



- *Accountability*
- *Transparency*
- *Integrity*

IDA 2018 New Projects

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Executive Summary

Purpose and Authority:

The Authorities Budget Office (ABO) is authorized by Title 2 of Public Authorities Law to review and analyze the operations, practices and reports of public authorities. We reviewed 50 projects approved in 2018 by Industrial Development Agencies (IDAs) to receive financial assistance. Our review was performed from November 2019 to April 2020 and was conducted in accordance with our statutory authority and compliance review protocols. The purpose of this review was to identify the types of IDA projects being financed and the amount of financial assistance approved. In addition, the review assessed the transparency of IDAs in making project records available to the public on IDA web sites and verified the accuracy of the job information reported by IDAs in the Public Authorities Reporting Information System (PARIS).

Background Information:

General Municipal Law Article 18-A authorizes IDAs to encourage economic growth and promote job opportunities and economic welfare for the people of the State of New York. IDAs offer financial incentives to attract, retain and expand businesses to improve the economic conditions in their respective locales. The assistance provided by IDAs consists of exemption from real property tax, mortgage recording tax, and sales and use tax. In addition, IDAs assist businesses through the issuance of low-interest bonds. IDAs are required to annually report financial assistance and other project information in PARIS.

Results:

We found that 26 percent of the projects approved by IDAs in 2018 (13 of the 50 projects sampled) were for manufacturing. Other significant types of projects approved were retail, office space, housing and mixed-use projects. This illustrates that most of the types of projects that receive financial assistance from IDAs are not industrial- or manufacturing-related projects. A little more than half of these projects consist of the renovation or expansion of existing facilities, and about a third are for the construction of a new facility. In addition, five projects consisted solely of the purchase of various types of equipment needed for the businesses' operations. Two projects did not require the acquisition, construction or renovation of facilities or involve purchases of furniture, fixtures or equipment, but were for the transfer of financial assistance to new ownership or for extensions of previously approved financial assistance. We also found some projects were not actually receiving financial assistance for the first

time but were already receiving IDA financial assistance that had been approved in prior years. The 50 projects reviewed had a total of 3,451 full-time jobs prior to IDA financial assistance and intended to create a total of 641 additional full-time jobs. Eleven of the projects do not intend to create any jobs.

Of the 50 projects reviewed, 90 percent were approved to receive state and local sales tax exemptions, 72 percent were approved for real property tax exemptions and 58 percent were approved for mortgage recording tax exemptions. Two projects received proceeds from bond issuances. We were unable to determine the total estimated value of the tax exemptions provided because frequently IDAs do not identify the estimated amount of tax exemptions approved in project resolutions or in project agreements. In addition, 57 percent of the projects we reviewed that received real property tax exemptions did not identify the amount of estimated PILOTs in the project agreement or related PILOT agreement. As such the public, as well as the affected taxing jurisdictions, are not able to see the total estimated benefits being approved by the board and provided to the projects.

We also found that project documents are not being posted on IDA web sites in accordance with ABO regulations (19 NYCRR § 250.1). Of the 50 projects reviewed, only five projects had all of the required project documents posted on the respective IDA's web site, including the project application, approving resolution and the project agreement.

Further, we continue to find that IDAs inaccurately report project information in PARIS. Specifically, the jobs existing prior to IDA financial assistance and the jobs expected to be created by the project that are identified in the project application were not accurately reported in PARIS for half of the projects reviewed. This is due in part to some IDAs not requiring project applicants to accurately identify the full-time-equivalent jobs that are required to be reported in PARIS but instead ask applicants to report full-time and part-time positions individually.

The lack of transparency provided in project documents and the failure to post these documents on the IDAs' web sites, as well as the board and management's continued lack of attention to the accuracy of the publicly reported data, makes it difficult for the public to understand the actual costs and measure the benefits to the localities of these projects as the law intends.

Introduction and Background

Industrial Development Agencies (IDAs) were created to advance the job opportunities, health, general prosperity and economic welfare of the people of New York State. IDAs are authorized by Article 18-A of General Municipal Law (GML) to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial, research and recreation and certain other facilities. There are currently 109 IDAs in the state, consisting of 56 county IDAs, one IDA for New York City, and 52 IDAs for various cities, towns and villages¹.

IDAs provide financial assistance to businesses through the issuance of low-interest bonds or in the form of exemptions from real property, mortgage recording or sales and use taxes to encourage economic development. Typically, projects that receive IDA assistance involve the acquisition, construction or major renovation of buildings or the purchase of equipment. IDAs are able to pass their tax-exempt status to the business by acquiring title to property or equipment and then leasing the property to the business or designating the business as an agent of the IDA. For real property tax exemptions, a portion of the real property tax exemption is often recaptured in the form of payments in lieu of taxes (PILOTs) made by the assisted business to the impacted taxing jurisdiction. Real property tax exemptions are provided over a period of time concurrently with respective PILOTs and vary depending on each IDA's Uniform Tax Exemption Policy (UTEP). Each IDA is required by Section 874 of GML to adopt a UTEP, which is to provide a guideline for the IDA to follow regarding the approval and granting of tax exemptions and PILOTs. Mortgage recording tax exemptions are generally a one-time exemption provided to a business that is obtaining a mortgage to finance or refinance project costs. Sales and use tax exemptions are provided for the purchase of equipment or construction materials. In addition, IDAs can issue low interest bonds to help finance project costs. These bonds are considered conduit debt and become the responsibility of the project owner. It is not a liability of the IDA. These state and local government benefits are intended to accelerate project development and improve the employment, business and community prospects.

IDAs are required to annually report specific information on all projects for which the board has approved financial assistance. This information is prepared by management, reviewed and approved by the IDA board and then reported online through the Public Authorities Reporting Information System (PARIS). PARIS requires detailed information on all IDA projects active during the reporting period, including

- project location,
- project applicant,
- the jobs existing before IDA financial assistance,

¹ 2020 Legislation (S.7714 Seward/A.9826 Lifton) recently passed both houses to dissolve the Village of Groton Industrial Development Agency, but as of the date of this report the legislation has not yet been enacted.

