

## New York must use all its tools to spur economic development

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Written by

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As a steadfast advocate of "brownfield" redevelopment and economic revitalization in Greater Binghamton and throughout upstate New York, my look back on the year just ended, and my wishes for the new year, are a bit different from those of the average overburdened taxpayer.

What did our government in Albany "accomplish" in the economic development arena in 2010?

- \* It terminated the Empire State Development Program, replacing it with the "Excelsior Program."
- \* It extended the moratorium on the permitting of hydraulic fracturing in horizontal shale gas drilling (after trying to also halt longstanding vertical drilling).
- \* It tried to tax local Industrial Development Agencies.
- \* It gave itself an interest-free loan at the expense of developers who earned tax credits for targeted investments in the state's economy.
- \* It failed to enact (for at least the fourth year in a row) effective Tax Increment Financing (TIF) legislation.
- \* It attempted (once again) to scale back brownfield redevelopment tax credits.
- \* It attempted (once again) to increase the cost of doing business or using utilities in New York — already among the highest in the country — by imposing "prevailing wage" requirements.

These initiatives followed earlier actions to limit brownfield tax credits and not renew the very effective municipal Environmental Restoration Program.

While this is not a complete list, a cynic might suggest that forces are at work in Albany to hamstring or terminate any economic development program with a track record of boosting the economy or bolstering investment.

When Gov. David Paterson's Empire State Development commissioner, Dennis Mullen, came to Binghamton a few months ago, I asked why the state was not willing to give local governments the tools to further their own economic revitalization. I pointed to two specific programs that have been ignored or marginalized by our political leaders in Albany: Tax Increment Financing and the 485-e program under the General Municipal Law. The commissioner said he was unfamiliar with the 485-e program, but he agreed with me regarding TIF.

TIF is an ingenious program that cities in 48 other states have used to great benefit in promoting public- private economic partnerships

TIF generates upfront dollars to pay for investments in infrastructure development, blight cleanup and other public purposes that would not be advanced with private dollars alone, by the issuance of TIF bonds or TIF anticipation notes. The critical feature of TIF is the bonds (or notes) are purchased by private investors and are repaid, not by new municipal taxes, but by the increased property tax revenues that result from the private investment that is stimulated by TIF-financed public improvements.

The baseline (pre-TIF) tax revenues in the TIF district continue to go to the local taxing jurisdictions. It is only the incremental tax revenues that result directly from expansion of the tax base, that are set aside to repay the TIF debt. Only deserving projects will be funded through TIF. All aspects of the TIF proposal must be approved by the affected local legislatures, after public review, and if TIF projects don't pan out, it is the investors and/or the developer who are on the hook — not the initiating local government.

What is the defect in New York's 26-year-old TIF law that has prevented it from being used — except for two small projects — in more than a quarter-century? Quite simply, it is the failure to authorize school districts to opt in to a desirable TIF project. Since school property taxes can account for up to two-thirds of all local property taxes, withholding this portion of TIF-generated incremental tax revenues from the payback pool inevitably discourages potential investors from investing in TIF instruments.

The legislative remedy is quite simple: Just give school districts the authority to voluntarily opt in, following full public review and comment. The other "orphan" program is Section 485-e of the General Municipal Law. The 485-e program gave the local governing boards the authority to adopt a local law, after public hearing, to exempt real property "constructed, installed or improved" in an area mapped as an "Empire Zone," from certain local property and ad valorem taxes for a limited period of time. The tax exemption applies only to the increase in assessed value attributable to the improvement. The 485-e partial tax exemption cost the state nothing and was entirely discretionary on the part of local governments. But, because it applies only within

designated Empire Zones, the demise of that program also did away with the 485-e program.

What is my most earnest wish for 2011? I urge our new governor and our new and surviving legislators to resolve to do everything possible to improve our state's economy. High on the 2011 agenda should be meaningful Tax Increment Financing reform and restoration of the 485-e program under the General Municipal Law.

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