



IDAs: Economic development workhorse

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Industrial Development Agencies (IDAs) are local public authorities. Their powers include:

- * Issuing tax exempt and taxable bonds for qualifying projects
- * Conveying real property tax abatements, typically through a PILOT or straight lease transaction (a typical PILOT is similar to 485-B RPT incentive)
- * Abating sales taxes for construction materials and equipment
- * Abating mortgage recording taxes
- * Eminent domain

Currently, there are 115 active IDAs in New York state, including one in each county. IDAs are "home rule" entities, which mean their establishment by the NYS legislature must be preceded by a local resolution requesting their creation.

Section 858 of the N.Y. General Municipal Law spells out the purposes of IDAs, "The purposes of the agency shall be to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing industrial, manufacturing, (civic facilities), warehousing, commercial, research and recreation facilities including industrial pollution control facilities, educational or cultural facilities, railroad facilities, horse racing facilities ... and continuing care retirement communities, and thereby advance the job opportunities, health, general prosperity and economic welfare of the people of the state of N.Y. and to improve their recreation opportunities, prosperity and standard of living ..."

When governor Rockefeller signed into law legislation authorizing the creation of local IDAs, he said, "Industrial Development Agencies provide one means for communities to attract new industry, encourage plant modernization and create new job opportunities. They will help communities in NYS to compete more effectively with communities in over 40 other states where industrial development agencies are now operating."

IDAs finance projects for many reasons. Often it is to help create private sector jobs; sometimes it is to preserve private sector jobs. And, with not-for-profit projects, it is often to improve the quality of life for residents in the communities served by the IDA.

In 2005, IDA-assisted projects created 309,000 jobs, or 124 percent more than projected. That is one reason why IDAs function as a workhorse economic development program for New Yorkers. Since 1990, IDAs have financed approximately 3,800 projects with a total investment of \$37 billion.

The following is a summary of how an IDA can assist a small manufacturing project.

Let's say project "X" builds a 50,000 s/f building for \$5 million, and has a \$4 million mortgage. Tax benefits would include:

- * Mortgage recording tax savings (1% of mortgage) = \$40,000.
- * Real Property Tax abatement = \$275,000 over 10 years (based on assessment of \$2/s/f with a 485-B-type PILOT over 10 years with average annual savings of 27.5 %).

* Sales tax savings on construction materials and non-manufacturing equipment = \$120,000 + \$54,000 = \$174,000.

* Total savings over 10 years = \$489,000.

In this example, the IDA can provide approximately 10% in cost savings to the project owner. The benefit the IDA provides to a not-for-profit project, which is already tax-exempt, is access to the tax-exempt bond market, providing about a 25% interest rate savings compared to that provided by conventional lenders.

But, the role of IDAs in helping to create and maintain jobs in their communities is much greater than just serving as a conduit financing vehicle for projects, although that is an important mission. Typically, IDAs are the lead economic development agency of a county, town or city, and serve as the nexus between the public and private sectors on economic development activities. For these reasons, IDA staff is typically involved in a range of activities, including strategic planning, business marketing, workforce development, infrastructure deployment, and project financing, to name just a few.

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