- the jobs to be retained and created as a result of the project,
- the type and value of all tax exemptions received annually by the project,
- the annual PILOT payments due from and actually paid by the project, and
- the number of jobs that exist at the end of each reporting period.

A project is reported in PARIS when the project is approved and begins to receive financial assistance in the form of tax exemptions, or the project has conduit debt that is outstanding. As of September 2019, 59 of the 109 IDAs had reported a total of 281 new projects for the 2018 reporting period. The total project costs reported for these projects was \$10.9 billion. IDAs are also required to report job information when the project is initially reported in PARIS. Of the 281 new projects, 28 reported that no jobs would be created. The remaining 253 projects reported that a total of 12,865 full-time-equivalent (FTE) jobs existed before the IDA financial assistance was provided. These 253 projects also report that a total of 22,497 FTE jobs would be created. Of the total jobs to be created, 15,199 FTE jobs (68 percent) were for New York City IDA projects.

In addition to reporting in PARIS, Authorities Budget Office (ABO) Regulation 19 NYCRR § 250.1 requires IDAs to post the project application, approving resolution and completed uniform project agreement for each project on the IDA's web site. Historically, IDAs have not been fully transparent regarding the projects they provide financial assistance, and this requirement to post all project records will help to improve that lack of transparency by making all project information readily available to the public. Further, Chapter 185 of the Laws of 2019 amended Section 857 of GML to now require all open meetings and public hearings to be video cast live and posted to the IDA web site. These policies ensure the public will be able to better monitor the progress of IDA project activities.

Purpose

The ABO is authorized by Title 2 of the Public Authorities Law to review and analyze the operations, practices and reports of public authorities, to assess compliance with various provisions of Public Authorities Law and other relevant State statutes, and to make recommendations concerning the reformation and structure of public authorities. The purpose of this review was to determine the types of projects being approved by IDAs during 2018. The review also determined the type and amount of financial assistance provided, the project's employment impact, whether project documents are being posted on IDA web sites and if project job information is being accurately reported in PARIS.

Scope and Methodology

Our review was conducted between November 2019 and April 2020 and focused on new IDA projects reported for 2018. We assigned a unique number to each of the 281 projects reported for 2018 and used a random number generator to identify the 50 projects for review. The 50 projects were reported by 31 different IDAs. We reviewed the web sites for the IDAs to obtain the project application, approving resolution and uniform project agreement for each project. If those documents

were not posted on the IDA web sites, we contacted those IDAs to obtain the documents. We also contacted IDA officials to discuss the details of individual projects as needed. A project summary for each of the 50 projects was provided to its respective IDA for review of accuracy. Each IDA responded to the project summary provided. We took comments made by IDAs into consideration in finalizing the report and incorporated certain comments into this report where appropriate.

Review Results

Our review determined that the most common type of projects approved for financial assistance by Industrial Development Agencies (IDAs) are manufacturing-related projects. We also found that over half of projects entail renovation or rehabilitation of existing facilities, and that 90 percent of the projects received financial assistance in the form of State and local sales and use tax exemptions. However, we also found that the project agreements frequently do not identify the amount of financial assistance being provided.

Types of Projects

For the 2018 reporting period, 59 IDAs reported having a total of 281 new projects. We randomly selected 50 of these projects that were reported by 31 different IDAs. The primary objective of our review was to determine the type of projects that receive financial assistance from IDAs throughout the State. We found that over one quarter of projects (13 of 50) are for manufacturing-related industry. These projects involved the production of yarn, steel, plumbing materials, railcars, eyewear and alcoholic beverages. As an example, the Erie County IDA approved financial assistance for the Ebenezer Railcar Services project to expand its existing manufacturing facility, allowing the company to close one facility and operate more efficiently in a single location.

In addition, 12 percent of projects approved by IDAs in 2018 (6 of 50) are to provide new office space for businesses or renovate existing office space. For example, the Colonie IDA approved financial assistance for the Starlite Associates project to construct a new LEED (Leadership in Energy and Environmental Design) certified building for the headquarters of an existing financial company, with the expectation to create an additional 160 jobs.

Half of the office space projects were approved by the Monroe IDA, which has established a specific program that is geared toward providing financial assistance for business furniture and equipment needs. For example, the Monroe IDA approved financial assistance for the SWBR Architecture Engineering & Landscape project to purchase computer equipment and office furniture for its architectural, engineering and interior design business.

Sixteen percent of the projects (8 of 50) were for warehouse and distribution facilities (4) or projects for companies providing technology services (4). For example, the Orange County IDA approved financial assistance for Dana Distributors to expand its beverage distribution business and Nassau County IDA approved financial assistance for NPD Group to establish a data center that would employ 11 individuals.

| Project Type | Number of Projects in Sample | Percent of Sample |
|------------------------|-------------------------------------|--------------------------|
| Manufacturing | 13 | 26% |
| Retail | 9 | 18% |
| Office Space | 6 | 12% |
| Housing/Mixed Use | 6 | 12% |
| Other/Agriculture | 6 | 12% |
| Warehouse/Distribution | 4 | 8% |
| Technology | 4 | 8% |
| Solar | 2 | 4% |
| Total | 50 | |

We also found that about half of the projects approved for financial assistance are of a type that are generally not industrial-related projects. For example, 18 percent of the projects (9) were for retail businesses or services, 12 percent (6) were for housing or mixed use projects, 4 percent (2) were for the construction of solar farms, and 12 percent (6) were for a variety of other projects, including dairy farms, the purchase of a van, and renovation of public schools. This shows that IDAs are providing financial assistance to a wide variety of projects that did not traditionally receive financial assistance and that the public perception of IDAs providing tax breaks to induce manufacturers to create and retain jobs may need to be revised.

