

NY INITIATIVE FOR DEVELOPMENT ACCOUNTABILITY

NY IDA Update

12.10.07

The buzz is picking up—7 weeks until the state IDA extender expires again. The Crain's Insider recently reported that "the legislature appears likely to modify the Industrial Development Agency bond program for nonprofits, slated to expire at the end of January if Albany doesn't act...Critics are trying to use the pending expiration as leverage to win reforms in the way that IDAs finance for-profit projects, too."

See the full Crain's clip below, as well as a dozen other recent articles on IDAs and economic development reform, including a ***Syracuse Post-Standard* piece by Assembly Members Bill Magnarelli and Albert Stirpe promoting the Assembly's comprehensive IDA reform bill (A8703)** introduced by Local Governments Chair Sam Hoyt and passed by the Assembly in June.

There's also a piece from the *Times Herald-Record* out of the Hudson Valley that **details the heated Ulster County IDA hearing where 500 people showed up to protest** the IDA board's attempt to water down its prevailing and living wage policies because of competition with a Capital District IDA for a prospective business. The Ulster standards are the best local IDA wage policies in the state, and our statewide coalition has used them as a model of what every IDA statewide should do—rather than allow them to be undercut, it is critical that the state establish a common set of standards for all IDAs that levels the playing field for economic development throughout New York.

The upcoming January expiration is a key leverage point for our campaign to win this common set of Industrial Development Agency reforms in New York.

As you may remember, our comprehensive package of IDA reforms and a 7-month extender was introduced and passed by the Assembly in June with **the intention of bringing the Senate to the negotiation table during the fall "off-season"** when the legislature is not in session. This was necessary because the Senate failed to pass any kind of comprehensive IDA reform during the regular session and then failed to pass a reasonable extender of the expiring provisions.

The Senate thus created a crisis amongst IDAs statewide as well as many of their prospective non-profit clients when the IDAs' authority to fund civic facilities projects expired at the end of June. Ultimately, the Senate reconvened in a special session in July and passed the Assembly's 7-month extender, restoring the IDAs' authority again.

As the *Buffalo News* wrote in July, the extender was "about buying time so that legislators can get back to the table to implement real reform, without creating a great deal of public harm in between." **We're now approaching the critical expiration juncture again, and there's still no talk from the Senate** of establishing key business standards like wage requirements that will ensure our public subsidies are creating quality jobs throughout New York state.

It's time to get the Senate back to the table with the Assembly and the administration to resolve statewide IDA reform—join us on Wednesday's call to strategize and determine next steps. Please reply to confirm you will be on the call and let others in your region know about it—**talk to you Wednesday morning at 10:30 !**

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IDA REFORM & EXTENDER

Crain's Insider (Erik Engquist, November 26, 2007): Briefs

The legislature appears likely to modify the Industrial Development Agency bond program for nonprofits, slated to expire at the end of January if Albany doesn't act. Between a quarter and a half of a local IDA's projects are typically done by nonprofits through the program. Critics are trying to use the pending expiration as leverage to win reforms in the way that IDAs finance for-profit projects, too. Advocacy groups such as Jobs With Justice say that IDA projects lack transparency and accountability, and complain that public money is subsidizing developments that create low-wage retail jobs. Their allies in the Assembly will push for stricter standards. Senate Republicans would be content to keep the status quo but may agree to reforms—including mandatory wage standards for all IDA-funded projects—to prevent the nonprofit program from lapsing.

Syracuse Post-Standard (Assembly Members William B. Magnarelli and Albert A. Stirpe Jr, November 21, 2007): IDA Projects Indeed Abused Taxpayers' Money

We wish to respond to the letter printed in the Nov. 14 Post-Standard, entitled "Leaders should reject bill to restrict authorities," by Darlene Kerr, president of the Greater Syracuse Chamber of Commerce. Key elements of this letter are inaccurate, and ignore the critical point that this bill (A8703) is about reform specifically about preventing the ongoing abuse of taxpayer dollars, and ensuring accountability within a broken system. As noted by The Post-Standard in an article printed on May 9, IDAs offer several tax benefits to private developers. When an exemption is provided to one individual, we all absorb the cost, and everyone's taxes are concomitantly higher. For reference, the Assembly has estimated that this shortfall is a net \$400 million annually. Second, the abuses of this program have been well-documented by this newspaper and others. If you get tax breaks, you have to retain or add employees to your company. Instead, many of the recipients of these taxpayer funded benefits are not meeting the goals they agreed to in their contracts. In that same article dated May 9, The Post-Standard reported on a study that showed 59 percent of projects assisted by IDAs in Central New York were "failed" projects. That is a waste of taxpayer dollars, and that is what we have been trying to stop in the New York State Assembly. If employers don't want to pay reasonable wages and don't want to provide health benefits to their workers which only increases costs to other taxpayers then we don't believe they should receive exemptions underwritten by taxpayers to support their projects. To characterize the Assembly passage of A8703 a rush job ignores the well-established fact that IDA reform has been an Assembly majority priority of long standing. The bill that passed the Assembly continues this important effort.

