



NEW YORK STATE ECONOMIC DEVELOPMENT COUNCIL TESTIMONY

Good Morning, NYS Senate Members of the Finance, Commerce, Economic Development and Small Business, and Investigations and Governmental Operations Committees,

My name is Ryan Silva and I serve as Executive Director for the New York State Economic Development Council (NYSEDC). We are a private, non-profit association consisting of nearly 1,000 economic development members across New York State. Our mission to advocate on behalf of the economic development community, educate our members with programs and best practices, and develop sound policy that increases the economic health and quality of life in New York State.

I want to thank you for the opportunity to share my written testimony today on the importance of economic development incentives and the vital public/private partnerships they support. In June of 2021, United States Commerce Secretary Gina Raimondo visited GlobalFoundries with NYS Senator and US Senate Majority Leader Chuck Schumer to announce further expansion of semiconductor manufacturing at the Malta facility. During her comments, the Secretary talked about how spending federal dollars with the private sector is an “investment” in the future of our economy. Government is a partner in driving economic growth and the public sector should utilize the tools it has to partner with industry to improve the quality of life and US competitiveness across the country.

In New York State, this is especially true, and these tools are critically important to our economic health and prosperity. Why are they important? Let's take a look at some data on New York State. According to [SiteSelection.com](https://www.siteselection.com) New York State has a strong GDP and ranks third in the nation. We generate a tremendous amount of economic activity. We have a strong workforce and world-class academic institutions. However, New York ranks 49th in Business Tax Climate. Property taxes is one of the primary drivers of this as New York ranks 4th highest in property tax rates in the country. A study conducted in 2018 by the NYSEDC on the [semiconductor industry](#) shows that while New York State is competitive in many areas including workforce and low-cost power, the overall cost of doing business is significantly higher here and public-private partnerships keep us competitive. Additionally, new Census Bureau estimates show a net 320,000 residents have left New York since July 2020, by far the highest in the nation.

Now more than ever, we need partnerships with the private sector to grow our economy and grow our population. New York State is a high-cost state to do business. We send more money to the Federal Government and get back less than any other state in the country. Study after study conducted by the [OSC](#) And the [Rockefeller Institute of Government](#) shows that our federal balance of payments in tax dollars is near the bottom. New York state actually subsidizes many states, roughly \$142.6 billion over the last five years. Many states New York competes with economically actually get back MORE than they send to the Federal Government, allowing them to place less of state/local tax burden on their residents and businesses. Coupled with the SALT cap, New York is at a fundamental cost disadvantage when compared with other states.

A core constituency of our membership are Industrial Development Agencies (IDAs). Governor Kathy Hochul stated, “IDAs play a critical role in ensuring the economic health and vitality of New York’s municipalities and counties.” There are 108 active IDAs in New York state, one for each county, and several municipal IDAs across the state.



Industrial development agencies and authorities (IDAs) are established under the General Municipal Law and the Public Authorities Law to foster economic development in specific localities. They are public benefit corporations that can provide sales tax exemptions, mortgage recording tax exemptions, and payments in lieu of taxes or PILOTS. Simply explained, a PILOT mitigates the future property tax rate over a period of time until a project reaches full assessment. They take an existing property and INCREASE the property tax on that property moving forward. These tools are important and valuable, supporting more than 4,300 active projects today in NYS. These are not subsidies, these are investments being made by local entities to support long-term, sustained growth in their community. IDAs help level the playing field for local governments competing for job creation, private sector investment, and job retention. And the numbers support the critical role IDAs play. According to the Most recent [Office of State Comptroller Report](#), the 4,320 IDA supported projects have led to a net gain of 199,982 jobs, \$680 Million in new tax payments to local communities via PILOTS, \$109 Billion in project activity, and 492,372 jobs created/retained once these projects are complete. Those jobs represent \$20.5 Billion in **ANNUAL** salaries and \$1.2 Billion in new Annual Income Tax Revenue. Based on this analysis alone, IDAs are incredibly effective at driving economic growth in NYS.

These projects would not happen without the public-private partnership IDAs help create. The vast majority of these projects are small, medium-sized companies looking to expand or relocate in New York and are not large corporations. Under reforms passed in 2016 that the NYSEDC worked with the OSC and the legislature on, IDAs are required to run a cost-benefit analysis on all projects, standardize applications, and implement clawback policies for projects that don't meet their stated goals. IDAs were among the first public entities to Livestream, record, and post recorded meetings, a law that we supported when passed in 2019.

In 2021, the NYSEDC conducted our own independent study to expand upon the traditional metrics of measuring economic success to identify the broader economic impact IDAs have. (see attached one-page summary at the end of this testimony). We also developed our own comprehensive, searchable database of IDA-supported projects from across the state that is easy to read and use, providing a different perspective on the positive economic impact IDAs have. [New York State Economic Development Council IDA Impact Dashboard](#)

In short, our study found IDAs are doing more than just creating jobs and generating new local tax revenue because their economies need them to do more. IDAs have:

- supported more than 1451 small businesses with loans and grants during the pandemic (we greatly appreciate and support the legislature moving this change forward in 2020)
- helped bring at least 68 clean energy projects onto the grid which will generate up to 870 MW of clean energy upon completion
- addressed housing challenges across the state, bringing thousands of affordable, market rate, and workforce housing units onto the market
- assisted hundreds of downtown revitalization projects in support of the state's DRI program
- generated \$436 Billion in sales/ annual economic activity
- helped remove blight by supporting adaptive reuse projects in their communities

Considering the challenges created by the pandemic, we have a unique opportunity to enhance our economic development tools and modernize the local economic development ecosystem. [In our report](#), we recognize there are some legitimate concerns while also a misconception on how IDA assistance actually works. We identify several bills currently before the legislature the NYSEDC would support. We also recommend looking at updating how we measure



economic success. The original intent of the IDA statute was not just about job creation or retention, it was about providing local governments (Counties, Cities, Towns, and Villages) the tools necessary to increase the health, wealth, and prosperity of their communities.

