



REGIONAL REVIEW: JOB CREATION AND NEW YORK'S INDUSTRIAL DEVELOPMENT AGENCIES

November 2011

By ALIGN and the Coalition for Economic Justice, co-anchors of the statewide Getting Our Money's Worth coalition

Industrial Development Agencies (IDAs) are New York's main job creation and job retention tool. They were created to foster local economic development by providing state and local tax exemptions and issuing tax-exempt bonds to private businesses, often in return for creating or retaining jobs. Many IDA-subsidized projects receive tax exemptions for ten, twenty, or more years, but because data on these deals are limited, this study focuses on 2009 – a snapshot of one year in the life of current projects.

This study examines IDAs' record of job creation in the state and in each region using data submitted by IDAs to the New York State Comptroller.¹ We found that IDAs are not up to the task of steering New Yorkers out of the jobs crisis and, in fact, are often holding New York back by depleting state and local revenues. Although not part of budget processes, 115 IDAs around the state were responsible for almost \$500 million in forgone tax revenues in 2009 alone. These tax expenditures have an impact on New Yorker's property tax bills and on the ability of local governments to provide much-needed public services.

KEY FACTS FROM THE STATE

\$141 million in IDA tax breaks went to companies that either cut jobs or failed to create any new jobs

- IDAs are wasting a larger percentage of money than ever.
 - > Over 25% of net spending resulted in no job creation or a loss of jobs in 2009, up from 20% in 2008.
 - > 38% of IDA projects lost jobs or failed to create jobs in 2009.
- With the amount of money wasted on these projects we could have:

¹ Office of the New York State Comptroller, Local Government and School Accountability, Financial Data, FY 2009, at http://www.osc.state.ny.us/localgov/datanstat/findata/index_choice.htm

- ⇒ Retrofit nearly 11,000 small businesses for energy efficiency, saving NY businesses millions of dollars in energy costs, and creating over 2,200 jobs in the hard-hit construction industry.²

One-half of all projects that ended in 2009 failed to create a single job

- The 274 subsidy agreements that ended in 2009 were based on promises to create a total of 21,113 jobs. Instead, these businesses **lost 4,957 jobs**.
- Of those projects ending in 2009 that promised job retention, **over 11,000 jobs were lost**.

IDAs continue to maintain high spending while state and local budgets are slashed

- IDAs have increased their spending on net tax exemptions by **40%** since 2003, from **\$354 million** in 2003 to **\$496 million** in 2009. Since reporting began in 2003, IDAs have spent a total of **\$3.3 billion** in net tax exemptions.
 - > If NY had instead allocated \$3.3 billion on direct job creation efforts rebuilding our state's crumbling infrastructure, we would have created 120,000 jobs and increased the attractiveness of our state to businesses seeking to relocate or remain here.³

Local governments are increasingly picking up the tab for corporate tax exemptions

- In 2003, 77% of exemptions came from local rather than state coffers. In 2009, local governments' share of exemptions rose to 85%.
 - > In several counties, property tax exemptions removed 6% to 15% of taxable property from the tax rolls. In Greene County, 25% of taxable property is exempt from local taxes as a result of IDAs. Yet in nearly every county with high property tax exemptions, there has been a net loss of jobs.⁴
 - > **Local governments lost \$420 million** in tax revenue in 2009, including \$175 million lost to local schools.
 - > Since 2003, school districts have forgone \$1.2 billion that could have been used to fund the education of over 66,000 children.⁵
- **There has been an 82% increase in tax revenue forgone to local governments**, from \$231 million in 2003 to \$420 million in 2009.

REGIONAL SUMMARY AND HIGHLIGHTS

IDA performance varies considerably in each of New York's ten regions. In order to draw conclusions about IDA activity on a regional level, we have combined data from all of the IDAs operating in a given region. Despite some variation, there are many common themes. All regions have a poor track record of job creation and retention, with no region meeting or exceeding its job goals in a majority of completed projects. With a few exceptions, most regions have a high percentage of projects that do not require any job creation or job retention as a prerequisite to receiving subsidies. Most regions do not show a direct link between tax exemptions and job creation within industry sectors. With better coordination, performance standards, and increased accountability and transparency, our primary tool for economic development could better serve its purpose of job creation and engender a more just and sustainable economy for all New Yorkers.

² Author's calculation, based on NYSERDA's Small Business Energy Financing Program, which will pay 50% up to 26k for a loan for a small business retrofit. Under this program, the government's maximum share would be \$13,000. See <http://prattcenter.net/news/nysesda-small-business-financing>

³ Author's calculation, derived from Phillip Harvey, *Back to Work: A Public Jobs Proposal for Economic Recovery*, Demos, March 2011

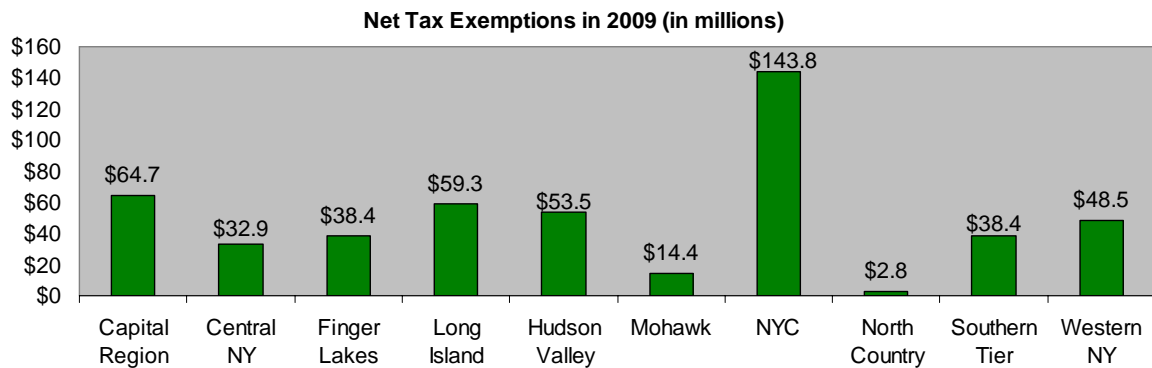
⁴ New York Office of the State Comptroller, Annual Performance Report on New York State's Industrial Development Agencies, 2011.

⁵ New York's average cost per pupil in 2010 is \$18,126, according to 2011 US Census Bureau, available at <http://www.census.gov/newsroom/releases/archives/governments/cb11-94.html>

Net Exemptions:

Net exemptions vary considerably across regions.⁶ For each project, net exemptions shift year to year, although they generally start high and decrease over the life of the subsidy.

