questions about policy issues that have been frequently debated at the state level. Some are controversial; some are not. Please give us *your* opinion.

15. How important are federally-taxable bonds to the work of your IDA?

Very important: Use frequently **Not important: Use rarely**

1 2 3 4 5 6 7

16. Does the fact that **all** IDA bonds are exempt from New York State personal income tax have a measurable effect on the desirability of federally-taxable bonds?

Yes: Noticeable reduction in borrowing cost for project owner **No: State tax exemption has no effect on cost**

1 2 3 4 5 6 7

17. Are there too many IDAs in some areas? Would you support (please circle the number below your preferred response):

	Strongly Support			No Opinion			Strongly Oppose
Countywide IDAs?	***1***	***2***	***3***	***4***	***5***	***6***	***7***
Regional IDAs?	***1***	***2***	***3***	***4***	***5***	***6***	***7***

18. Competition between IDAs over tax abatement levels may reduce local taxes received from an industrial project. In your experience, is this a common occurrence?

Yes, I am familiar with several recent instances in which competition over abatement levels reduced the tax base to the community for projects that were unlikely to leave the state.	**No, competition over abatement levels rarely reduces taxes received by municipalities.**

1 2 3 4 5 6 7

Comments: ____

19. Does your IDA have formal criteria (such as number of jobs created/retained, project size, type of firm, local ownership, etc.) used in project selection?

No Yes (*if yes, please attach copy*)

20. List or attach procedures used for determining eligibility for tax exemptions.

____

____

21. List or attach the uniform tax abatement schedules you apply to projects sponsored by your IDA.

____

____

22. List or attach a copy of the fee structure used by your IDA for sale/leasebacks and bond issues. (Please include the *basis* used for fees in sale/leaseback deals.)

____

____

COMPLETED BY: ________________________________

TELEPHONE: ______________________

Return to:
Center for Governmental Research
37 South Washington Street
Rochester, NY 14608

Appendix III: Survey of IDA Customers (Project Beneficiaries)

Appendix IV: IDAs that Responded to the Project Data Survey

Albany County IDA
Allegany County IDA
Amherst IDA
Amsterdam IDA
Auburn IDA
Babylon IDA
Brookhaven IDA
Broome County IDA
Cattaraugus IDA
Chautauqua County IDA
Chemung County IDA
Cohoes IDA
Erie County IDA
Franklin County IDA
Genesee County IDA
Geneva IDA
Greene County IDA
Hamburg IDA
Hempstead Town IDA
Herkimer County IDA
Hornell IDA
Islip Town IDA
Lewis County IDA
Livingston County IDA
Madison County IDA
Monroe County IDA
Nassau County IDA
Niagara County IDA
Onondaga County IDA
Ontario County IDA
Orleans County IDA
Oswego County IDA
Rensselaer County IDA
Rockland County IDA
Rotterdam IDA
Saratoga County IDA
Schoharie County IDA
Seneca County IDA
St. Lawrence County IDA
Suffolk County IDA
Sullivan County IDA
Tioga County IDA
Ulster County IDA
Warren & Washington County IDA
Wayne County IDA
Westchester County IDA
Yates County IDA

Appendix V: IDAs that Responded to Directors Survey

Albany City IDA
Allegany County IDA
Amherst Town IDA
Amsterdam IDA
Auburn IDA
Bethlehem Town IDA
Brookhaven Town IDA
Cattaraugus County IDA
Chautauqua County IDA
Chemung County IDA
Clinton County IDA
Cohoes City IDA
Dutchess County IDA
Erie County IDA
Essex County IDA
Genesee County IDA
Geneva City IDA
Greene County IDA
Hamburg Town IDA
Hempstead Town IDA
Hornell City IDA
Islip Town IDA
Lewis County IDA
Livingston County IDA
Madison County IDA
Middletown City IDA
Monroe County IDA
Niagara County IDA
Onondaga County IDA
Ontario County IDA
Orleans County IDA
Oswego County IDA
Rockland County IDA
Rotterdam Town IDA
Saint Lawrence County IDA
Saratoga County IDA
Schoharie County IDA
Seneca County IDA
Steuben County IDA
Suffolk County IDA
Sullivan County IDA
Tioga County IDA
Ulster County IDA
Warren & Washington County IDA
Wayne County IDA
Westchester County IDA
Wyoming County IDA
Yates County IDA