General Municipal Law (GML) Section 862 (2) restricts IDAs from providing financial assistance to projects where more than one-third of the project is for retail, which provide goods and services to customers that physically visit the business. However, Section 862 (2) of GML also provides exceptions to this restriction for tourism destination projects, projects located in highly distressed areas, and projects that provide goods and services that are not readily available to the residents of the locality served by the IDA. A total of 18 percent (9) of the projects we reviewed were for retail projects consisting of hotels, campgrounds, breweries, cafés, veterinary clinics, storage facilities, and medical facilities.

For example, the Onondaga IDA approved financial assistance for the Specialist's One Day Surgery project to construct a medical surgery facility. This facility would enable Specialist's One Day Surgery to expand its medical facilities to address changes in patient needs. This business indicated that trends in medical services have resulted in many surgeries that had traditionally been performed in an inpatient setting, such as spine, foot, ankle and joint replacement surgeries being moved to an outpatient setting. The construction of this facility would allow the business to meet this need. In addition to constructing this medical facility, the financial assistance approved by the IDA would enable this business to make renovations to an existing medical facility.

For another retail project, Yates County IDA approved financial assistance for the Plum Point Lodge on Seneca LLC project to purchase and modernize an existing resort and add a restaurant and upscale camping and special event facilities. The IDA provided sales tax, mortgage recording tax and real property tax exemptions to the project.

Twelve percent of the projects (6) were for housing or mixed-use projects. The housing projects consisted of market rate apartments, student housing, and low-income housing. For example, the City of Albany IDA approved financial assistance for the Swinburne Building project to construct 74 affordable housing units on vacant land for low income households. The project also designated a specific number of the apartments for domestic violence survivors and provided space on the ground level for agencies that provide supportive services for the tenants. The IDA's financial assistance was only one component of the financing for this housing project since it was financed primarily with tax-exempt bonds issued by New York State Housing Finance Agency and Low-Income Housing Tax Credits.

Both mixed-use projects we reviewed were for market rate apartments that set aside some space for retail stores. One mixed-use project was approved for financial assistance by the Auburn IDA. This project, Nolan Block LLC, was to renovate a historic property into 14 market rate apartments and five commercial storefronts. The application stated the total commercial square footage was to be 25 percent of the total project, which is within the one-third provision stipulated in Section 862 (2) of GML for retail projects.

Two projects were for the development of solar farms. In 2014 the Governor launched New York State's energy policy, which sought to increase the use of clean, locally generated power. This policy established the goal of generating 70 percent of the State's energy from renewable sources by the year 2030. However, it is questionable as to why IDAs need to provide tax incentives to assist in meeting this goal, since New York created incentives geared to developing solar farms across the state. Section 487 of Real Property Tax Law provides real property tax exemptions for the increase in value of property due to the installation of solar energy equipment or systems. These real property tax exemptions are for a maximum of 15 years. The affected local governments may negotiate payments in lieu of taxes (PILOTs) for the same 15-year period to offset the loss of tax revenues. Local governments have the option of adopting a local law to opt out of the property tax exemptions for solar energy systems. IDAs are not bound by these rigid terms.

Chemung County adopted a local law to opt out of the real property tax provisions for solar projects, indicating that it was not in favor of providing real property tax exemptions for solar projects. Nonetheless, the Chemung County IDA approved financial assistance for Catlin Solar 1, LLC to build a solar farm on 24.5 acres of vacant land in the county. Rather than providing real property tax exemptions for 15 years (the standard period set in Section 487 of Real Property Tax Law), the IDA approved the project to receive real property tax exemptions for 20 years and negotiated a 20-year PILOT. The IDA effectively overrode the local ordinance.

Monroe County IDA approved sales tax exemptions to Skywave Communications for the company to purchase and install specialized equipment in a van for use as part of its business. This company designs, installs and maintains public safety communications equipment and will use the van for its field technicians. As a result of the IDA's financial assistance, this company will be able to improve its business operations without paying sales taxes on the items needed to make those improvements.

Scope of Work

In addition to the type of new IDA projects, we also identified the scope of work for each project. Of the 50 projects, 27 projects were for the renovation or expansion of existing facilities, 16 projects involved the construction of a new building or facility, and 5 projects were for the purchase of equipment only. The remaining two projects did not involve any construction or renovation.

| Type of Work | Number | Percent |
|--------------------------------------|---------------|----------------|
| Renovate or expand existing facility | 27 | 54% |
| New construction | 16 | 32% |
| Purchase equipment only | 5 | 10% |
| Other Projects | 2 | 4% |
| Total | 50 | |

Over half of new projects (54 percent) are for the expansion or renovation of existing facilities. Typically, this consists of financial assistance being provided to a business to expand its operations. For example, the United Structural Works & OM Realty project was approved by Rockland County IDA for the expansion of its steel fabrication to accommodate business growth. The application states that this expansion is necessary to compete in the greater New York area, and if not for the IDA's financial assistance the company would expand outside New York and reduce its business operations at its current site.

Some projects that received financial assistance for expansion or renovation of existing facilities also had received previous IDA financial assistance. For example, the Luxottica project was approved by the Nassau IDA to renovate and expand an existing eyewear manufacturing facility and headquarters to maintain its operations on Long Island. Luxottica had previously received financial assistance from the IDA for the existing manufacturing facility, and this project resulted in the renegotiation of the existing payment in lieu of tax (PILOT) agreement. The project was originally approved in 2012 for real property tax exemptions that were expected to end in 2026, but as a result of the 2018 project, these real property tax exemptions will continue through 2033 and receive a net abatement from real property tax totaling \$203,626 over the term of the amended PILOT. We did not review the detailed project agreement for the 2012 project and cannot identify the additional net exemptions provided to Luxottica as a result of the 2018 extension.

Thirty two percent of the new projects are for the construction of new buildings or facilities. Typically, financial assistance is provided to an applicant to establish a new business or to enable an existing business to improve or expand its operations. For example, the Buckingham Manufacturing project was approved by Broome County IDA to purchase and renovate a vacant property to be used as a manufacturing facility for climbing safety equipment. Buckingham Manufacturing has been in Broome County for over 100 years. The business had been leasing multiple properties and this project would allow for the consolidation to a single location.

