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IDA Consolidation

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IDA Consolidation

Abstract

Multiple IDA's confuse businesses and force them to navigate too much red tape. There are too many IDA's and they have overlapping areas of responsibility. Multiple IDA's contribute to the region's economic decline. Multiple IDA's foster a spirit of intramural competition among municipalities rather than fostering a spirit of cooperation to compete at the varsity level (i.e. national and international level. No real growth is generated by multiple IDA's just business moving from one part of the community to another. "There is no such thing as a successful suburb if the city is dying." IDA competition lures business from one area of the region to another and very rarely attracts new business from outside the region. Individual IDA's within Eire County get played-off one another to the detriment of local real-property tax payers.

Keywords

Buffalo, Economic Development, Policies and Programs, Fact Sheet, PPG, PDF

IDA CONSOLIDATION
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1. What do IDA's do?

- Primarily provide state and local tax exemptions to businesses in order to attract or retain business in local communities.
- Provide low cost loans.

2. How many IDA's are in Erie County?ⁱ

- Six total
- One for the county called the Erie County Industrial Development Agency (ECIDA).
- Five more in the suburban towns of Amherst, Clarence, Concord, Hamburg and Lancaster.

3. How many IDA's are in Niagara County?ⁱⁱ

- Three total
- One for Niagara County
- Two more for the towns of Lockport and Niagara

4. How many IDA's are in New York City?ⁱⁱⁱ

- One IDA for the five counties that make up New York City

5. How many IDA's are in New York State?^{iv}

- 115 active IDA's in 62 counties

6. Why is consolidation of IDA's considered important?

- Multiple IDA's confuse businesses and force them to navigate too much red tape.^v
- There are too many IDA's and they have overlapping areas of responsibility.^{vi}
- Multiple IDA's contribute to the region's economic decline:^{vii}
 - Multiple IDA's foster a spirit of intramural competition among municipalities rather than fostering a spirit of cooperation to compete at the varsity level (i.e. national and international level);
 - No real growth is generated by multiple IDA's just business moving from one part of the community to another;
 - "There is no such thing as a successful suburb if the city is dying."
- IDA competition lures business from one area of the region to another and very rarely attracts new business from outside the region.^{viii}
- Individual IDA's within Erie County get played-off one another to the detriment of local real-property tax payers.^{ix}
- Different IDA's in Erie County have different goals for development. For Example:^x
 - The ECIDA backs hotel projects, which the Amherst IDA typically avoids.
 - The Amherst IDA aids medical projects but the ECIDA doesn't.
- An IDA that serves the interests of a single town, such as Clarence, can offer tax exemptions that are paid for by all the residents of the county.
- Local IDA's livelihood depend on making deals:^{xi}
 - IDA's generate approximately 1% of income from fees on completed deals.
 - regardless of whether business relocate from other parts of the region or from outside the region, IDA's still collect 1% fees and must collect fees to survive.

7. Office Buildings and Tax Abatements

- Empire Zones were originally conceived to stimulate and encourage manufacturing.^{xii}
- Developers have learned to use them to attract tenants to new office buildings by offering rents discounted by tax abatements.^{xiii}



- Tax abatements last for a set period of time, when that time is up landlords must raise rents on properties then business tenants move to another building with a new tax abatement.

- This process generates an over abundance of office buildings in WNY that artificially suppresses rent, contributes to sprawl and the decline of the city center.

8. What are some benefits of a regional/ consolidated IDA?

- Comprehensive planning:^{xiv}
 - Currently, each local government has its own plan, which generates a scatter shot approach to economic development.
- Better oversight of job creation.^{xv}
 - 68% of IDA backed projects in WNY did not meet their job creation goals in 2005.^{xvi}
 - Better ability to formulate and implement a regional economic development strategy: one designed to help the whole region, not help one part of it at the expense of another part.
- Reduction of administrative overhead from multiple offices.
- More equitable distribution of tax exemptions.
 - Buffalo has 30% of Erie County's population and 17% of ECIDA property tax exemptions.^{xvii}
 - Wealthier suburbs have a disproportionate allocation of tax exempt properties that promote regional sprawl^{xviii}
 - Amherst had more IDA-granted real property tax exemptions in 2005 than any other municipality in the region.^{xix}
 - Amherst has a per capita income of \$35,420.00.^{xx}
 - Buffalo has a per capita income of \$19,474.00.^{xxi}
- Better coordination for transporting workers to jobs.
 - 23% of the workforce in WNY is in Buffalo – more than in any other municipality.^{xxii}
 - The NFTA's most extensive and reliable public transportation is in the city of Buffalo.^{xxiii}



