



A predictable path: The necessity of transparency in L.I.'s development process for increased tax revenue

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The tax implications of a new development can have a tremendous impact on a project's viability. For this reason, developers often ask me for a projection of taxes on properties they are considering for redevelopment. Whether the project is one where taxes typically "pass through" to the tenant or are borne directly by the landlord, developers require assurances that property taxes are a defined and stable cost so they can budget the project accordingly.

When responding to these inquiries, I provide estimates of taxes under the most likely scenario, as well as the best and worst case within the parameters of the law. Since each property's assessment is governed by its condition of taxable status date, it is often difficult for an assessor to speculate on the likelihood of a certain assessment before that date. So while a municipality may desperately seek redevelopment of older blighted properties, they may not always be in a position to provide the certainty developers desire regarding their assessment.

The lack of certainty involved with future assessments, along with the substantial investment the developer is considering, has led many developers to seek assistance from Industrial Development Agencies ("IDAs"). As companies such as OSI Pharmaceuticals move off Long Island and others like Northrop Grumman continue to downsize their Long Island operations, IDAs on the Island have launched aggressive campaigns seeking to keep businesses on Long Island as well as attract new business. While each agreement is different, most IDA agreements provide a degree of clarity by way of a fixed assessment or one that is phased in over a number of years.

IDAs provide an alternative for some developers, but for other developers, IDAs cannot provide the solutions they require as proposed developments have difficulty even getting to a position where their project can move forward due to zoning restrictions. Long Island's layers of government red tape have proven to be a deterrent for some developers to even consider making an investment, but most troublesome still are developments that, despite being suitable for various uses, take years due to the seemingly never-ending approval process.

Slowed and potentially cancelled developments cost municipalities valuable years during which the property could be generating revenue by way of an increased assessment. Especially as we continue to recover from the recession, any delay in adding revenue, including the stimulative effects of new projects, such as jobs and sales tax revenue, become missed opportunities. The most striking example on Long Island is the planned Nassau Coliseum redevelopment. Despite recently receiving development proposals from four top tier developers, the years of lost revenue while the project sat fallow, will never be recovered. Had the project been expedited at its outset, it could have meant hundreds of jobs and millions in tax revenues for Long Island and New York State.

While Long Island has performed better than most of the country in terms of employment and other key economic indicators, the area cannot afford to needlessly delay good development projects. The

timelines and costs associated with approvals add yet another variable to an industry already fraught with other risks. Before more and more developers begin to look elsewhere rather than dealing with the headaches of Long Island, politicians must begin to take into account the substantial costs that developers assume in order to complete a project. If delays are inevitable and costly, and potentially deal-breaking, taxes await developers at the project's completion, there will be very little incentive to commence new ones.

Politicians must reward those who are willing to take on risk and invest significant funds in their communities by making the development process as easy and transparent as possible. This approach will allow developers and communities to work together on new developments that will advance Long Island's real estate market and overall economy. If developments have a simpler and more predictable track to approval, the number of quality developments will rapidly increase. This increase will provide higher tax revenue to towns, not only helping balance municipal budgets, but also lessening the burden on other property owners by enlarging the tax base.

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