Projects involving new construction do not always result in a new building or facility for business operations. For example, the Yasgur Road Productions project was approved by Sullivan County IDA to build and equip a new camping facility with 152 overnight sites, entertainment and merchandise sales and services. The new construction includes sewer and water infrastructure to service the sites.

The five projects that were for the purchase of equipment only were all approved by Monroe County IDA. These projects were to purchase additional furniture and fixtures and obtain and update equipment for existing businesses, including the purchase of the transit van previously mentioned.

One of the other projects was for the Town of Brookhaven IDA to transfer ownership of the project property and the financial assistance being provided for an existing project to a new company. This transfer resulted in no change to the existing tenants and no improvements being made to the facility. The other project was for the Orange County IDA to continue providing real property tax exemptions to the International Business Machine Corporation (IBM) in order to retain employment and stabilize real property tax payments to the municipality. There were no improvements or renovations being made to the property. IBM had been receiving real property tax exemptions from the IDA through a payment in lieu of taxes (PILOT) agreement since 1995. The 2018 PILOT extended the existing agreement through 2028.

Types of Financial Assistance

IDA financial assistance granted to businesses consists of exemptions from sales tax, mortgage recording tax, and real property tax, as well as the proceeds of bonds issued by an IDA to finance the costs of a project. Upon the submission of an application to an IDA requesting financial assistance, the project is reviewed for eligibility and submitted to the board for consideration. Section 859-a of General Municipal Law requires each board resolution to include a description of the project and the financial assistance being provided. While Section 859-a (1) of GML does not mandate that the description includes the amount of financial assistance, the amount of financial assistance is necessary to be fully accountable and transparent. The resolution represents what is being approved by the board, and to omit the amount of financial assistance being approved brings to question whether the board is aware of what is being approved.

We reviewed the board resolutions for each of the 50 projects in our sample to identify the type and amount of financial assistance approved by the board. We found 45 of the 50 project resolutions approved by the respective boards (90 percent) indicated that the projects would receive sales tax exemptions. Only 28 of the board resolutions identified the estimated value of the sales tax exemptions approved in the description of financial assistance provided. Those 28 projects were approved to receive a total of \$4.5 million in sales tax exemptions. However, we were unable to determine the estimated total value of the sales tax exemptions approved by the boards for 17 projects because those resolutions generally indicated that sales tax exemptions were approved but did not indicate the amount.

The various boards approved 29 of the 50 projects (58 percent) to receive mortgage recording tax exemptions. However, only seven resolutions (24 percent) included the estimated value of the mortgage recording tax exemptions in the description of financial assistance provided. These seven projects were approved for a total of \$446,309 in mortgage recording tax exemptions.

The various boards approved 36 of the 50 projects (72 percent) to receive real property tax exemptions. However, only five of the 36 resolutions (14 percent) included the estimated value of the real property tax exemptions in the description of financial assistance provided. Those five projects were approved to receive an estimated total of \$14 million in real property tax exemptions. In addition, one resolution identified the value of the real property tax abatement (total property tax exemptions less total PILOTs) in the description of financial assistance provided. The resolution identified a total abatement of \$413,700 being provided to the project but did not include the total estimated value of the real property tax exemptions.

Two of the 50 projects (4 percent) were provided financial assistance in the form of proceeds from the IDAs' issuance of bonds, totaling up to \$92 million. The City of Syracuse IDA approved the issuance of up to \$82 million of low interest bonds to provide the Joint Schools Construction Board project funds to renovate four existing school buildings. And the City of Rensselaer IDA approved the issuance of up to \$10 million of low interest bonds to provide the Conductors Court NY TC, LP project with funds to renovate a low-income housing facility.

Since 2015, each IDA has been required to develop and adopt by resolution the standard criteria for providing financial assistance on projects. General Municipal Law requires the board to consider the project applicant's estimates for the value of the tax exemptions provided by the IDA. Not following the statute and failing to provide a value to these estimated tax exemptions in the record prevents the public from understanding what is reasonably expected by the public investments. It also hinders the other affected taxing jurisdictions, like school districts, from being able to make a complete fiscal plan.

As part of this review, we provided the respective IDA with a summary of each project reviewed. In response to those summaries, the IDAs generally indicated that the amount of financial assistance approved by the board was not included in the board resolution because it is not required to be included according to General Municipal Law (GML). However, as indicated § 859-a (1) of GML requires each board resolution to include a description of the project and financial assistance. It is necessary for this description to include the amount of financial assistance that the board is approving for the project in order to be fully accountable and transparent to the public as was intended by the law.

Section 874 of GML requires IDAs to establish a uniform tax exemption policy (UTEP) to provide guidelines for claiming real property, mortgage recording and sales tax exemptions. Of the 36 projects that were approved to receive real property tax benefits, we found that 12 (33 percent) were approved to receive a real property tax exemption amount that deviated from the respective IDAs' adopted Uniform Tax Exemption Policy. For example, the City of Albany IDA board has adopted a policy to provide 10 years of real property tax exemptions, with a 100 percent property tax abatement for the first seven years, then decreasing by 25 percent for each of the last three years. However, the board approved the Swinburne Building LLC project to receive 30 years of real property tax exemptions with abatements starting at 83 percent in year one and then steadily reducing to 74 percent in year 30. Although specific procedures are to be followed by an IDA when it deviates from its UTEP, such as notifying affected taxing jurisdictions of the deviation, IDAs are not required to provide a justification for the deviation. Board committees should regularly review an IDA's UTEP and deviations should be explained or justified for full transparency.

Job Creation

We reviewed the project applications for each of the 50 projects to determine the number of jobs the project had prior to IDA financial assistance and how many jobs the project intended to create. The 50 projects indicated in their applications that there were 3,451 full-time and 30 part-time jobs prior to IDA financial assistance and that the projects intended to create 641 full-time and 49 part-time jobs. Of the 50 projects, 11 project applications (22 percent) stated that no jobs were to be created as a result of each project. Of those 11 projects, six also indicated no full-time jobs existed before the IDA's financial assistance. Two of these were the two solar projects.