While job creation/retention, project costs, and tax dollars spent per job created are important metrics that we should be tracking, they are not the only metrics that we should be tracking in a 21st-century economy. We recommend modernizing the PARIS system to include other metrics including but not limited to:

- Housing starts
- Blight reduction
- Clean energy production/carbon reduction
- Small businesses assisted
- Downtown Revitalization
- Adaptive Reuse
- Infrastructure including broadband access

Collecting data on these important aspects of economic development will help capture the broader impact IDAs are having across New York State.

We also recommend modernizing the GML on IDAs to reflect 21st-century economic goals. This means providing tools like loans and grants that can benefit small businesses on main streets in communities across New York. Many amendments made in the last 20 years have either reduced an IDAs ability to provide assistance to certain types of projects or increased transparency and oversight. We support transparency and oversight of all economic development programs. We do not support legislation that will place unnecessary burdens on economic developers to grow their local economies. Let's enhance and modernize our tools utilizing our existing infrastructure of the IDA ecosystem to broaden their mission while maintaining transparency and oversight by the Office of State Comptroller (OSC) and the Authorities Budget Office (ABO). We support providing the OSC and the ABO with the additional financial tools they have been requesting. We have developed a proposal on a way forward to do this.

Let's increase training opportunities for staff and board members, something the NYSEDC has already done in partnership with the OSC and the ABO. Together, we can strengthen our local economic development delivery system and do so in a way that maintains transparency, oversight, and accountability.

There are a host of other programs that are focused on economic development provided by state agencies and/or local governments to private entities or non-profits. These include but are not limited to:

- Community Development Block Grants (CDBG)
- Empire State Development (ESD) Grants and Excelsior Tax Credits
- RESTORE NY Grants (administered through ESD)
- Department of Labor (DOL) On the Job Training (OJT) Grants
- NYSERDA clean energy tax credits
- Centers for Advanced Technology (CATs) and Centers of Excellence (COEs)
- Innovation Hot Spots and other StartUp, entrepreneur grants
- 485A and 485B exemptions
- 421A program



- Film tax Credits

Each of these programs are unique and targets different industries. They all have different metrics and required outcomes so comparing each of them solely through a lens of jobs created/retained or how much new tax revenue generated only provides a narrow look at their economic impact. Trying to lump each of these programs together also creates confusion about their effectiveness because of the different goals and criteria.

Economic Development is an art and not a science. There will always be risk and the reality that some projects may not achieve their stated goals. There are some projects unfortunately that just do not work out. However, for every project that does not work out, there are a dozen that do. Projects like:

- GlobalFoundries and the redevelopment of the Kenmore Hotel in the Capital Region
- Regeneron Pharmaceuticals and Edge-On-Hudson in the Mid-Hudson Region
- Wyandanch Rising and Broadridge Financial Solutions on Long Island
- Alstom and Corning Glass in Steuben County
- Wolfspeed (Cree) in Oneida County
- Redevelopment of the former Bethlehem Steel site in Buffalo
- Li-Cycle and Lidestri Foods expansion in the Eastman Business Park
- Norsk Titanium and Nova Bus in the North Country

These are just a few of the thousands of projects that have met or exceeded expectations because of investments made by the public sector to leverage private sector growth. We would be happy to provide additional examples of successful projects from across New York State and encourage members to review and utilize our IDA dashboard to learn more about these projects in their communities.

The New York State Economic Development Council and its members believe that incentives are investments – in our future economy. We will continue to support locally-driven economic development and New York State’s bold investments in high-growth industries. Investments plant the seeds for future economic growth and give the next generation of New Yorkers an opportunity to build a future here in the Empire State. We thank you for your time and consideration.

Sincerely,

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IDAs Today

The Economic Impact of Industrial Development Agencies in New York State

Traditional Metrics

Data is from the annual OSC report released in July 2020. Data is from 2018.



Total Projects:
4,289



Total Jobs:
1.5 M



Annual Payroll:
\$144 B



Annual Sales:
\$436 B

Emerging Activities

Data is from a sample of IDAs in 2020 and 2021.



68
clean energy projects



870
megawatts of energy generated – enough to power 720,000 homes



57

housing projects (3,006 total new housing units, 804 affordable housing units)



1,451

small business loans or grants issued during the pandemic



\$533 M

annual increase in property tax base

IDAs Deliver Results

Benefits

- ▶ Significant institutional knowledge.
- ▶ Local perspective and understanding of economic issues.
- ▶ Ability to implement regional policy goals.
- ▶ Strong local and regional economic development networks.
- ▶ Local control over the role of the IDA in economic development.

Opportunities

- ▶ Regulation and oversight from multiple agencies can create conflicting messages.
- ▶ Understanding of economic development tools.
- ▶ Traditional assistance tools do not always align with current community and business needs.
- ▶ Name “Industrial Development” does not capture the broad scope of work being done by IDAs.
- ▶ Layers of administration, fees, and regulation limits focus on mission.

Moving Forward

- ▶ Strengthen individual IDA practices through self-reflection and improvement.
- ▶ Educate partners in government and local communities on the challenges of economic development in NYS and the role for IDAs.
- ▶ Engage a broader scope of local stakeholders throughout the process.
- ▶ Modernize the IDA statute to align with 21st century economic development strategies.
- ▶ Focus on broader economic and community development goals.