9. What praise is there for Multiple IDA's?

- NYS has an uncompetitive business climate, and IDA's help offset that.^{xxiv}
 - IDA's provide targeted tax breaks and other services to entice businesses to either move to NYS or stay in NYS.^{xxv}
- Multiple IDA's in Erie County provide businesses with specialized help to relocate to the municipality of their choice.^{xxvi}
 - "Business goes where business wants to go."^{xxvii}
- Municipal based IDA's spur regional job creation.
 - "3/4 of workers working for companies receiving tax breaks from the Amherst IDA live outside of Amherst."^{xxviii}
- County, city, town and village have their own IDA's that reflect their own development preferences and community desires.^{xxix}
- IDA's don't cost taxpayers anything; they generate tax revenue on vacant or underutilized land.

10. What are the arguments against IDA consolidation?

- Consolidating IDA's won't make them more effective.^{xxx}
 - IDA's in Erie County already have shared policy goals and incentives; therefore a company can only receive one type of benefits package from all six IDA's.^{xxxi}
- It's not worth the political capital to consolidate IDA's.^{xxxii}
- "Consolidation would only exacerbate the real problem, that taxes make it uncompetitive to do business in NYS."^{xxxiii}
- Bond holders in the municipal IDA's would have to agree to transfer debt to another IDA.^{xxxiv}
- Suburban IDA's feel they would lose control over economic development in their communities.
- Suburban IDA's feel that a regional IDA will focus development in the city and ignore development in the outlying municipalities.
- Successful consolidation will require a great deal of collaboration among all six IDA's in Erie County.^{xxxv}

11. What are some alternatives to IDA consolidation?

- Create a Regional Planning Board.^{xxxvi}
 - Buffalo is the only top 100 metropolitan region without a regional planning board.^{xxxvii}
 - A regional planning board would foster cooperation and coordination for a regional plan in Erie County and possibly all of WNY.^{xxxviii}
- Reduce taxing entities by consolidating all municipalities into Erie County.^{xxxix}
 - A consolidated metropolitan government would negate the need for a metropolitan IDA.^{xl}
- Former ECIDA Chair Dennis Penman has suggested an "Erie County Regional Development Corporation" which would be in charge of incentives and programs for developers. Buffalo Niagara Enterprise would handle regional marketing efforts, and the Buffalo Niagara Partnership would continue seeking policy

reforms to make the region more competitive. According to Penman, “Eventually it would be my goal to see all of these organizations in the same building with the Empire State Development regional office.”^{xli}

- Study conducted by international accounting firm KPMG in 2002 supports Penman’s vision.^{xlii}

12. Why isn’t IDA consolidation popular among the suburban IDA’s?

- Suburban IDA’s feel they would lose control over economic development in their communities.
- Suburban IDA’s feel that a regional IDA will focus development in the city and ignore development in the outlying municipalities.
- Successful consolidation will require a great deal of collaboration among all six IDA’s in Erie County.^{xliii}

13. Do Town IDA’s contribute to regional development?^{xliv}

- According to the Amherst IDA, yes.
- Three-quarters of the workers at companies receiving tax breaks from the Amherst IDA live outside Amherst, according to a recent survey by the agency.

14. Is Amherst in or out? (Reverse Timeline)

- As of August 27, 2008 a joint committee consisting of members from the boards of the ECIDA and Amherst IDA have decided against merging the two most active IDA’s in Erie County.^{xlv}
- In 2006 and 2007 The Amherst Town Board voted twice to merge the Amherst IDA with the ECIDA.^{xlvi}
- In March 2007 the ECIDA got squarely behind an effort to merge with the Amherst IDA.^{xlvii}
- In 2007 the Amherst Town Board threatened to bring about legislation to merge the two IDA’s.^{xlviii}
- “IDA consolidation will be more of a shot-gun marriage because of the Amherst IDA’s steadfast resistance to it.” *January 28 2007.*^{xlix}
- Officials from the Amherst IDA complained of not being included on a committee to consolidate the IDA’s created by the Chairman of the ECIDA, Dennis Penman.



- Amherst Town Board voted 4-3 in favor of consolidating the Amherst IDA with the ECIDA. *August 7, 2006.*¹
 - That same week Dennis Penman, a stalwart supporter of IDA consolidation in Erie County was

selected as the ECIDA Chairman.

