



NOVEMBER 2009 *Local Government Council*

Empire Zone Presentation Spurs Lively Discussion

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You know it's going to be an interesting presentation when the speakers begin by telling the audience they are about to discuss the worst-drafted piece of legislation they have ever seen. During the October Local Government Council Meeting, guest attendees Brian McMahon, Executive Director of the New York State Economic Development Council (NYSEDC), and Peter Wohl, Regional Director for the Empire State Development Corporation (ESDC), did just that when they began discussing the Empire Zone incentive program.

The Empire Zone legislation that took effect in January 2001 as an economic development program designed to assist distressed areas quickly became "a poster child for abuses". Yet, even with all its problems, the program was an engine for economic development, responsible for virtually every major project in upstate New York since 2001, including Sealy Mattress, Global Foundries, Barilla Pasta, GEICO, Corning, Inc., Endicott Interconnects, and IBM.

During major reforms between 2003 and 2005, many loopholes in the program were closed, the valid business purpose test was established, and the zones were restructured into geographic areas. However, Governor Paterson's recently proposed budget reforms would subject companies that rely on Empire Zone benefits to a 20-I cost/benefit

requirement – a requirement they were not subject to when they made the investments. After an outcry that these changes would result in litigation, relocation, and loss of credibility for New York's economic development efforts, the final budget was significantly reformed, but still not fully improved, to include a I-I retroactive cost/benefit requirement. In addition, "shirt changers" would be kicked out of the program, and the sunset date was moved forward 18 months. As a result, unfortunately, though not surprisingly, the NYSEDC has become aware over the last few months that economic development teams from North Carolina, Ohio, Michigan and Pennsylvania have been recruiting New York's technology companies, citing our state as an unreliable partner in economic development.

So what's New York to do? According to Mr. McMahon and Mr. Wohl, New York must either extend the current program to its original sunset date or enact a replacement program quickly. The new program should be: (1) timely – businesses are evaluating sites in communities now; (2) robust – incentives must be significant enough to overcome the high cost of doing business in New York; (3) simple and less bureaucratic – businesses should not have to hire consultants, attorneys and accountants to determine what the incentives will be; (4) real property tax >>

Governor Meets with Small Business Community

Governor David A. Paterson on November 9, 2009, met with more than 50 members of the small business community from the Capital Region, Hudson Valley and across the State to discuss his Deficit Reduction Plan (DRP) and the state's current fiscal situation.

The meeting, which took place in Albany, was one of several that the Governor

has convened across the State. Acknowledging that his proposed reductions are painful, he emphasized that these are necessary steps to ensure the long term health of the state and the time to act is now. Governor Paterson focused on the small business community because it is "the engine of the New York State economy".

F. Michael Tucker, President and CEO of the CEG, attended the meeting: "Governor >>

The Local Government Council (LGC) was founded in 1997 to give local government leaders a forum to identify issues of importance to municipalities, to discuss opportunities for regional cooperation and to foster working relationships among local leaders.



Co-Chair
Gerald D. Jennings
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Kathleen M. Jimino
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Upcoming LGC Meetings

Pension Reform

November 24th 2009 | 11:30am – 1:15
United Way of the Greater Capital Region, Albany

Membership Matters

The Center for Economic Growth (CEG) is a membership-based non-profit economic development organization. All regional municipalities are encouraged to join CEG as members.

Membership ensures CEG has the funding to continue to staff the Local Government Council with topics and presenters that engage and educate the members on key issues, in addition to supporting continued regional growth activities in the II-county region.

For more information or to join, contact Kim Perone, Director of Membership Development and Communication at CEG at kimp@ceg.org or (518) 465 - 8975 x232.



Empire Zone Cont'd

sensitive – in every project, New York's extremely high real property taxes must be overcome; and (5) reliable – businesses must never again doubt the certainty of their incentives or fear an untimely end to the program.