- The NYC IDA led the way with \$143.8 million in net tax exemptions in 2009.
- The North Country allocated the lowest amount of net tax exemptions, only \$2.8 million.



Net Job Creation and Job Quality:

Job creation varies substantially by region.⁷ Job creation, in contrast to net tax exemptions, is calculated over the life of the agreement, not just in a single year. Available data makes it difficult to evaluate if subsidized projects are contributing to the overall job growth of a region. The quality of jobs created by IDAs is also unknown.

- Job shifting is a significant problem in New York. 115 IDAs compete to attract and retain businesses, often offering larger and larger subsidies in order to lure a business. The data currently available does not indicate whether job creation numbers represent new jobs, or simply existing jobs that have been shifted from one region to another.
- In Western New York, 67% of the projects that created jobs in 2009 did not report the salaries of the jobs created. Statewide, 44% of projects that created jobs in 2009 did not report salary data. In addition, the salary data that is reported is unreliable, with average salaries created in Western New York ranging from \$8 to \$750,000.

Projects Ending in 2009:

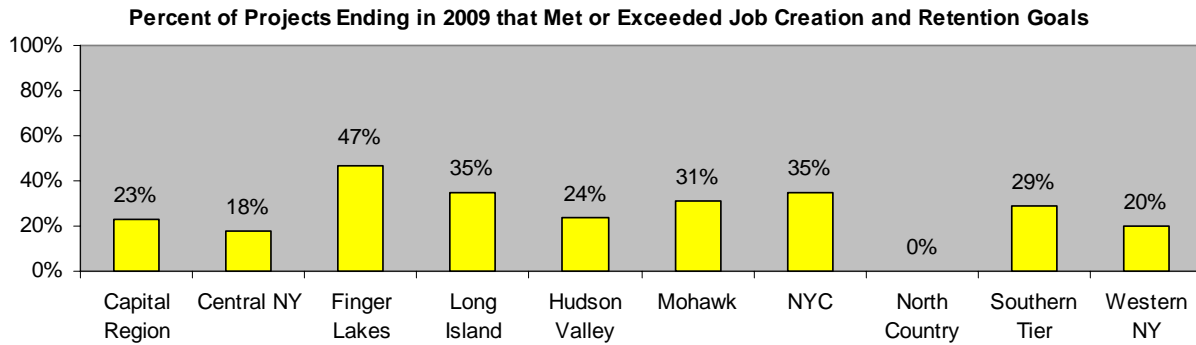
Dozens of subsidy agreements in each region were concluded in 2009. Focusing on these projects, we were able to determine whether or not each project attained its goal of job creation and retention. Our analysis shows that no region was successful the majority of the time at job creation and retention.⁸

⁶ Net tax exemptions are calculated as the sum of total exemptions (property, sales and mortgage recording tax) minus PILOT payments received in each year. PILOTs are payments in lieu of taxes and are part of a complex formula within each IDAs' Uniform Tax Exemption Policy by which a business returns a portion of the tax exemption to the local government or school district.

⁷ Net employment change describes the difference between the number of jobs in existence before the IDA subsidy compared with current employment levels.

⁸ Job creation, in contrast to net tax exemptions, is calculated over the life of the agreement, not just in a single year. Job creation, known as net employment change, describes the difference between the number of jobs in existence before the IDA subsidy compared with current employment levels.

- The North Country, which includes eight IDAs, did not have a single project ending in 2009 that met or exceeded its job creation and retention promises.
- In the Finger Lakes region, which consists of ten IDAs, 47% of its projects ending in 2009 met or exceeded their job creation and retention promises. A 47% success rate, while high compared to other regions, is not a strong showing by any stretch.



The economic crash may have had a strong bearing on the job creation and retention capabilities of each of these projects. However, since we began monitoring IDAs pre-recession in FY 2005, there have been few signs of progress in job creation among New York's IDAs. Ultimately, corporate subsidies do not lead to or guarantee job creation and retention.

Job Creation by Project Type:

The data on IDAs obtained through the New York State Comptroller categorizes projects by "project purpose code," which is a loose definition for the sector in which a project occurs. In comparing net job creation to net tax exemptions by project type, there is no apparent correlation between tax exemptions and job creation.⁹

- Hudson Valley's IDAs allocated 41% of their net tax exemptions to finance, insurance and real estate projects, but created only 19% of their jobs in that sector. The region's manufacturing sector, on the other hand, received only 6% of the net tax exemptions but created 38% of the jobs.
- The Finger Lakes region is the only anomaly among the regions. It achieved a relatively close correlation between net tax exemptions and job creation in nearly every project type.

Each Region Favors Certain Types of Projects:

The types of projects that IDAs invest in vary widely by region.

- New York City's IDA allocated 66% of its net tax exemptions in 2009 to the finance, insurance and real estate sector.
- The IDAs of the Southern Tier allocated 39% of their net tax exemptions in 2009 to retail trade. Retail, along with other service sector projects such as hotels are often undeserving of public subsidies. By their nature, these projects have to locate near their customer base. Accordingly, there is little need to incentivize these types of projects, and they often are accused of job shifting and creating an unlevel playing field for other similar businesses.

⁹ It should be noted that IDAs are unable to finance Civic Facilities since the authority to do so sunset in 2008. Civic facilities continue to receive financing that was agreed upon prior to 2008, and thus they continue to be included in IDA reporting. Additionally, most financing of civic facilities is done through tax exempt bonds rather than net tax exemptions, which explains the minimal tax exemptions yet occasionally high job creation numbers in this project type.

The Promise of Job Creation and Job Retention:

Many IDAs across the state do not require job creation or job retention in order to receive a tax break. This means that there is no way for a community to ensure that the benefits of a project accrue to the community.

- In the Southern Tier, every project that ended in 2009 required job creation, job retention, or both.
- In contrast, 38% of Western New York's projects that ended in 2009 had no job creation or retention requirements.

The following regional subsidy snapshots provide more detail on IDA activity and performance.

SUBSIDY SNAPSHOT: CAPITAL REGION

23 IDAs: Albany City • Albany County • Bethlehem • City of Schenectady • Clifton Park • Cohoes • Colonie • Columbia • Corinth • Glens Falls • Green Island • Green County • Guilderland • Hudson • Mechanicville-Stillwater • North Greenbush • Rensselaer • Rotterdam • Saratoga County • Schenectady County • Town of Waterford • Troy • Warren and Washington Counties

The Capital Region's sprawling network of development agencies needs coordination and consolidation

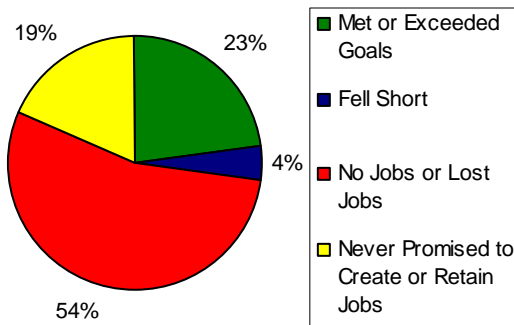
- New York's Capital Region is saturated with 23 Industrial Development Agencies, which too often compete with one another to lure businesses from town to town.