Transparency

Section 859-a (6) of GML requires IDA's to develop a uniform agency project agreement that outlines the terms and conditions under which financial assistance will be provided. The project agreement is required by this section of law to include the amount and type of financial assistance being provided to an approved project, as well as the estimated amount of PILOTs, if applicable.

Financial Assistance Amounts in Project Documents

In our review of the 50 projects, we found that project agreements generally identified the estimated value of the sales tax exemptions provided, but that project agreements usually failed to identify the estimated value of the mortgage recording and real property tax exemptions provided to the projects with no explanation.

Of the 45 projects approved for sales tax exemptions, two projects determined that these exemptions were not needed and as such the project agreements did not need to identify the value. All but one of the remaining 43 projects identified the estimated value of the sales tax exemptions in the project agreements. The project agreement between the Village of Fairport IDA and 56 Liftbridge West LLC was the only project agreement that did not identify the estimated value of the sales tax exemptions that were provided by the IDA. The total estimated value of sales tax exemptions to be provided to the 42 projects is \$10.2 million.

Of the 29 projects approved for mortgage recording tax exemptions, three did not pursue the exemptions approved and the project agreements did not need to identify the value of these exemptions. Of the remaining 26 projects, 12 project agreements (46 percent) failed to identify the estimated value of the mortgage recording tax exemptions that were provided to the project, as shown in the chart below.

| IDA Name | Project Name |
|---------------------|--|
| City of Albany | Swinburne Project |
| Town of Babylon | Jaxson LLC / Infinity Drain Ltd. / Dixon 145 Associates, LLC |
| Town of Brookhaven | 10 National (Intercounty) |
| Broome County | Buckingham Manufacturing |
| Cayuga County | Cayuga Veterinary Services, Inc. |
| Town of Colonie | Starlite Associates, LLC |
| Village of Fairport | 56 Liftbridge West LLC |
| Town of Islip | Agilintas Energy LLC |
| Rockland County | 2018 United Structural Works & OM Realty |
| Seneca County | Deep Dairy Products LLC |
| Suffolk County | JDJ Gateway JV, LLC |
| | Precare Corp. dba Premier Care Industries |

Of the 36 projects approved for real property tax exemptions, one project determined that the approved exemptions were not needed and the project agreement did not need to identify the value. Of the remaining 35 projects, 17 project agreements (49 percent) failed to identify the estimated value of the real property tax exemptions that were provided to the project, as shown in the chart below.

| IDA Name | Project Name |
|---------------------|---|
| Town of Brookhaven | 10 National (Intercounty) |
| City of Rensselaer | Conductors Court NY TC, LP |
| Village of Fairport | 56 Liftbridge West LLC |
| Genesee County | Amada Tool America |
| | O-AT-KA Milk Products Cooperative, LLC. |
| | Xylem Dewatering Solutions |
| Town of Islip | Agilitas Energy LLC |
| Monroe County | 4000 River Road LLC |
| | Gensteel Industrial Complex LLC |
| New York City | 50 HYMC Owner LLC |
| Onondaga County | Specialist's One Day Surgery |
| Orange County | Dana Distributors |
| | International Business Machines 2018 |
| Seneca County | Deep Dairy Products LLC |
| Suffolk County | Precare Corp. dba Premier Care Industries |
| Sullivan County | Forestburgh Property, LLC. |
| | Yasgur Road Productions, LLC. |

Of the 18 project agreements that identified estimated values, seven of the project agreements identified the net real property tax abatement being provided, rather than the total real property tax exemptions provided. The net real property tax abatement is the total estimated real property tax exemptions less total estimated PILOTs.

Only 11 project agreements identified the estimated value of the real property tax exemptions provided to the project. However, the estimated value for two of those projects (City of Albany IDA/Swinburne Building LLC and Allegany County IDA/PM Research, Inc.) appear to be incorrect. The project agreement for the Swinburne Building LLC project identified the estimated value of the real property tax exemptions as \$8.8 million, but other information provided by the IDA shows an estimated total of \$14.4 million in real property tax exemptions being provided. The project agreement for the PM Research, Inc. project identified the estimated value of the real property tax exemptions as \$1.3 million, but other information provided by the IDA shows an estimated total of \$1.8 million in real property tax exemptions being provided. It appears that although the amount identified as real property tax exemption in the City of Albany IDA's and the Allegany County IDA's project agreements, these amounts are actually the net real property tax abatements (total exemptions less total PILOTs).

PILOT Amounts in Project Agreements

Of the 35 projects that received real property tax exemption and had PILOT requirements, 20 project agreements (57 percent) did not identify the estimated PILOT amounts in the project agreement or respective PILOT agreement. Further, all 35 of the projects that had PILOT requirements included a formula in the PILOT agreement to calculate the estimated PILOT. However, we were unable to calculate the amount due to each taxing jurisdiction for 17 of those projects because the project agreement did not include the estimated amount of the real property tax exemption as required by GML § 859-a (6) (c), which was needed to calculate the estimated PILOT payments.

The IDAs that did not include real property tax exemptions or PILOT amounts in the project agreements generally stated that the exact value of the real property tax exemptions to be provided to the project and respective PILOT payments cannot be determined and included in the project agreement, since the assessed value and tax rates change each year. These IDAs indicated that as a result, they are unable to determine the actual amount of the real property tax exemptions and PILOTs over the period of time covered by the agreement. However, while the actual amount of tax exemptions and PILOTs may not be known, the estimated values are known to the IDAs. Section 859-a (5)(b) of General Municipal Law requires IDAs to conduct a cost-benefit analysis for each project prior to approval of financial assistance, and the cost-benefit analysis is required to include the estimated value of any tax exemptions to be provided. Further, as indicated in our report, the estimated value of real property tax exemptions and PILOTs was included by some IDAs. The rationale for omitting the estimated value of tax exemptions and PILOTs from project agreements, as well as only reflecting the net abatement amount, can be viewed as the IDAs attempting to avoid adequate disclosure and transparency of their operations.