Appendix VI: Respondents to Survey of Project Owners

1995 DTP Ind., Inc.
2883 Associates LLC
450 S. Salina Street Partnership
4949 Harlem Road Inc.
6637 Main Street
ACG Main Eggert
ACM Medical Laboratory
ACME Electric
Aim Corrugated Container
Airport Systems
Al Sigl Center
Albany College of Pharmacy
Alfred Publishing
Aloi Materials
AmeriCan Customhouse
American International Group
American Precision Ind.
Amherst Lakes Prof.
Amherst Systems C
Amplaco Inc.
Annie Schaeffer Sr. Ctr.
Apollo Tool
Arrow Electronics
Ashford Concrete
Belknap Business Forms
Ben-Mer
Benderson Development Co.
Berkeley Carroll School
Berkshire Farm Center & Serv.
Bert's Bike & Sports
Beth Abrams Hospital
Big V Supermarkets
Blackwood Assoc. Tennaco Plastics
Blue Bird Coach Lines
Bridgewater Place Plant #2
Buffalo Industrial Park
Burmax Co. Inc.
COARC
CVM Electric Inc.
Carousel Center Pyramid Co.
Celt Specialty
Central National Bank
Cerified Fabrications
Chopra Environmental
Clestra Cleanroom Inc.
Cliffstar Corp.
Climax Manufacturing Co.
Cold Spring Harbor Labs
College of Mt. St. Vincent
College of New Rochelle
Colleges of the Seneca
Columbia Grammar Prep School
Coopervision
D.C.G. Development Co.
Dairy Conveyor Corp.
DeFelice/J. Sterilizer Corp.
DePaul Comm. Facil.
DePaul Properties Inc.
Decarolis Truck Rental
Devel. Disabl. Inst.
Dominican College
Dowling College

Dry Creek Products
Dunkirk Mtg. Glass & Ceramics Corp.
E. Scott & P. Dedrick (Buffalo Games)
ENI
Edgar Fabrics Inc.
Electrosynthesis
Fairfield Airport E. J. DelMonte Corp.
Family Res.& Ess. Entrprs.
Faster Form Corporation
Federal Storage of WNY
Fiber Conversion Inc.
Fisher Carting and Moving
Fleet Maintenance
Fort Miller Assoc.
Fresnel Optics
G. A. F. Seelig Inc.
Gateway Community Industries
General Welding & Fabr.
Geneva Club Beverage
Glen Arden Inc.
Goldman Associates
Goldwell of NY
Granny's Kitchen
Gray Syracuse
Greer Hill/Holimont Inc.
Hauser Corp.
Henry Johnson Blvd.
IImak
IRR Supply Centers Inc.
Ingram Micro Inc.
Irish Welding Supply
Iskalo Development
J. D'Addario
J. Kaufman Iron Works
J.N. White Assoc.
JDTM Properties
Jamestown Container
Jeff & Darlene Long
Jetro Cash & Carry Enterprises
Jewish Board
Jewish Board of Family
John J. Connelly Enterprises
John Muir Partnership
Julliard School
Kendal at Ithaca
Kramer Chemicals Inc.
LBJ & D LLC K&W MFG.
Lanovara Foods
MS Pietrafesa
Markar Products
Maryhaven Center of Hope
Marymount Manhattan College
Medaille College
Michael & Christie Hagen
Micrus
Midstate Litho Neil Rose
Midway-CTS Buffalo Inc.
Miller Aviation
Nationwide Prec.
Nazareth College
Nealon Transportation Gerald Derick
New Interdisciplinary School
Newkirk Products
Nippon Cargo Airlines Cargo Bldg.
Nissequoque Cogen Ptnr.
Northern Columbia Assoc.
Northern Electric Company
Northern Lights Candles
Norton-Smith Hardwoods
Ontario Co. Airport