IDA subsidies take much-needed tax revenues from local communities

- In 2009, Capital Region IDAs spent \$64.7 million in net tax exemptions on 430 projects. With this money we could:
 - Fund the education of over 3,500 students for one year, or
 - Retrofit nearly 5,000 small businesses for energy efficiency, saving millions of dollars in energy costs and employing over 1,000 people.



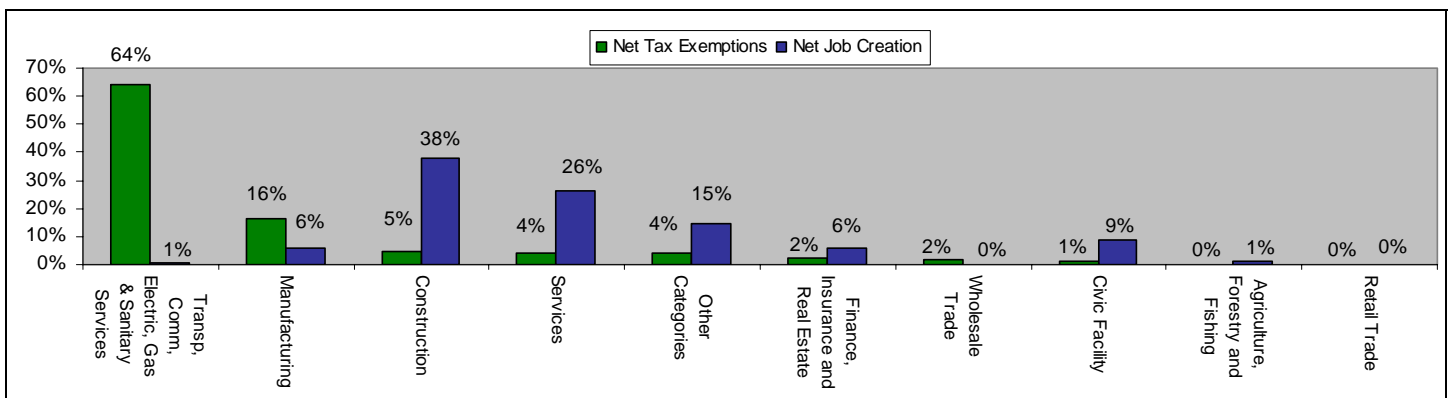
IDAs are failing to create and retain the jobs they promise



- Only 11 of the 48 IDA subsidized projects that ended in 2009 met or exceeded their job creation or retention promises.
- Fifteen businesses lost nearly 1,900 jobs during the course of their IDA subsidies.
- The 25 projects that failed to meet their job creation or retention promises were 5,400 jobs below their promise. They promised to create or retain 5,700 jobs and ended with only 300 employees.

IDA tax exemptions are disconnected from job creation

- Transportation, Communications, Electric, Gas and Sanitary Services received \$41.6 million in net tax exemptions while creating only 105 net jobs.
- Construction, on the other hand, received only \$2.8 million in net tax exemptions but created 8,400 net jobs.



Five Most Expensive Projects of 2009

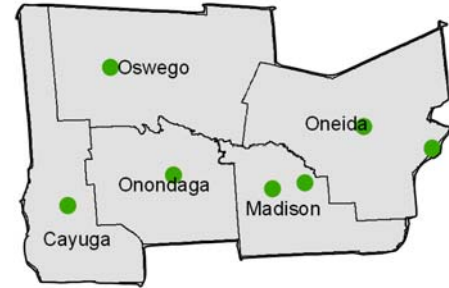
Project Name	City	2009 Net Exemptions	Jobs Added/Lost to Date	Project End Year	Project Purpose
Athens Generating Co	Athens	\$26,427,335	30	2018	Electric generation facility
Besicorp-Empire Power	Rensselaer	\$12,310,672	3	2029	Electric generation facility
Chapel Hotel Associates	Albany	\$ 3,447,927	28	2020	Hotel facility
Global Foundries	Malta	\$ 3,307,519	28	2059	Chip fabrication plant
GE Health Care	Rensselaer	\$ 2,190,212	125	2019	Manufacturing health imaging equip.

SUBSIDY SNAPSHOT: CENTRAL NY

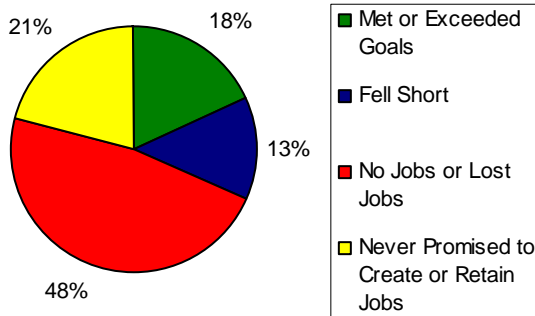
7 IDAs: Auburn • Cayuga • Cortland • Madison County • Onondaga County • Oswego County • Syracuse

IDA subsidies take much-needed tax revenues from local communities

- In 2009, Central New York's IDAs spent \$32.9 million in net tax exemptions on 398 projects. With this money we could:
 - Fund the education of over 1,800 students for one year, or
 - Retrofit over 2,500 small businesses for energy efficiency, saving millions of dollars in energy costs and employing over 500 workers in the construction industry.