NY Capitol News (Assembly Member Sam Hoyt, November 13, 2007): To Repair Upstate, Urban Renewal is Key

For too long the Empire State has languished while the rest of the country prospered. Our central cities—once the economic hubs of the region—are withering as resources

are directed to farther and farther outlying suburbs. Working-class families are working harder than ever just to keep up, with little chance of moving ahead. Recent college graduates face slim job prospects close to home and retirees and others on fixed incomes see their savings eaten away by rising taxes. These problems cannot be fixed piecemeal and will only be addressed by a comprehensive plan—something we have long been without. As the chair of the Assembly's Local Governments Committee and a member of the Governor's Commission on Local Government Efficiency and Competitiveness, I have focused the work of the committee on initiatives that will have the greatest impact on rebuilding the upstate economy—in particular, the revitalization of our urban cores. One of the committee's primary objectives is Industrial Development Agencies (IDA) reform. The proposed changes that I have introduced would catalyze statewide mergers of IDAs, and increase transparency and accountability on project objectives, especially job creation. In keeping with this, the changes will focus IDA efforts on developing existing brownfield sites, prioritizing those projects that emphasize smart growth—especially in our urban cores—and creating a stronger emphasis on environmentally friendly projects, including green buildings.

Buffalo News (Carolyn Miller, November 11, 2007): Policy Change is Key to Eliminating Poverty

The existence of new business alone is not the definition of success; the actual impact and community benefit of such development must be gauged. Our industrial;450;450 development;451;451 agencies;452;452 and Empire Zones far too often subsidize the creation of low-income jobs in the suburbs, despite the great need for good jobs in our urban core. Further, there are no requirements attached to such deals. Businesses are not required to pay living wages, hire local labor or build in environmentally friendly ways. Most surprisingly, they don't lose their tax breaks even if they fail to meet their job creation or retention goals. The Senate and Assembly have an opportunity to rectify such inconsistencies by passing IDA reform. If policy is the problem, the solution could be as simple as the willingness to make a change.

Crain's Insider (Erik Engquist, August 20, 2007): Briefs

Gov. Eliot Spitzer has signed a number of business-friendly bills in the past two weeks and vetoed others that the Business Council of New;386;386 York;387;387 State sought to derail. The governor extended the Industrial;429;429 Development;430;430 Agencies;431;431' financing authority for six months as the Legislature considers reform. The law would have expired, endangering \$1.37 billion in projects, says the New;455;455 York;456;456 State Economic Development Council, including \$190 million for a Yankee Stadium parking garage.

US State News (August 6, 2007): Tax-Exempt Financing For Non-Profits Through Industrial Development Agencies Extended

Governor Eliot Spitzer today announced he has signed legislation extending several expiring provisions of the law governing local Industrial Development Agencies (IDAs).

The extension will allow IDAs to continue providing savings for not-for-profit organizations, medical institutions, and homes for the elderly, by offering tax-exempt financing for the construction of facilities. "It is essential that state government continues to support the invaluable work of not-for-profits," said Governor Spitzer. "Extending the provisions of this law will provide hundreds of millions of dollars in discount financing for libraries, hospitals, senior living facilities and other civic facilities." Assembly Member Sam Hoyt, sponsor of the legislation, said: "Industrial;240;240 Development;241;241 Agencies;242;242 should be the economic development engines powering upstate New;251;251 York's;252;252 economic revival. The governor's signature on this important legislation underlines his commitment to getting that job done right." The original statute authorizing IDAs to provide financing for the construction of facilities by not-for-profits, medical institutions, and homes for the elderly was originally set to expire on July 1, 2007. The new law extends this provision for another seven months. It is now set to expire on January 31, 2008.

IDAS IN THE NEWS

Times Herald-Record (Paul Brooks, November 22, 2007): Unions, Ulster IDA Square Off Over Wages

Five hundred people, many of them union members, filled the Ulster County Legislature chamber to overflowing and gave the Ulster County Industrial Development Agency an earful. The IDA officials want to change their wage policy for public works projects. The current labor policy calls for employers and builders to pay what is called the "prevailing wage" during construction of a project. Prevailing wage is required on most public works projects by federal law — the Davis-Bacon Act. In Ulster County, the state says the prevailing wage for a carpenter is \$29.30 an hour, not counting fringe benefits. But officials at the IDA and the Ulster County Development Corp. want to make some exemptions to the prevailing wage policy. The exemption would, in some cases, allow an employer to pay as little as \$12.50 an hour, including benefits such as health insurance, life insurance and pension. The change, if approved, would cover a proposal by Colony Liquors and Empire Merchants to expand its Kingston facility. Kingston is in a heated runoff with a developer in Selkirk, near Albany.