P.O.P. Display #1 (C)
P.O.P. Display #2 (C)
Perry Jacobstein
Port of Albany; Albany Local Devel. Corp.
Prudential Securities
Quad Graphics
R.P. Friend/Friend Lab Inc.
RB-3 Benderson Development
Railroad Place LP
Reh Kinder Holdings
RoAn Industries
Robinson Knife Manuf.
Rochester Industrial Control
Rod Graybill Cannery Row
Rosina Food Products
SC Southwest Sewer; SC Dept. PW
SPS Medical
Safari Ent. AIDA
Saratoga Warehouse Assoc.
Scholastic Inc.
Selkirk Cogen County
Sevenson Hotel Assoc.
Silver Dollar Optical
Sinclair Radio Technologies
Slant\Fin
Sonwil Distribution Center
South Glens Falls Ltd. Partnership
Southtowns Seafood
Spargo Wire Co.
Speer Leeds & Kellogg
Sporting Dog
St. Bonaventure University
Stork Realty Corp.
Stritt & Priebe
Summit Federal Credit Union
Sussen, Inc.
Sweeney Steel Serv. Corp.
Syracuse Binghamton & NY Railroad
TVGA Engineering Surveying
Taylor Devices Inc.
Telog Instruments
Thorntree Hotel Corp.
Transcedar Inc.
Transonic Systems
Trayer Products Inc.
Triple “S” Sporting
Truck Lite Co. Inc.
UltraFab Inc.
Unipunch Products Inc.
United Cerebral Palsy/Suffolk
Utica College Found
VAW of America Inc.
Valley Falls Hydro Electric
Vergason Tech.
Vibratech Inc.
Vic-Nic Holdings
Wayne Hostels Holding Inc.(ARC)
Weson-BFO Inc.
West Valley Zaepfel-Krog Corp.
Westchester School For Special Children
Western NY Medical Park
Westwood Pharmaceuticals
Win-sum Ski Corp.
Wolcott Cold Storage
Woodcliff Associates
Zappia Enterprises

Appendix VII: Agenda Used for Regional IDA Workshops

1. ***Standards for Evaluating Individual Projects***

   How should success be measured when IDAs assist firms?

2. ***Quantifying Other Benefits of IDAs***

   Use of IDAs as a tool of local government
   Increased value of properties after IDA involvement (e.g. comparison between property tax payments before development and PILOT payments after)

3. ***Impact of 1993 Reform***

   Public hearings
   Restrictions on retail
   Reporting requirements

4. ***Role of IDA Financing in Projects that Shift Employment from One NYS Community to Another***

5. *Project Reporting Requirements: Confusion/Complications of OSC Form*

Project purpose
Interest rate
Lease amount
Sales tax exemptions
PILOT data

6. *Other Project Data*

Project occupants
Loan terms
Pre and post project assessment value of sites

Appendix VIII: Comptroller's 1995 IDA Annual Report Form

Appendix IX: NYS Department of Taxation & Finance Form ST-340

Appendix X: Interstate Comparison Questionnaire

1. What level of government controls the issuance of Industrial Development Bonds (IDBs)?

State agency

Regional agency

Local agency/local government

2. What types of tax abatements are offered to private firms who seek economic development assistance?

State personal income tax exemption on industrial revenue bonds

Property tax

Sales tax on construction materials

Corporate income tax

Mortgage tax

Other? Please specify____

3. What is the maximum period of time over which property taxes are abated in the state?

_____ Years No limit--determined by local taxing jurisdictions

4. Is there a uniform schedule or schedules of property tax abatement for economic development projects?

No

Yes

IF YES, what determines the schedule of tax reductions? May we be sent a copy of the policy?

State policy

Local discretion

5. What type of projects are eligible for IDBs?

Manufacturing

Commercial

Retail

Non-profits

Public facilities

6. What job creation or job retention standards are applied to the award of economic development incentives, particularly IRBs?

7. Are *federally taxable* industrial revenue bonds used in your state?

Rarely or not at all

Occasionally

Routinely

IF YES: Are federally taxable IRBs subject to state personal income taxation?

No

Yes

8. What is the level of political support for IRBs and other incentives for industrial development?

IF ANSWER TO Q1 IS STATE, STOP HERE!

9. How many local economic development agencies have the authority to issue IRBs?

10. How are the jurisdictional boundaries of local economic development agencies established?

11. How is the governing board selected?

Part of executive branch of local government

Appointed by elected officials

Other (please specify): ____

12. What controls are in place to prevent one jurisdiction employing tax incentives to attract business firms from one area of the state to another?

13. What are the reporting requirements imposed agencies with authority to issue IRBs? * obtain copy of form used, if possible

14. Do local agencies secure title to a property on a sale/leaseback basis for the purpose of conferring tax incentives without issuing IRBs?

Rarely or not at all

Occasionally

Routinely