Posting Project Documents

ABO Regulations (19 NYCRR § 250.1) became effective in December 2018 and require IDAs to post to their web site the project application, project approving resolution and project agreement for all projects approved by the board.

In November 2019 we reviewed the web sites of the 31 IDAs that were represented in our sample to determine whether the related project documents were posted to the respective IDA web site. We found that only 5 projects (10 percent) had all of the required documents posted to the web site. There were 21 projects that had some of the required documents posted to their web site, but 24 projects (48 percent) had none of the required documents posted to the respective IDA web site.

| Posting Project Documents | Number of Projects | Percent |
|---|---------------------------|----------------|
| All Information Posted to IDA web site | 5 | 10% |
| Some Information Posted to IDA web site | 21 | 42% |
| No Information Posted to IDA web site | 24 | 48% |
| Total | 50 | |

We found that project agreements are the documents that are most frequently missing from IDA web sites. For the 50 projects reviewed, there were 20 approving resolutions posted, 19 project applications posted, but only 12 project agreements posted on the respective IDA web sites.

We noted that the degree of compliance with the requirement to post the documents on web sites is limited to only a few IDAs. Of the 31 IDAs represented in our sample projects, only 3 IDAs (Broome County, Town of Islip, and Yates County) posted all required documents for each project the IDA had in the sample. As an example, the Broome County IDA web site has an Approved Projects page that lists all approved projects with links to the respective project documents. In response to our review, many of the IDAs updated their web sites to post the required documents.

Some IDAs indicated that the project applications and resolutions were posted on their web sites, since these documents are included in board meeting minutes on the IDA web site. However, ABO regulations require the project documents to be conspicuously posted on the IDA web site. Posting project documents within meeting minutes is not conspicuous and makes it difficult for the public to locate these documents that are required to be made available to the public. In response to the review, many IDAs indicated that they are working on ensuring project documents are posted.

PARIS Data Accuracy

IDAs are required to report the number of jobs existing before IDA financial assistance and the total jobs to be created as a result of the projects being financed. In addition, IDAs are to annually report the actual number of jobs that have been created by the project. This information is reported in the Public Authorities Reporting Information System (PARIS), which requires IDAs to report job information as full-time-equivalent jobs (FTEs). We reviewed the project application for each of the 50 projects to determine the number of existing jobs and jobs to be created identified by the project applicant in exchange for receiving financial assistance. We compared this data to the existing jobs and jobs to be created by the project as reported by the IDA in PARIS. As we have routinely reported in the past, we found a significant issue with IDAs accurately reporting the job information that is presented in the project application. We found that the inaccuracy is in some instances due to the IDAs asking project applicants to identify the number of full-time and part-time jobs, although the IDAs are required to report the full-time-equivalent positions.

The jobs existing prior to IDA assistance were reported accurately for only 29 of the 50 projects reviewed. For eight of the other 21 projects, the respective IDA reported in PARIS that there were no existing jobs although the applications for those projects indicated that a total of 855 full-time and 13 part-time jobs existed. For example, the application for the O-AT-KA Milk Products LLC project indicates that there were 430 jobs existing at the time of the application, yet Genesee County IDA reported no jobs before IDA assistance.

Conversely, the applications for four projects indicated that there were no existing jobs at the time the application was prepared, yet the IDAs reported in PARIS that a total of 353 jobs existed at these projects. The application for the Sanborn Distillery Corporation (ANAT Liquor Factory) project did not indicate any existing jobs before IDA assistance but the Niagara County IDA reported in PARIS that 9 jobs existed prior to the IDA providing financial assistance to the project.

As indicated, although IDAs are required to report the number of full-time-equivalent positions in PARIS, some IDAs require businesses to report full-time and part-time positions on the project application, and do not require the applicant to convert this data to full-time-equivalent positions. As a result, it is not clear what data the IDA used as a basis for reporting existing jobs in PARIS. For example, the 2018 United Structural Works & OM Realty project application states that 25 full-time and 3 part-time jobs currently exist at the project or will be relocated to the project location. However, Rockland County IDA reported in PARIS that 25 FTEs existed prior to financial assistance being provided.

Further, even when the project application indicates how part-time positions are to be converted to full-time-equivalent positions, the IDAs do not always apply this conversion when reporting in PARIS. For example, the Erie County IDA's project application states that the IDA will convert part-time jobs to FTEs by dividing the total part-time jobs by two. The project application for the Ebenezer Railcar Services, Inc. project indicates that 84 full-time and 4 part-time jobs currently exist. However, the IDA reported in PARIS that there were 84 existing FTEs for this project and apparently did not convert the part-time jobs into FTEs.

We also identified three projects that had no apparent basis for the number of existing jobs reported by the respective IDAs in PARIS. For example, the project application for the Jaxson LLC/Infinity Drain Ltd./Dixon 145 Associates, LLC project stated that 65 FTE positions currently existed, yet the Town of Babylon IDA reported 34 FTEs in PARIS as currently existing. The IDA responded that they made an error by inadvertently reporting the jobs for the original 2015 project instead of the 2018 project.

We found similar issues with the reporting of the expected number of jobs to be created by projects. The job creation numbers reported in PARIS by the respective IDAs did not reflect the numbers contained in the project applications for 26 of the 50 projects (52 percent). Two IDAs (Monroe County and Suffolk County) reported that no jobs were to be created by any of the five projects that were approved for financial assistance although the applications for these projects stated that a total

of 66 full-time jobs and 21 part-time jobs were expected to be created. The applications for four other projects did not include any jobs to be created, yet the four IDAs for these projects (Town of Brookhaven, Orange County, City of Rensselaer and New York City) reported in PARIS a total of 7,917 jobs were to be created by the respective projects.

As with the existing jobs, although IDAs are required to report the number of full-time-equivalent positions to be created, some IDAs require the project applicants to identify both the number of full-time and part-time jobs to be created as a result of receiving financial assistance. Eight of the project applications we reviewed required the project applicant to indicate both the number of full-time and part-time jobs to be created but do not explain how this should be converted to FTEs. For example, the project application for the Dana Distributors project indicates that 18 full-time and 12 part-time jobs are to be created within three years of project completion, yet the Orange County IDA reported in PARIS that 30 FTEs are to be created.