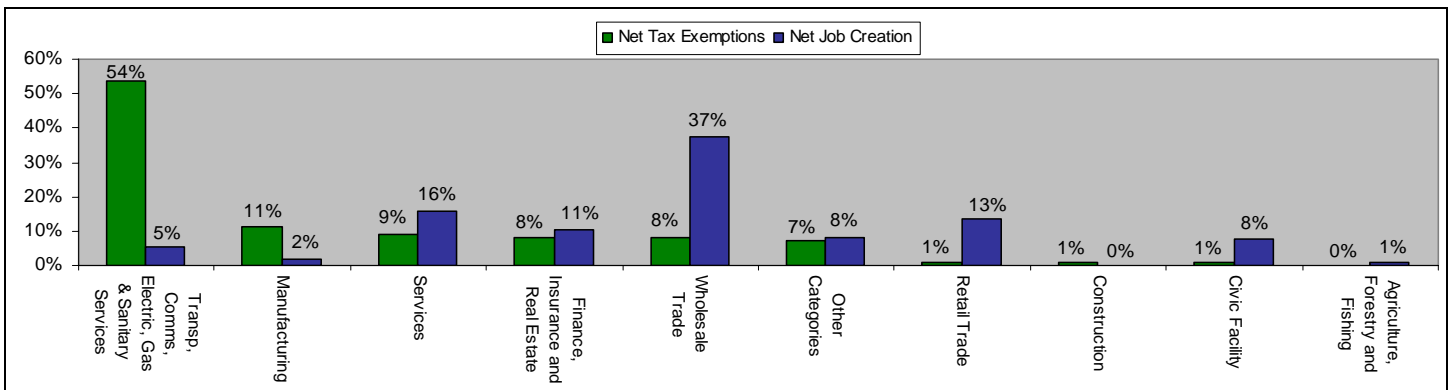
IDAs are failing to create and retain the jobs they promise



- Only seven of the 38 IDA subsidized projects that ended in 2009 met or exceeded their job creation or retention promises.
- Fifteen businesses lost nearly 3,900 jobs during the course of the IDA subsidies.
- Thirty projects that ended in 2009 promised to create and retain a total of 7,700 jobs. Instead, these projects were 5,700 below their promise, ending with just 2,000 jobs.

IDA tax exemptions are disconnected from job creation

- Transportation, Communications, Electric, Gas and Sanitary Services received \$17.7 million in net tax exemptions while creating only 730 net jobs.
- Wholesale Trade, on the other hand, received only \$2.6 million of the subsidies but created 5,254 jobs.



5 Most Expensive Projects of 2009

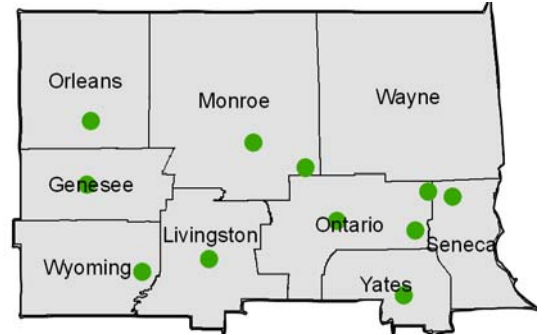
Project Name	City	2009 Net Exemptions	Jobs Added/Lost to Date	Project End Year	Project Purpose
Sithe	Oswego	\$15,042,689	44	2013	Building construction
Hope Lake Lodge Resort	Cortland	\$2,112,858	0	2028	Tourism project
Northeast Biofuels	Fulton	\$881,007	0	2027	Construction of biofuels complex
WPS Syracuse Generation	Solvay	\$873,391	5	2015	Acquisition of electric generating facility
Welch Allyn Inc.	Skaneateles	\$742,000	47	2030	Construction and renovation

SUBSIDY SNAPSHOT: FINGER LAKES

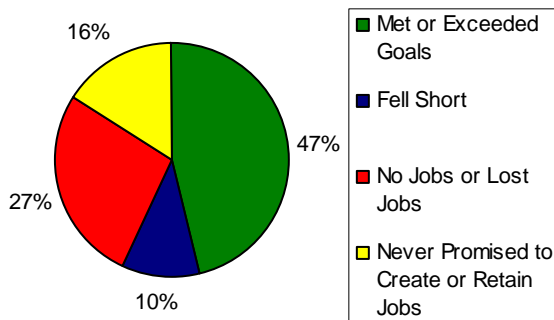
10 IDAs: Genesee County • Geneva • Livingston County • Monroe • Ontario County • Orleans County • Seneca County • Wayne County • Wyoming County • Yates County

IDA subsidies take much-needed tax revenues from local communities

- In 2009, the Finger Lakes Region's IDAs spent \$38.4 million on 766 projects. With this money we could:
 - Fund the education for over 2,100 students for one year, or
 - Retrofit nearly 3,000 small businesses for energy efficiency, saving millions of dollars in energy costs and employing over 600 workers in the construction industry.



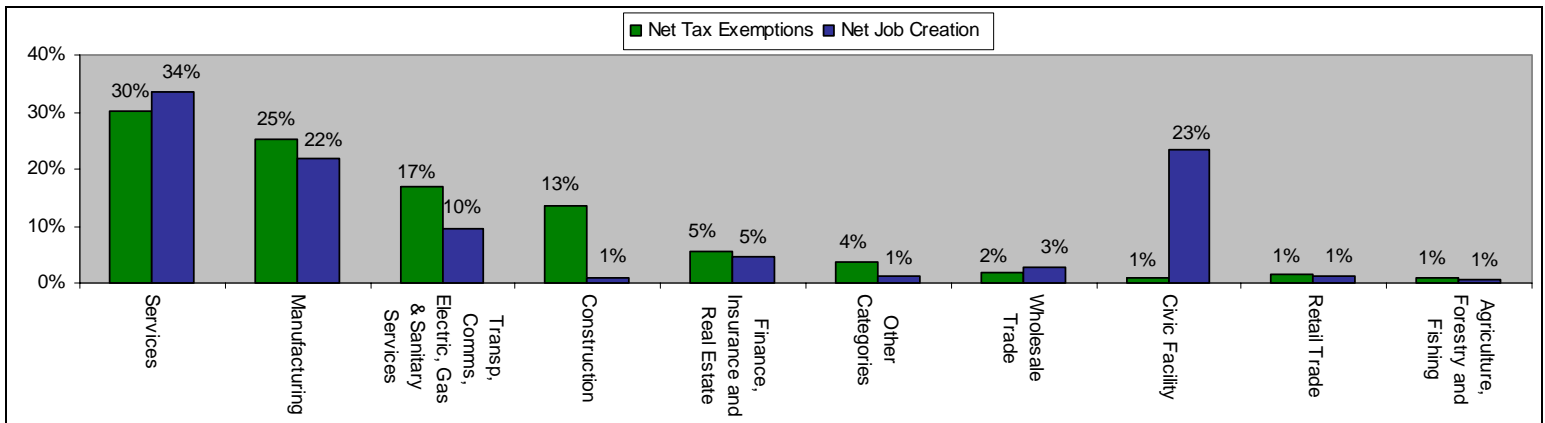
IDAs are failing to create and retain the jobs they promise



- Forty-nine of the 106 IDA subsidized projects that ended in 2009 met or exceeded their job creation or retention promises.
- Twenty-two businesses lost over 900 jobs during the course of their IDA subsidies.
- The businesses that fell short of their job creation and retention goals promised 4,500 jobs but were 1,400 jobs short. They ended their projects with only 3,100 jobs.

