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The Authorities Budget Office Issues Report on the Status of IDA Completed Projects

The Authorities Budget Office (ABO) released its report on completed economic development projects that received financial assistance from Industrial Development Agencies (IDAs). The review was conducted to understand the types of projects receiving assistance and to determine the current status of those projects six years after the financial assistance ended. The 25 projects reviewed received a total of over \$20 million in net tax exemptions from the IDAs.

“Part of the mission of Authorities Budget Office is to make IDAs more accountable and transparent, and to have them act in a manner consistent with their intended purpose,” stated ABO Director Jeffrey Pearlman. “It’s evident by the findings in this report that there remains much work to be done.”

The report found that the majority of projects funded by IDAs are related to manufacturing and warehouse operations, but that financial assistance is also frequently provided to projects that are not directly related to the mission and purpose of IDAs, such as retail operations and housing. For example, one project received tax exemptions to construct a residential housing development. The expected housing was never developed, and it appears that the developer received property tax exemptions for the construction of his personal residence.

The review also found that IDA projects are not producing the job creation results promised in exchange for the financial assistance being provided. Sixty percent of the businesses reviewed did not meet the job creation expectations promised in exchange for IDA financial assistance. Some of the businesses reviewed lost jobs, and other businesses have closed or ceased operations.

The ABO also found that many IDAs provide financial assistance whenever requested by businesses. Although the review focused on a sample of 25 projects throughout the State, there were a total of 57 separate financial assistance packages provided by the IDAs to the 25 businesses. This additional financial assistance increased the total net exemptions to \$42 million for these businesses. However, the report reveals that even with additional assistance some of these businesses are not creating the jobs promised.

One goal of IDAs in providing financial assistance is to eventually return property to municipal tax rolls. However, the ABO found that only 23 percent of the property owned by the businesses has been fully returned to the tax rolls. This is largely due to continuing financial assistance from the IDAs even after the initial project has been completed. This expectation for returning properties to the tax rolls is often significantly delayed as the businesses continue to receive additional financial assistance. Projects that initially are approved for 10 to 15 years of property tax exemptions are frequently extended, with some properties remaining tax exempt for over 30 years.

The ABO also found the reliability of data reported by IDAs continues to be a significant issue. The IDAs reported inaccurate data for 75 percent of the projects reviewed. In some instances, IDAs never reported tax exemptions provided for projects. The continued disregard for the accuracy of the data reported to the public undermines the transparency provisions of Public Authorities Law and brings question to the fiduciary responsibility of IDA boards over the data being reported.

The report recommends that the role of IDAs in the State's economic development program needs to be thoroughly reviewed and re-evaluated. IDA boards need to adhere to their fiduciary duty and ensure that projects they approve are in line with the mission and purpose, that appropriate results are obtained, and that accurate data needs to be reported to ensure that the IDAs are transparent to the public and accountable for their decisions.

"We understand that some of these ventures have risks, but the recommendations contained in this report are fundamental," concluded Pearlman. "The public should demand IDAs operate within the bounds of the statutes that govern them."

The IDAs reviewed were Broome County, Cayuga County, City of Schenectady, Cortland County, Erie County, Genesee County, Herkimer County, Livingston County, Monroe County, New York City, Town of Brookhaven, Town of Hempstead, Town of Lancaster, Village of Riverhead, Saratoga County and Yates County.

A copy of the full report is available at www.abo.ny.gov.