We also identified seven projects that had no apparent basis for the jobs to be created that was reported in PARIS by the respective IDAs. For example, the project application for the Deep Dairy Products LLC project indicates 35 FTEs and 6 FTEs to be created within three years of the project's completion, yet the Seneca County IDA reported 35 FTEs in PARIS as the jobs to be created.

Conclusions and Recommendations

The review found many of the projects approved in 2018 to receive financial assistance consist of manufacturing, office space, warehouse and distribution facilities and technology services projects. However, just as many of the projects approved in 2018 consist of projects not traditionally associated with IDAs, such as retail, housing, mixed-use, and solar projects. Further, almost all projects receive sales tax and real property tax exemptions, and only a little over half of the projects receive mortgage recording tax exemptions. Projects that receive the proceeds of bond issuances are less common.

Of concern from the review is the adequacy of the project documents to provide information to the public regarding the estimated value and amount of tax breaks provided to these projects. General Municipal Law requires IDAs to adopt a resolution for each project describing the financial assistance and to develop a project agreement that includes the amount and type of financial assistance to be provided. Yet the review found over 75 percent of the projects approved to receive mortgage recording tax exemptions and real property tax exemptions did not include the amount of the exemptions in the approving resolution. Further, more than half of the projects did not include the amount for these same exemptions in the project agreement. Projects receiving sales tax exemptions appear to be more consistent in including the amount of exemption in the resolution and agreement.

In addition, the review found IDAs are not posting project documents on their web sites. IDAs are required to post the project application, resolution and project agreement with all its attachment to the IDA web site. However, the review found that half of projects had none of the required project documents posted and only 10 percent of projects had all the required documents available for public review on the IDA web sites.

Lastly, the ABO continues to find that IDAs are reporting inaccurate data in PARIS, since the data reported does not match the respective project documents. It appears that this inaccuracy is due in part to IDAs not requesting the information provided by project applicants to be in the format that is needed to be reported in PARIS by the IDA.

The lack of transparency in project documents and posting of project documents, as well as the continued disregard for the accuracy of the publicly reported data, makes it difficult for the public to be able to understand the costs, measure the benefits, or to monitor the projects over time. Further, these results bring to question how engaged IDA board members are in ensuring the law is followed and in reviewing and understanding the information that they are approving to be submitted into PARIS. As such, the ABO makes the following recommendations for all IDAs in the State:

1. IDAs should ensure that the estimated amount and type of financial assistance is included as a separate and distinct line item in the board resolutions approved by the board.
2. IDAs should ensure that the estimated amount and type of financial assistance to be provided is included as a separate and distinct line item in the project agreement.
3. IDAs should ensure that the estimated amount of payments in lieu of taxes (PILOTS) are clearly identified as a separate and distinct line item in the project resolution and project agreement.
4. IDAs should ensure that project applications, project resolutions and project agreements and related attachments are conspicuously posted on the IDA's web site while the project is active.
5. IDA boards should establish policies and procedures to ensure that information reported in PARIS is complete and accurate based on project documents. This includes ensuring that the information requested from project applicants is in an adequate format to allow for accurate reporting in PARIS.
6. The board should ensure the tabulation of jobs before IDA project status begins, the jobs to be retained by the project and the jobs to be created from the project application are accurately reported in the IDA Project screen in PARIS in the initial year that the project is reported.

Appendix A – IDA New Projects Sample with Details

| IDA Name | Project Name | Project Type | Scope of Work | Amount per Board Resolution | | | Able to Calculate PILOT Amount | Deviates from UTEP | Jobs to be Created per Application |
|---------------------|--|------------------------|--------------------|-----------------------------|----------------------------------|-----------------------------|--------------------------------|--------------------|------------------------------------|
| | | | | Sales Tax Exemption | Mortgage Recording Tax Exemption | Real Property Tax Exemption | | | |
| City of Albany | Swinburne Project | Housing | New | \$652,000 | \$122,700 | \$8,816,269 | Yes | Yes | 47 |
| Allegany County | PM Research, Inc. | Manufacturing | New | Not Included | Not Included | Not Included | Yes | Yes | 14 |
| City of Auburn | Nolan Block LLC | Mixed Use | Renovate/Expand | Not Included | Not Included | N/A | N/A | No | 0 |
| Town of Babylon | Jaxson LLC / Infinity Drain Ltd. / Dixon 145 Associates, LLC | Manufacturing | Renovate/Expand | Not Included | Not Included | Not Included | No | No | 23 |
| Town of Brookhaven | 10 National (Intercounty) | Warehouse/Distribution | Other | N/A | Not Included | Not Included | Yes | No | Not Indicated |
| Broome County | Buckingham Manufacturing | Manufacturing | New | Not Included | Not Included | \$698,063 | Yes | Yes | 30 |
| Cayuga County | Cayuga Veterinary Services, Inc. | Retail | New | \$40,000 | Not Included | N/A | N/A | No | 11 |
| Chautauqua County | Jamestown Brewing Company, LLC | Retail | Renovate/Expand | Not Included | Not Included | N/A | N/A | No | 18.5 |
| Chemung County | Catlin Solar I | Solar | New | Not Included | Not Included | Not Included | Yes | Yes | 0 |
| Town of Colonie | Starlite Associates, LLC | Office Space | New | Not Included | Not Included | \$4,150,000 | No | Yes | 160 |
| Erie County | Ebenezer Railcar Services, Inc. | Manufacturing | Renovate/Expand | \$265,500 | N/A | Not Included | No | No | 13 |
| | Tomric Systems Expansion | Manufacturing | Renovate/Expand | \$65,625 | N/A | N/A | N/A | No | 2 |
| Village of Fairport | 56 Liftbridge West LLC | Housing | Renovate/Expand | \$160,000 | Not Included | Not Included | No | No | 1 |
| Genesee County | Amada Tool America | Manufacturing | Renovate/Expand | \$111,200 | N/A | Not Included | Yes | No | 17 |
| | O-AT-KA Milk Products Cooperative, LLC. | Agriculture | Renovate/Expand | \$206,400 | N/A | Not Included | No | No | 0 |
| | Xylem Dewatering Solutions | Environmental | Renovate/Expand | \$46,971 | N/A | Not Included | No | No | 6 |
| Town of Islip | Agilitas Energy LLC | Solar | New | \$477,489 | Not Included | Not Included | No | No | 0 |
| Monroe County | 4000 River Road LLC | Housing | New | \$980,000 | \$182,714 | Not Included | No | Yes | 4 |
| | 78 Schuyler Baldwin Drive LLC | Manufacturing | Renovate/Expand | \$30,640 | Not Included | N/A | N/A | No | 18 |
| | Bio-Optronics Inc. | Technology | Equipment Purchase | \$16,000 | N/A | N/A | N/A | No | 2 |
| | eLogic Group LLC | Technology | Equipment Purchase | \$68,400 | N/A | N/A | N/A | No | 16 |
| | Fastners Direct Inc. | Warehouse/Distribution | Renovate/Expand | \$94,290 | N/A | N/A | N/A | No | 4 |
| | Gensteel Industrial Complex LLC | Office Space | Renovate/Expand | \$20,000 | \$2,700 | Not Included | No | No | 1 |
| | Pharmacy Alternatives | Other | Renovate/Expand | \$2,960 | N/A | N/A | N/A | No | 25 |
| | SKYROC LLC | Retail | Renovate/Expand | \$16,240 | N/A | N/A | N/A | No | 3 |
| | Skywave Communications Inc. | Other | Equipment Purchase | \$4,338 | N/A | N/A | N/A | No | 1 |