Jen Fuentes is on the IDA board. She is also coordinator of the Hudson Valley Area Labor Federation, which represents 19,000 union families in Ulster County, she said. "We are sort of caught in 'How low can you go?' between Selkirk and Kingston. We are being held hostage. We (in Kingston) will have to make up another \$2 million to make this project work. What else are we going to throw at them? What other line are we going to cross?" Fuentes asked. The proposed wage policy change lowers the bar for future projects, Fuentes said; those builders will demand the same sort of incentives and concessions.

Buffalo News (Jonathan Epstein, October 20, 2007): Area IDAs Consider Joint Aid Standards

Local economic development officials are trying to put together a list of criteria that companies would have to meet in order to get the maximum tax and other incentives available, the head of the Amherst Industrial Development Agency said Friday. The

goal of the multiagency effort is to set higher standards for projects they support. That addresses a criticism often leveled against them that they dole out tax breaks too easily. It also helps the agencies to get the kind of development they want, said James Allen, executive director of the Amherst IDA. Such criteria could include paying higher wages, investing in technology to operate more efficiently and planning environmentally friendly construction. Under the concept, the more criteria a company meets, the greater incentives it can get, Allen said at the agency's monthly meeting Friday. If a company met all the criteria, it could get everything.

Syracuse Post Standard (Rick Moriarty, October 12, 2007): Labor Leader Says to Destiny: Hire Locally

A member of the Onondaga County Industrial Development Agency accused Destiny USA Thursday of not living up to its pledge to hire local labor for the Carousel Center mall expansion. William Towsley, an agency member and president of the Central and Northern New York Building & Construction Trades Council, said Destiny has hired locally for some work - especially for electrical, heating and plumbing because those jobs require licenses from city or county governments. But he said other work has been going to non-local companies. He cited the hiring of Baker Concrete Construction Inc. for one of the mall expansion's major contracts: providing concrete for the 1.3 million square foot addition. Baker's corporate offices are in Monroe, Ohio, but it does business all over the country. Destiny executive David Aitken said the company is committed to using local labor. He said about 100 local companies have provided materials and services to the project. Fifty-eight of the 78 workers hired directly by Destiny to help build and manage the expansion live in Syracuse, and 72 of them live in Onondaga County, he said. Though Baker Concrete is based outside of New York, a local company, Saunders Cos., has been hired as a subcontractor to build and operate a concrete plant for the project, he said.

New York Daily News (Juan Gonzales, October 10, 2007): City Throws \$225m Curveball At Public With Yankee Stadium Parking Garages

Taxpayers got a double whammy yesterday when a city agency approved \$225 million in tax exempt bonds for a nonprofit group to build parking garages for the new Yankee Stadium. First, the city's Industrial Development Agency, which approved the project, quietly inserted new provisions that guarantee millions more in taxpayer subsidies if the garages don't make a profit, documents show. Second, the little-known nonprofit group picked to build the garages, Community Initiatives Development Corporation, failed to list on its city application a previous foreclosure on another upstate project financed with tax-exempt bonds. "We are aware of the CIDC transaction in Syracuse," a spokeswoman for Economic Development Corporation said. The spokeswoman said the firm's "credit-worthiness" has nothing to do with the bond issue.

Right now, the city gets \$3 million a year as its share of the Yankees parking revenue. The new garages, the ones with thousands of additional spaces, the ones that will be charging \$25 per game for parking, will be required to pay \$3.2 million annually in rent to the city. But that's only after the bond service and expenses are paid. In other words,

after the bondholders get theirs, after all the management fees for the garages and employee salaries and the maintenance and overhead is taken care of, then and only then will city taxpayers see a dime for all the land and financial support given to the new Yankee Stadium garages. Here's betting we never see a nickel. "This is another huge giveaway," a stunned senior city official said when told the details of the garage financing.