IDA tax exemptions are disconnected from job creation

- Unlike any other regions, the Finger Lakes' IDAs have come close to establishing a connection between net tax exemptions and job creation. The only exception is civic facilities, which received only \$11.6 million in net tax exemptions in 2009 but created 9,968 jobs. Although civic facilities projects are no longer authorized to be subsidized by IDAs, projects that began before 2008 are still reported. Civic facilities also received 56% of total tax exempt bonding, fueling their job creation.



5 Most Expensive Projects of 2009

Project Name	City	2009 Net Exemptions	Jobs Added/Lost to Date	Project End Year	Project Purpose
Massa Construction	Geneva	\$3,659,824	21	2016	Building construction
High Sheldon Wind Farm	Varysburg	\$2,949,252	9	2024	Wind turbine construction
Beaver Hollow	Buffalo	\$2,018,934	14	2009	Business conference center
Guardian Industries	Geneva	\$1,592,941	299	2022	Glass manufacturer
Noble Bliss Wind Park	Bliss	\$1,347,399	9	2023	Wind turbine construction

SUBSIDY SNAPSHOT: HUDSON VALLEY

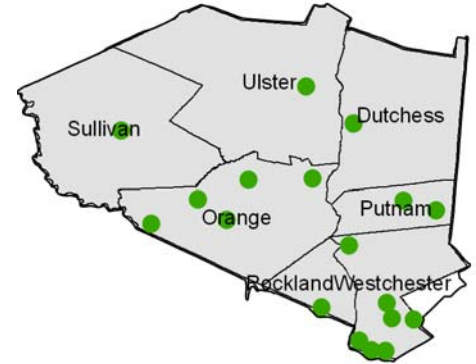
19 IDAs: Dutchess County • Middletown • Mount Pleasant • Mount Vernon • New Rochelle • Orange County • Peekskill • Port Chester • Port Jervis • Poughkeepsie • Putnam County • Rockland County • Southeast • Sullivan County • Town of Montgomery • Ulster County • Wallkill • Westchester County • Yonkers

The Hudson Valley's sprawling network of development agencies needs coordination and consolidation

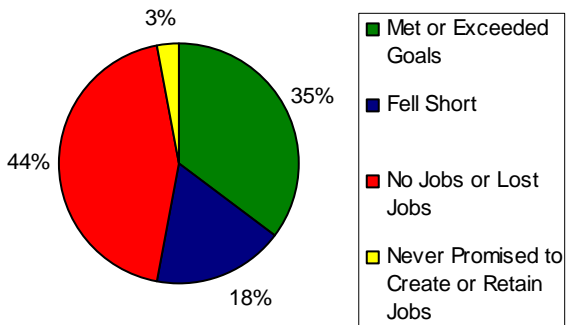
- With 19 IDAs in the seven-county region, it is a case study on the need for coordination and consolidation.

IDA subsidies take much-needed tax revenues from local communities

- In 2009, the Hudson Valley IDAs spent \$53.5 million on 413 projects. With this money we could:
 - Fund the education of nearly 3,000 students for one year, or
 - Retrofit over 4,100 small businesses for energy efficiency, save million of dollars in energy costs and employ almost 900 workers in the construction industry.



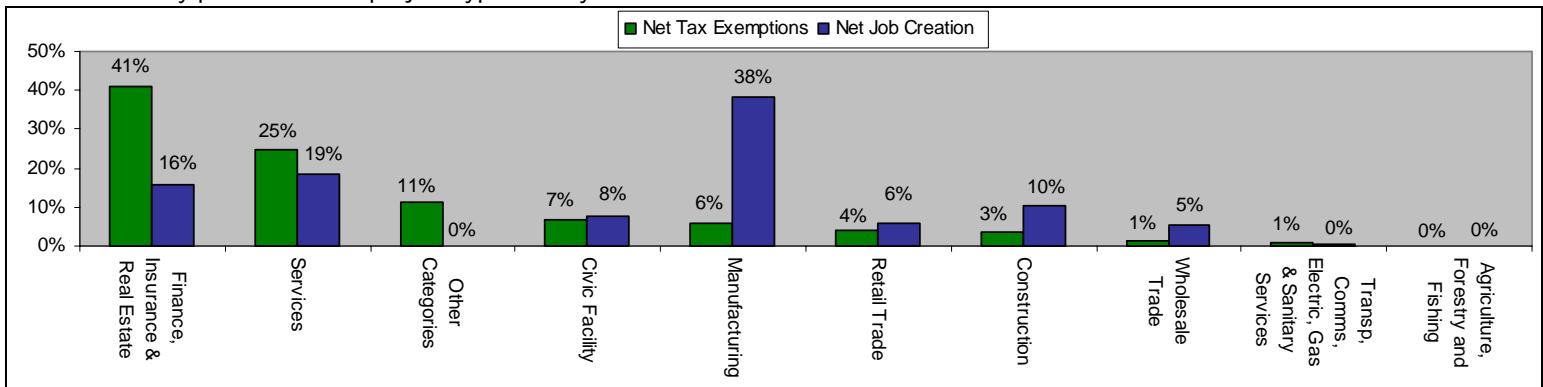
IDAs are failing to create the jobs they promise



- Only 12 of the 34 IDA subsidized projects that ended in 2009 met or exceeded their job creation or retention promises.
- Fifteen businesses lost over 5,100 jobs during the course of their IDA subsidies.
- Thirty-three projects that ended in 2009 promised to create and retain a total of 8,250 jobs. Instead, these projects were 6,250 below their promise, ending with just over 2,000 jobs.

IDA tax exemptions are disconnected from job creation

- The Finance, Insurance and Real Estate sector received \$22 million in net tax exemptions in 2009 alone while creating only 3764 net jobs. The average subsidy period for this project type is 21 years.
- Manufacturing, on the other hand, received only \$3.2 million in net tax exemptions but created 9,100 jobs. The average subsidy period for this project type is 18 years.