- Amherst Supervisor Satish Mohan demands the ECIDA become more “pro-towns” or Amherst would not consider supporting a merger. *March 2, 2006.*^{li}
- Amherst Town Board votes 6-2 in favor of exploring the possibility of merging IDA’s. *February 2006.*^{lii}

- Newly elected Amherst Town Supervisor Satish Mohan, Council Member Deborah Bucki are willing to explore IDA consolidation, defeat Susan Grelick, and Jane Woodward for re-election, two opponents of IDA consolidation. *November 2005.*^{liii}
- Joel Giambra, a staunch advocate of IDA consolidation is re-elected as County Executive and promises to redouble efforts for IDA consolidation. *November 2003.*^{liv}
- Effort led by Susan Grelick Amherst Supervisor, Town Board defeats proposal to explore IDA consolidation. *May 20, 2002.*^{lv}
- Dan Ward, Amherst Board Member, proposes merging IDA's with the County. *May 20, 2002.*^{lvi}
- The Amherst Chamber of Commerce supported the abolition of the Amherst IDA and ECIDA in favor of one regional IDA.^{lvii}



15. Is there Legislation to reform IDA's?^{lviii}

- Assemblyman Sam Hoyt and Senator George Maziarz have a joint bill in the New York State Legislature to reform IDA's: A08703A/ S8672.^{lix}
- Assemblyman Sam Hoyt has recently sponsored legislation in 2008 to consolidate IDA's.
- This is Assemblyman Hoyt's second attempt at reforming IDA's.
- Current legislation would allow smaller town based IDA's to remain but only serve neighborhood development.
- Town based IDA's could give municipal level tax exemptions.
- One regionally based IDA for Erie County would focus on regional development.
- A county based IDA would give out state and county tax exemptions.
- Town based IDA's would lose their ability to hand out state and county tax breaks.

- No doctor's offices, golf courses or law firms getting tax breaks.^{lx}
- A 2004 estimate from the Assembly House Ways and Means Committee estimates \$1.58 million in savings from Erie County IDA consolidation.^{lxi}

ⁱ Allison Lack, Sprawling by the Lake: How IDA Granted Property Tax Exemptions Undermine the Older Parts of the Buffalo/ Niagara Metro Region; Good Jobs First, May 2007.

ⁱⁱ Allison Lack, Sprawling by the Lake: How IDA Granted Property Tax Exemptions Undermine the Older Parts of the Buffalo/ Niagara Metro Region; Good Jobs First, May 2007.

ⁱⁱⁱ Allison Lack, Sprawling by the Lake: How IDA Granted Property Tax Exemptions Undermine the Older Parts of the Buffalo/ Niagara Metro Region; Good Jobs First, May 2007.

^{iv} Allison Lack, Sprawling by the Lake: How IDA Granted Property Tax Exemptions Undermine the Older Parts of the Buffalo/ Niagara Metro Region; Good Jobs First, May 2007.

^v Chet Bridger, Study Says One Agency Should Do Major All Development Work; Buffalo News, June 25, 2002.

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^{vii} Phone Conversation with Joel Giambra, former Erie County Executive; November 4, 2008.

^{viii} Phil Fairbanks, Bill Would Curb Local IDA Tax Breaks; Buffalo News, December 9, 2007.

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^x David Robinson, Giambra's Exit Ends Push to Merge IDA's; Buffalo News, November 27, 2007.

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^{xv} Allison Lack, Sprawling by the Lake: How IDA Granted Property Tax Exemptions Undermine the Older Parts of the Buffalo/ Niagara Metro Region; Good Jobs First, May 2007.

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^{xviii} Pasted from <<http://www.goodjobsfirst.org/news/article.cfm?id=141>> Copied October 21, 2008.

^{xix} Allison Lack, Sprawling by the Lake: How IDA Granted Property Tax Exemptions Undermine the Older Parts of the Buffalo/ Niagara Metro Region; Good Jobs First, May 2007.

^{xx} United States Census Bureau, American Community Survey; http://factfinder.census.gov/servlet/CTTable?_bm=y&-context=ct&-ds_name=ACS_2007_1YR_G00_&-mt_name=ACS_2007_1YR_G2000_B19301&-tree_id=307&-redoLog=false&-geo_id=06000US3602902000&-geo_id=06000US3602911000&-geo_id=31000US15380&-search_results=31000US15380&-dataitem=ACS_2007_1YR_G2000_B19301.B19301_1_EST&-format=&-lang=en, October 24, 2008.

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