



THE SUFFOLK LAWYER

THE OFFICIAL PUBLICATION OF THE SUFFOLK COUNTY BAR ASSOCIATION

DEDICATED TO LEGAL EXCELLENCE SINCE 1908

website: www.scba.org

Vol. 28 No. 7
April 2013

Dear Governor Cuomo - strengthen our IDAs

By Andrew M. Lieb

An Industrial Development Agency (IDA) is a public benefit corporation whose purpose is to facilitate economic development in specific localities. An IDA attempts to attract, retain and expand businesses within their jurisdiction through the provision of financial incentives to private entities. The incentive categories available to an IDA that may be utilized to attract businesses include property tax abatements, mortgage recording tax exclusions, and state / local sales tax exemptions. Additionally, an IDA can offer financing through tax exempt bonds. These financial categories are coupled with an IDA's ability to help a business navigate the nuances of local government from Planning Boards to the County's Health Department when getting a project underway.

Interestingly, IDAs do not just attract new businesses with these great incentives, but they also support projects to expand and / or renovate a business's current operations or to purchase / build a new or additional location within the IDA's jurisdiction. Moreover, these incentives are not restricted to businesses that own their own buildings and they are instead, also available to businesses that lease their spaces.

Don't IDAs sound like the type of thing that your clients would really like you to leverage for them?

Also, in the macro, Suffolk County needs to attract more businesses to our county so that there are more jobs and resources for our local citizens. While our economy is

thankfully rebounding, a drive through many of our downtowns and community centers will reveal a plethora of vacant commercial buildings that need to be filled with businesses and jobs. Further, the best tool that our county has to attract businesses is our network of local IDAs. In Suffolk County, we not only have a County IDA, but also local IDAs for many of our towns such as Brookhaven, Riverhead, Babylon and Islip. While this may sound redundant, the Suffolk County IDA generally respects the jurisdiction of established Town IDAs and does not interfere with the Town IDAs when working with businesses in their jurisdiction and instead, fills a necessary void for the many towns in our county that do not operate their own IDA. This was one of the many great facts that your author learned when the leadership of the Brookhaven IDA was kind enough to serve as a guest speaker at a recent Real Property Committee meeting to the Suffolk Bar.

Additionally, the Brookhaven IDA explained how the sales tax exemption, discussed above, could be applied even when a business does not seek to move, expand or modify its operations. You see, while a sales tax exception is important to avoid a great deal of costs for construction materials, it is also applicable for the purchase of new equipment, particularly for the research and development that is needed for a business in the technology sector.

Therefore, it is quite troubling that in



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Governor Cuomo's 2013-2014 State Budget, he proposed to limit the categories of business to which IDAs can offer State Sales Tax benefits. Currently, there are certain restrictions for retail projects, but those restrictions and others are generally dealt with by giving a lot of discretion to the local IDA. Furthermore, the Governor's Budget also limited the businesses that could receive State

Sales Tax abatements to those that are eligible to receive New York's Excelsior Jobs Tax Credits. Additionally, IDA projects involving State Sales Tax abatements would require the approval of the Regional Economic Development Council and Empire State Development. Even then, the abatement would be received in the form of a tax refund at a later date, instead of as a tax abatement at the time of the purchase. This is a great curtailment of both the localized model for IDAs in strengthening their own communities and to the tools that these local IDAs can use to accomplish this difficult task.

Currently, IDAs are effective because they not only understand the matrix of their communities, but they also can create realistic requirements that are tailored thereto without the stringent requirements that are proposed by the governor, such as the minimum new jobs requirements that the Excelsior Program requires. To illustrate, in the category of "Back Office Operations" a company would need, under

the Excelsior Program, to create one hundred and 150 net new jobs to qualify. Where in Suffolk County are businesses regularly creating 150 net new jobs? There are very few places that can even sustain such a project.

These restrictions on an IDA's tools to create economic development are troubling in a climate where we need the IDAs to be the most effective. Instead of reducing the tools available to an IDA, perhaps the governor should propose to offer IDAs additional tools to consolidate the local development process in streamlining growth in our communities or perhaps the governor should provide IDAs with grants for start-up businesses or perhaps the governor should provide IDAs greater influence over our State University system to match talent with business needs. While these suggestions are just provided as illustrations, the point is that we need our IDAs and we need them to be the strongest when our local economies are the weakest.

If you believe that the tools available to IDAs should be strengthened in a time where our communities need to draw businesses to create jobs, contact your local State Senator and Assemblyperson to voice your opinion.

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