5 Most Expensive Projects of 2009

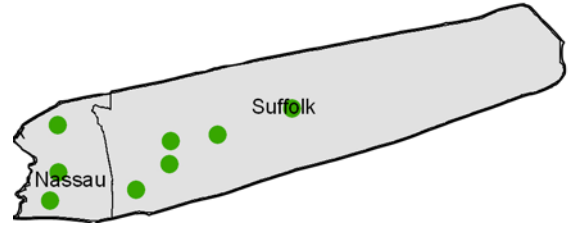
Project Name	City	2009 Net Exemptions	Jobs Added/Lost to Date	Project End Year	Project Purpose
Avalon on the Sound II	New Rochelle	\$7,609,119	18	2034	Construction of rental housing
Avon Products	Rye	\$3,834,469	107	2012	Office retention
Avalon on the Sound I	New Rochelle	\$3,668,621	18	2029	Construction of rental housing
Ridgehill Village	Yonkers	\$2,945,423	-199	2032	Mixed use development
Woodland Ponds	Highland	\$2,894,597	63	2042	Construction of retirement homes

SUBSIDY SNAPSHOT: LONG ISLAND

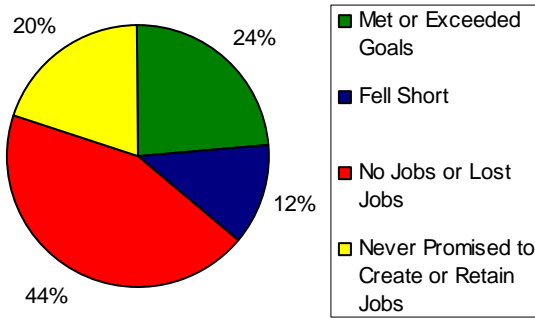
8 IDAs: Babylon • Brookhaven • Glen Cove • Hempstead • Islip • Nassau County • Riverhead • Suffolk County

IDA subsidies take much-needed tax revenues from local communities

- In 2009, Long Island's IDAs spent \$59.3 million on 623 projects. With this money we could:
 - Fund the education of nearly 3,300 students for one year, or
 - Retrofit over 4,500 small businesses for energy efficiency, saving millions of dollars in energy costs and employing almost 950 workers in the construction industry.



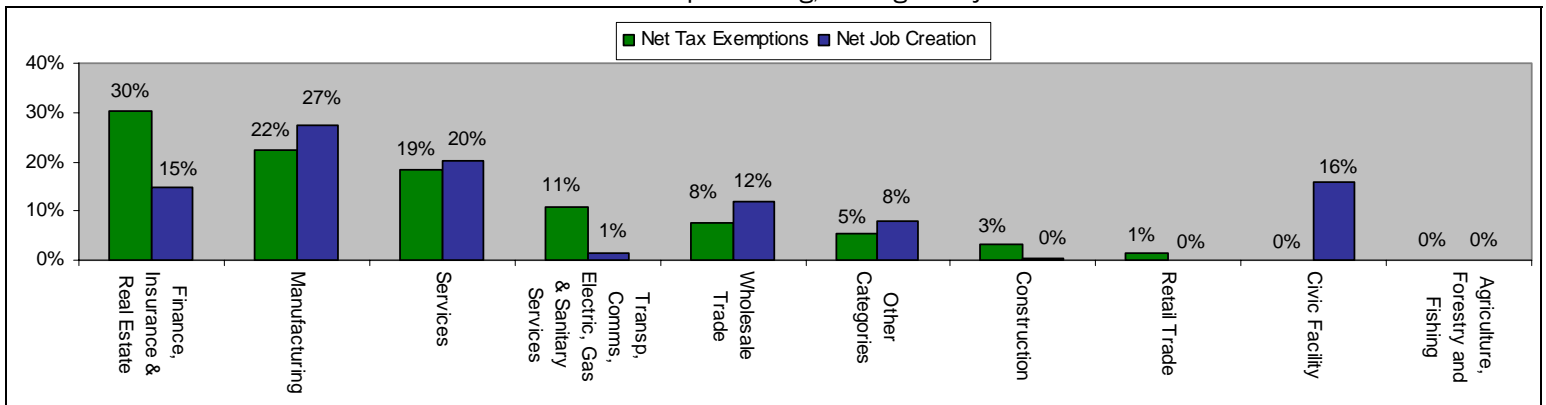
IDAs are failing to create and retain the jobs they promise



- Only six of the 25 IDA subsidized projects that ended in 2009 met or exceeded their job creation or retention promises.
- Six businesses lost over 1,400 jobs during the course of their IDA subsidies.
- Twenty projects promised to create or retain a total of 3,700 jobs. Instead, these projects were 1,500 below their promise, ending with just 2,200 jobs.

IDA tax exemptions are disconnected from job creation

- The Fire, Insurance and Real Estate sector received \$18 million of the net tax exemptions while creating only 6,300 net jobs.
- Civic Facilities, on the other hand, received just \$78,000 in net tax exemptions but created 6,700 net jobs. Although civic facilities projects are no longer authorized to be subsidized by IDAs, projects that began before 2008 are still reported. Civic facilities also received 30% of total tax exempt bonding, fueling their job creation.



5 Most Expensive Projects of 2009

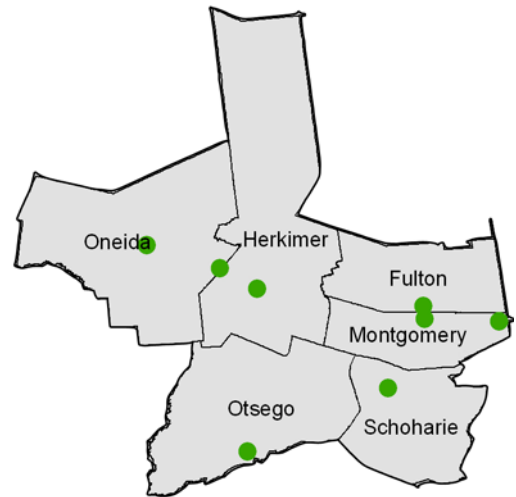
Project Name	City	2009 Net Exemptions	Jobs Added/Lost to Date	Project End Year	Project Purpose
Trigen/Suez/Nassau Energy	Uniondale	\$3,494,099	0	2013	Energy facility
Covanta Hempstead Co	Westbury	\$1,873,129	-4	2028	Resource recovery facility
Sleepy's Inc.	Hicksville	\$1,437,107	121	2027	Distribution Center/HQ
Equus Power	Freeport	\$1,423,242	3	2015	Power plant construction
Chartwell	North Hills	\$1,390,204	94	2030	Senior Housing

SUBSIDY SNAPSHOT: MOHAWK VALLEY

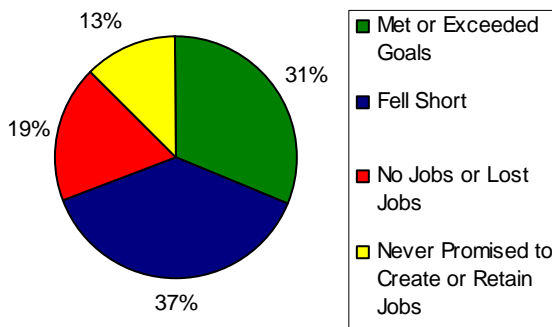
8 IDAs: Amsterdam • City of Utica • Fulton County • Herkimer • Montgomery County • Oneida County • Otsego County • Schoharie County

IDA subsidies take much-needed tax revenues from local communities

- In 2009, Mohawk Valley IDAs spent \$14.4 in net tax exemptions on 194 projects. With this money we could:
 - Fund the education of nearly 3,300 students for one year, or
 - Retrofit over 1,100 small businesses for energy efficiency, saving millions of dollars in energy costs and employing almost 950 workers in the construction industry.