| IDA Name | Project Name | Project Type | Scope of Work | Amount per Board Resolution | | | Able to Calculate PILOT Amount | Deviates from UTEP | Jobs to be Created per Application |
|-----------------------|--|------------------------|--------------------|-----------------------------|----------------------------------|-----------------------------|--------------------------------|--------------------|------------------------------------|
| | | | | Sales Tax Exemption | Mortgage Recording Tax Exemption | Real Property Tax Exemption | | | |
| Monroe County (cont.) | SWBR Architecture Engineering & Landscape Arc | Office Space | Equipment Purchase | \$28,000 | N/A | N/A | N/A | No | 10 |
| | The Macerich Company | Office Space | Equipment Purchase | \$41,058 | N/A | N/A | N/A | No | 2 |
| Nassau County | ACS II | Manufacturing | Renovate/Expand | Not Included | N/A | Not Included | Yes | Yes | 15 |
| | Luxottica US Holdings Corp | Manufacturing | Renovate/Expand | Not Included | N/A | Not Included | Yes | Yes | 0 |
| | NPD Group | Technology | Renovate/Expand | Not Included | N/A | Not Included | Yes | Yes | 11.5 |
| New York City | 50 HYMC Owner LLC | Office Space | New | N/A | Not Included | Not Included | No | No | 0 |
| Niagara County | Sanborn Distillery Corp. (ANAT Liquor Factory) | Manufacturing | Renovate/Expand | \$36,800 | \$2,475 | \$259,349 | Yes | No | 15 |
| Onondaga County | Specialist's One Day Surgery | Retail | New | Not Included | Not Included | Not Included | No | No | 40.3 |
| Orange County | Dana Distributors | Warehouse/Distribution | Renovate/Expand | \$81,250 | Not Included | Not Included | No | No | 18 |
| | International Business Machines 2018 | Technology | Other | N/A | N/A | Not Included | Yes | Yes | 0 |
| Putnam County | Ahana Hospitality LLC Hotel Project | Retail | Renovate/Expand | \$83,750 | \$36,720 | Not Included | No | No | 8 |
| Rensselaer County | Greenbush Associates LLC | Office Space | New | Not Included | Not Included | Not Included | Yes | Yes | 0 |
| City of Rensselaer | CONDUCTORS COURT NY TC, LP | Housing | New | N/A | N/A | Not Included | Yes | No | 0 |
| Rockland County | 2018 United Structural Works & OM Realty | Manufacturing | Renovate/Expand | \$300,000 | \$73,500 | Not Included | N/A | No | 5 |
| Seneca County | Deep Dairy Products LLC | Agriculture | Renovate/Expand | \$200,000 | Not Included | Not Included | Yes | Yes | 17 |
| St. Lawrence County | Amtech Yarns, Inc | Manufacturing | Renovate/Expand | \$24,000 | N/A | Not Included | Yes | No | 9 |
| | Corning 2018 Expansion Project | Manufacturing | Renovate/Expand | \$304,000 | N/A | Not Included | Yes | No | 0 |
| Suffolk County | JDJ Gateway JV, LLC | Mixed Use | New | Not Included | Not Included | Not Included | No | No | 14 |
| | Precare Corp. dba Premier Care Industries | Warehouse/Distribution | Renovate/Expand | Not Included | Not Included | Not Included | No | No | 35 |
| Sullivan County | Forestburgh Property, LLC. | Retail | New | Not Included | Not Included | Not Included | No | No | 12 |
| | Yasgur Road Productions, LLC. | Retail | New | Not Included | Not Included | Not Included | No | No | 4 |
| City of Syracuse | Joint School Construction Board School Facility Revenue Bonds Series 2018A | School | Renovate/Expand | N/A | N/A | N/A | N/A | No | 0 |
| Ulster County | Marlboro Distr. RTE 9 LLC. | Retail | New | \$169,600 | \$25,500 | \$447,444 | Yes | No | 6 |
| Yates County | Plum Point Lodge on Seneca, LLC | Retail | Renovate/Expand | Not Included | Not Included | Not Included | Yes | No | 3 |
| Totals | | | | \$4,526,511 | \$446,309 | \$14,371,125 | | | 641 |