Certain Empire Zone incentives will be essential to large attraction and expansion projects, including refundable real property and investment tax credits; Mr. McMahon recommends that any unused credits be allowed to be monetized through a program similar to New Jersey's. And because utility cost reductions are especially important for larger projects, the NYSEDC recommends eliminating the residential NYPA credit and applying a portion of that low-cost power to economic development projects. Other incentives critical to the program include a corporate income tax reduction credit to allow companies to reduce their corporate income tax liabilities and an expanded wage tax credit to projects in distressed areas. While the benefit period for the program should cover at least 7 years, the NYSEDC will recommend that businesses be allowed to use the benefits over a 15 year period. In addition, extension of the benefit period for LEED certified projects will be suggested. Equity, simplicity, and reality should be the primary focus and main criteria for the program – existing businesses should be treated like new businesses, companies should be able to take advantage of the programs without the burden of inordinate time commitments and complexity, and metrics used to evaluate businesses must be

reevaluated. The three guideposts essential to the successful creation of a new program will include: focusing on the new economy (nanotech, biotech, cleantech, and greentech); energizing the state's manufacturing base; and focusing on small businesses. With respect to small businesses, it is important to add nuances to the program to make it more achievable to small businesses, such as evaluating geographical issues related to business development. The audience agreed the first step should be inventorying the existing programs available to small businesses and evaluating them to see if they actually work. If they don't, the money used to fund the ineffective or inaccessible programs should be repurposed into a program that does work or absorbed as part of the Empire Zone program focused on small businesses.

The ESDC has been tasked with consolidating opinions and recommendations on the program and guiding the "what's next" process. In tackling this task, the ESDC held a number of regional roundtables and distributed over 150 requests for recommendations. Mr. Wohl will take the opinions and recommendations offered by the group and use them to help with the formulation of new Empire Zone policies. The comments provided by our guests led to a lively and enlightening conversation among the LGC members. Members pointed out that a major issue with the program is the expiration of benefits, because when they expire, companies either look to move or file a tax certiorari claim, leaving the municipality with a vacant building or a local tax base loss. The loss of New York's credibility was also

emphasized, and members were emphatic that the state's priorities must more effectively translate to the regional level.

The group also addressed workforce development and the need for greater public investment in the linkage between workforce and education, including better coordination of activities between state and local government and state agencies. Currently, funding for workforce training passes through the Workforce Investment Boards (WIB), which focus on the employee rather than the employer. Employers are best positioned to determine the training needs of their workforce, and therefore WIB investments should align with economic development investments in communities; the ESDC has taken steps to investigate how best to align those interests. Interestingly, more funding for training is coming into New York State than ever before, but it is being used for displaced workers rather than incumbent workers. To address this issue, not only must both sides align their interests, but the programs offering the funding must become less restrictive with respect to the use of funding. Fred Quist, Amsterdam-Florida-Glen Empire Zone Coordinator, offered Beech-Nut Nutrition Corporation as an example of a successful training initiative. Beech-Nut's \$124 million project involves the construction of a new 635,000-square-foot production facility and corporate offices in Florida, New York. Thanks to incumbent employee training, Beech-Nut was able to retain 95% of its workforce. ■

NYS Directory of Small Business Programs Unveiled

A comprehensive guide for small business owners and entrepreneurs was released in September by the Governor's office. This comprehensive and interactive guide will assist entrepreneurs in starting new businesses and will provide current small business owners with invaluable information and resources. The handbook is a direct result of the work done by the Governor's Small Business Task Force, a group of statewide business leaders tasked with developing new strategies to address the concerns of small business in New York and to promote their growth and development. The directory is posted on www.nylovessmallbiz.com/ and is available at: www.ny.gov/governor/press/pdf/DirectoryofSmallBizPrograms_F_09-09.pdf. ■

Governor Cont'd

Paterson clearly understands the urgent need to implement a deficit reduction plan to insure the short term viability of New York State's economy. To do nothing or continue 'spending as usual' will result in a disastrous downward spiral that will take years to recover. State government must tighten its belt just like families and businesses do in tough economic times." ■