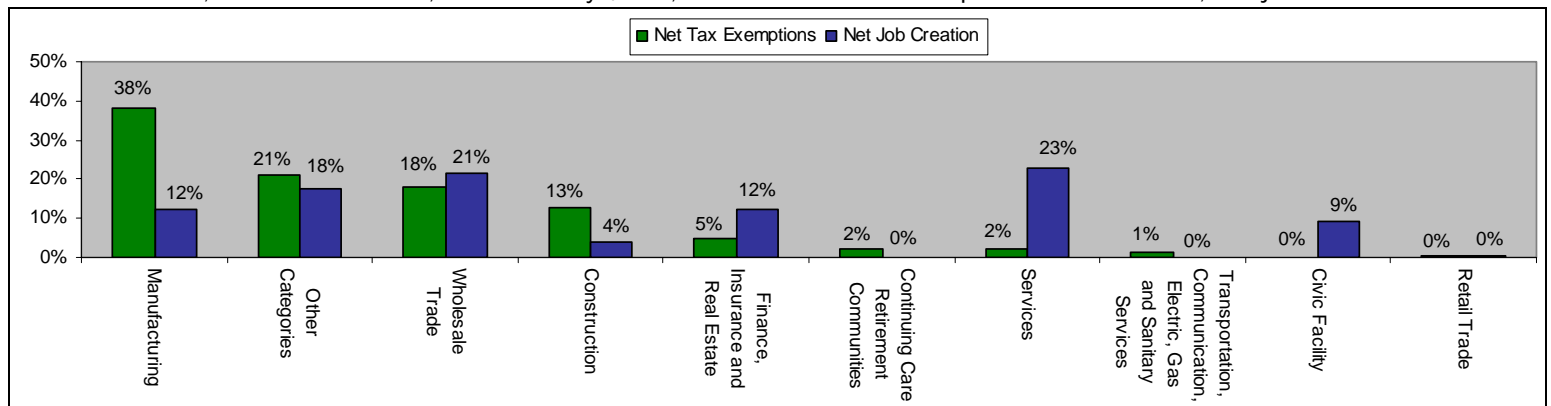
IDAs are failing to create and retain the jobs they promise



- Five of the 16 IDA subsidized projects that ended in 2009 met or exceeded their job creation or retention promises.
- Nine businesses promised to create or retain a total of 777 jobs. Instead, these projects were 309 below their promise, ending with just 468 jobs.

IDA tax exemptions are disconnected from job creation

- Manufacturing received \$5.5 million in net tax exemptions while creating only 1,300 of the net jobs.
- Services, on the other hand, received only \$326,000 of the net tax exemptions but created 2,500 jobs.¹⁰



5 Most Expensive Projects of 2009

Project Name	City	2009 Net Exemptions	Jobs Added/Lost to Date	Project End Year	Project Purpose
Beechnut	Amsterdam	\$2,930,239	121	2028	New manufacturing facility
Wal-Mart Distribution Center	Sharon Springs	\$2,676,480	531	2015	Construction of new facility
Wal-Mart Distribution Center	Marcy	\$1,516,448	1,263	2014	Construction of new facility
Target Corp	Amsterdam	\$1,032,906	618	2018	Renovate building
GLDC IX	Rome	\$418,688	7	2015	Redevelop air force base

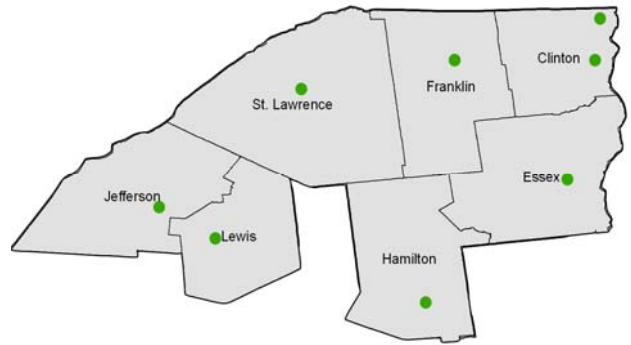
¹⁰ Services in the Mohawk region consist of a variety of businesses types, including hospitals, retirement communities, campgrounds, sports complexes, and more.

SUBSIDY SNAPSHOT: NORTH COUNTRY

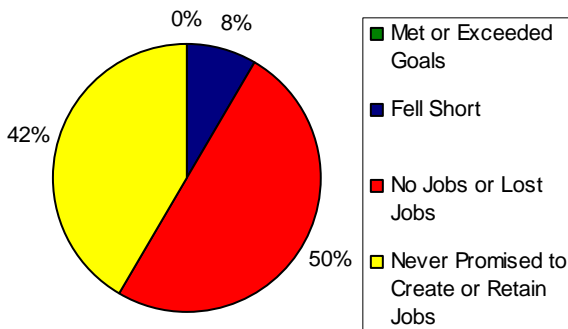
8 IDAs: Champlain • Clinton County • Essex County • Franklin County • Hamilton County • Jefferson • Lewis County • St. Lawrence County

IDA subsidies take much-needed tax revenues from local communities

- In 2009, the North Country's eight IDAs financed 139 projects, giving away \$2.8 million in net tax exemptions. With this money we could:
 - Fund the education of over 150 students for one year, or
 - Retrofit 215 small businesses for energy efficiency, saving over hundreds of thousands of dollars in energy costs and employing nearly 50 construction workers.



