



# GRANT CONFERENCE



# INDUSTRIAL DEVELOPMENT AGENCIES

## Purpose:

- Industrial Development Agency provides financial incentives in connection with the acquisition, construction and equipping of qualified projects.



# INDUSTRIAL DEVELOPMENT AGENCIES

## IDAs can assist economic development projects by:

- Issuing tax exempt and taxable bonds for qualifying projects
  - The IDA may offer conduit financing for manufacturing projects. These instruments can assist in the purchase of land, new machinery & equipment, the construction of new facilities or the renovation of existing facilities
- Conveying real property tax abatements, typically through a PILOT (Payment in lieu of taxes)
  - IDAs offers real property tax abatements in enhancements to a property that result in an increase in the property assessment by the taxing jurisdiction (County, Village and School District).
  - The IDA PILOT (Payment In Lieu of Taxes) consists of an agreed-upon percentage of the improvements that would be otherwise due on the property if the project was completed without IDA tax abatements. The IDA offers a 10-year and 15-year PILOT. The 10-and 15-year PILOT is awarded on a case-by-case basis and projects are subject to eligibility requirements.



# INDUSTRIAL DEVELOPMENT AGENCIES

## IDAs can assist economic development projects by:

- Abating sales taxes for construction materials and equipment
  - The IDA can offer exemptions from sales tax on the materials purchased during construction of a project and for the equipment purchased for a project.
- Abating mortgage recording taxes
  - Any mortgage filed with respect to an agency (IDA) sponsored project is exempt from the 1.05% New York State mortgage recording tax.



# THE TYPES OF PROJECTS THAT IDAs CAN ASSIST INCLUDE:

- Industrial
- Commercial
- Retail *under very limited circumstances*
- Industrial Parks
- Horse racing facilities
- Railroad facilities
- Life care communities
- Waste disposal facilities
- Low-income rental housing units
- Not-for-profits (Private 501(c)(3) entities: For example, YMCAs, CP Centers, private secondary schools and rehabilitation centers



# WHAT'S THE PROCESS?

- **Project meets with local Economic Development agency and IDA**
  - Company must make an inducement argument, demonstrating that without the incentives the project would not occur as proposed.
- **Companies seeking discretionary benefits must demonstrate the following basic requirements:**
  - The need for benefits for the project to go forward as proposed
  - Substantial capital investment, together with retention and growth of employment as a result of the project
  - Substantial increase in tax revenues or other public benefits as a result of the proposed project



# WHAT'S THE PROCESS?

- **Eligibility of the project is considered**
- **Cost-benefit analysis is completed**
- **Public hearings are scheduled and conducted**
- **Additional approvals completed if necessary**
- **Closing**
  - If the Board approves benefits, the deal is memorialized in a binding, multi-year contract executed by the IDA and the recipient. Contracts are drafted to ensure that recipients meet agreed-upon conditions to maintain benefits.



# AN EXAMPLE OF IDA BENEFITS

- Project "X" builds a 50,000 sq. ft. building for \$5,000,000, and has a \$4,000,000 mortgage. The tax benefits would include:
- Mortgage recording tax savings (1% of mortgage) = \$40,000.
- Real Property Tax abatement = \$275,000 over 10 years (Based on assessment of \$2/sq. ft with a 485-B-type PILOT over 10 years w/average annual savings of 27.5%.)
- Sales tax savings on construction materials and non-manufacturing equipment = \$120,000 + \$54,000 = \$174,000
- Total savings over 10 years = \$489,000.