North Country Gazette (September 10, 2007): [Monroe County Circumvented State Law](#)

New York State Comptroller Thomas P. DiNapoli today criticized an arrangement to use \$2.5 million in airport improvement funds to induce low-cost carrier AirTran Airways to the Greater Rochester International Airport. The use of State moneys for these purposes circumvented State law and the State Constitution, according to an audit DiNapoli released today. The audit covered the period of January 2002 to December 2005. The stated purpose of the grant money was to reimburse the county for airport improvements and reduce local taxpayer debt on the project. Instead, local officials gave the money to AirTran. Local officials allege that this was done with the knowledge and approval of certain State officials. "The use of State grant moneys for this purpose was at best inappropriate," said DiNapoli. "Public funding was used as an inducement for a large corporation to set up shop in Monroe County. Economic development is a good thing, but even with the best intentions, you can't get around the State Constitution. This money was supposed to help taxpayers. And local officials made little effort to inform the public about what they were doing. Good government should be transparent and open." Monroe County spent \$9.4 million for land acquisition and the construction of an airport transportation operations center. The county was subsequently awarded \$2.5 million in aid from the State Economic Development Services Corporation and State Department of Transportation to reimburse the County for airport improvements. Instead, the county assigned the money to the County of Monroe Industrial;391;391 Development;392;392 Agency;393;393 (COMIDA) to provide AirTran a subsidy to guarantee the airline a certain level of income at the airport. Neither the county nor COMIDA have the authority to provide a direct cash subsidy to a private enterprise.

OTHER SUBSIDY NEWS

New York Daily News (Douglas Feiden and Greg B. Smith, December 2, 2007): [Tax break for Madison Square Garden costs the city more than money](#)

Tax breaks have allowed Madison Square Garden to keep \$300 million over the last 25 years. Madison Square Garden, the crown jewel of sports arenas around the world, has gotten a tax break worth nearly \$300 million over the past 25 years — and the battle is on to try to end it. The Garden, now part of the Cablevision empire, hasn't paid a dime in property taxes since 1982 in what has become the biggest, longest-running tax break for a commercial property in the city. If the Garden lost its tax break, the windfall in annual revenue, now about \$11 million a year, could make the city safer, smarter, cleaner and healthier each year, a Daily News analysis found. This year, for the first

time, the two most powerful politicians in the city — Mayor Bloomberg and City Council Speaker Christine Quinn — declared war on the Garden tax break. But the Garden won't give up easily. Its executives have assembled an army of politically wired lobbyists, including a former chief of staff to Assembly Speaker Sheldon Silver and a law firm that represents the city in the ongoing criminal probe of the Deutsche Bank tower. They've also lined up a lobbyist who was once banned from lobbying City Hall and a former state Senate aide once charged with illegally putting no-show legislative aides on political campaigns. Repealing a tax exemption isn't simple. The Legislature must approve it, so the fight will rage both at City Hall and in Albany. It's clear the Garden plans to pull every possible lever to retain its perk, a strategy perfected in 2005 when Bloomberg tried to build a West Side football stadium for the Jets. Viewing the stadium as competition, the Garden's parent company, Cablevision, dropped \$18.7 million on lobbyists to fight the plan. In the end, the legislative leadership in Albany killed the stadium.

New York Times (Nicholas Confessore, July 31, 2007): State Warns Companies in Tax Deals

Officials alerted about 3,000 companies on Monday that they could lose the tax breaks they received under the state's enterprise zone program because they had failed to create jobs or invest in their areas as promised. Warning letters sent to the companies reflected the first significant auditing and enforcement effort in the two decade history of the program, the Empire Zones. During that period, the program has transformed from an effort aimed at pockets of extreme urban poverty to an all purpose business program offering tax breaks to companies statewide, costing taxpayers \$3 billion since 2000 alone. Nearly 10,000 businesses are certified to participate in the program, according to officials at the Empire State Development Corporation, the public benefit corporation that oversees the program. Three thousand of those businesses were issued letters indicating that they had met less than 60 percent of their job creation or investment goals. The companies on the list ranged from large corporations like Wal Mart Stores and Lowe's to small businesses like Zaro's Bake Shop on Bruckner Boulevard in the Bronx and Jamaica Donuts in Queens. The letters came two weeks after a report issued by the consulting firm A. T. Kearney concluded that the Empire Zone program had been "morphed by political patronage, legislative revision and commercial manipulation" and required extensive reform.

Mr. Carter [spokesperson for the Development Corporation] said the development corporation has the power to try to make companies repay tax breaks as well as to disqualify companies from the program in the future. But he emphasized that officials would make no determinations about any individual companies until they had examined the 2006 business reports. The findings came as little surprise to the program's critics. Since their inception in 1986, the zones have had, at best, a limited record of success. Yet with every ostensible effort to overhaul the program, it seemed to sprout new loopholes and evolve further from its original mission. "The program is corrupt and ineffective," said Richard L. Brodsky, a Westchester County assemblyman who has called for it to be temporarily shut down. Mr. Brodsky's colleagues in the State Legislature have not greeted his proposal enthusiastically, given the vast number of companies benefiting from Empire Zone tax credits all across the state.