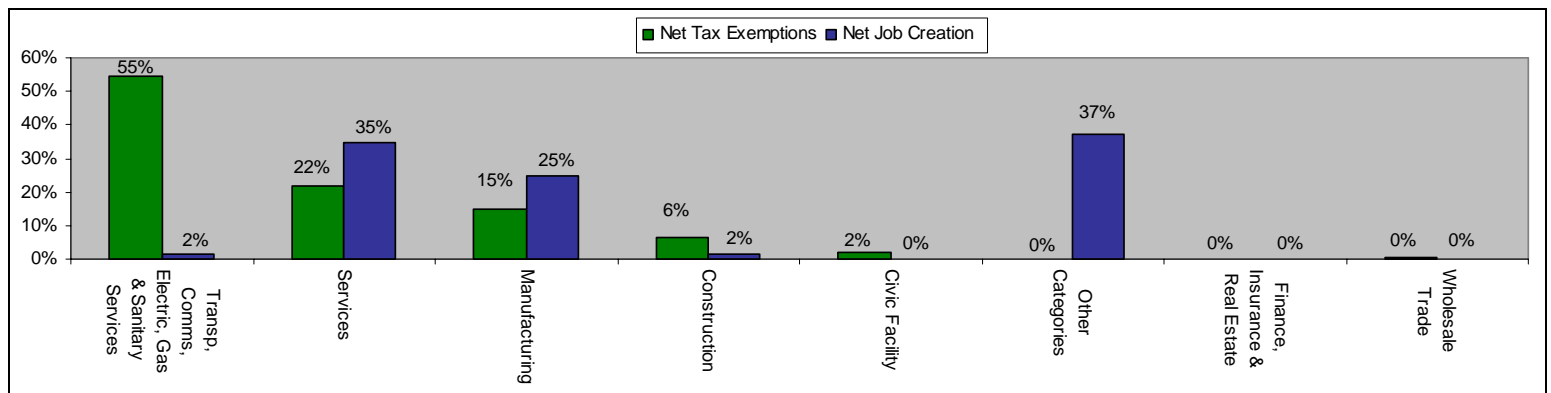
IDAs are failing to create and retain the jobs they promise



- Not one of the 12 IDA-subsidized projects that ended in 2009 met or exceeded their job creation or retention promises.
- Seven businesses promised to create or retain a total of 612 jobs. Instead, these projects were 450 below their promise, ending with just 160 jobs.

IDA tax exemptions are disconnected from job creation

- Transportation, Communications, Electric, Gas and Sanitary Services received \$2.4 million of the net tax exemptions yet created only 62 jobs.
- Other Categories, in contrast, created 1,339 jobs while receiving no net tax exemptions in 2009.¹¹



5 Most Expensive Projects of 2009

Project Name	City	2009 Net Exemptions	Jobs Added/Lost to Date	Project End Year	Project Purpose
Saranac Power Partners/North Country Gas Pipeline	Plattsburgh	\$2,621,904	22	2009	Gas pipeline construction
Carthage Energy	Carthage	\$654,843	7	2014	Electric generation equip.
Pleasant Night Inn	Carthage	\$142,263	0	2025	Construction of hotel
Consumer Square	Plattsburgh	\$114,853	0	2010	Shopping center
Ardak Hospitality	Plattsburgh	\$106,854	20	2019	Construction of hotel

¹¹ "Other" project types can include water/sewer facility, public transit, sports facilities and more. Subsidies for the Plattsburgh Airbase Redevelopment Corporation comprise the bulk of the job creation in this category, and large payment-in-lieu of taxes payments from three Noble Windpark projects cancel out the net exemptions from other projects in this category.

SUBSIDY SNAPSHOT: NEW YORK CITY

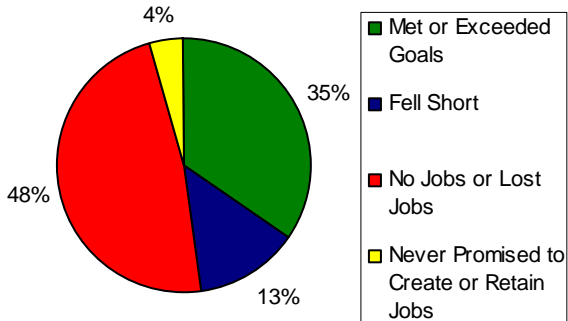
1 IDA: New York City Industrial Development Agency

IDA subsidies take much-needed tax revenues from local communities

- > The NYC IDA is far and away the largest IDA in New York, providing \$143.8 million in net tax exemptions on 576 projects in 2009 alone.¹² With this money we could:
 - > Fund the education of over 8,000 students for one year, or
 - > Retrofit over 11,000 small businesses for energy efficiency, save million of dollars in energy costs, and employ nearly 2,500 workers in the construction industry.



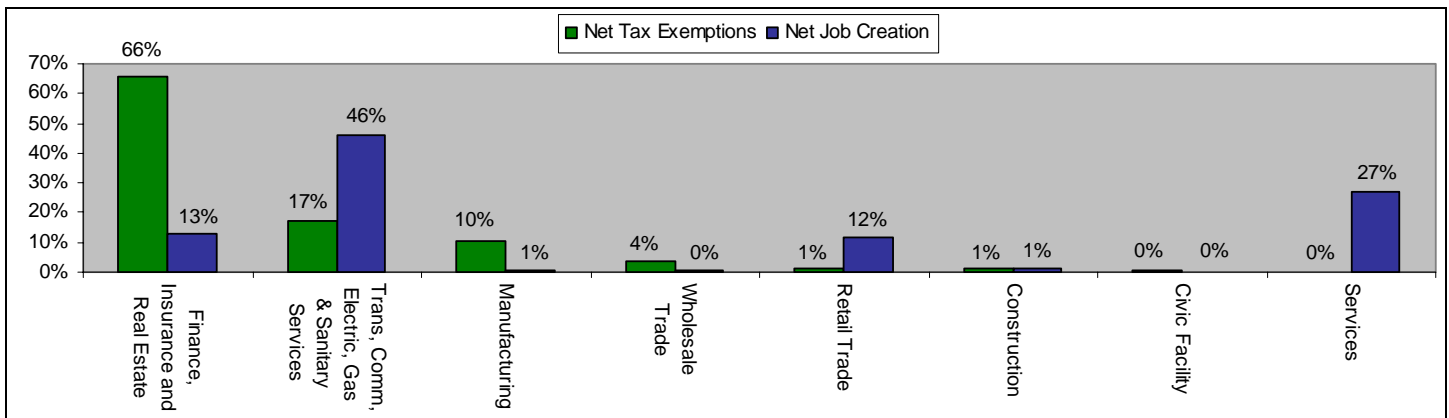
The NYC IDA is failing to create and retain the jobs it promised



- > Only eight of the 23 IDA subsidized projects that ended in 2009 met or exceeded their job creation or retention promises.
- > Twelve businesses lost over 5,000 jobs during the course of their IDA subsidies, which lasted on average 10 years.
- > The 23 projects that ended in 2009 promised to create and retain a total of 13,500 jobs. Instead, these projects ended with just 5,000 jobs, 8,500 below their promise.

IDA tax exemptions are disconnected from job creation

- > While the Finance, Insurance and Real Estate industries took in \$94.2 million in net tax exemptions in 2009, they only produced 4,100 jobs over the life of the subsidy.
- > Transportation, Communications, Electric, Gas and Sanitary Services, on the other hand, created 14,700 jobs with only \$24.7 million in net tax exemptions.



Five Most Expensive Projects of 2009

Project Name	City	2009 Net Exemptions	Jobs Added/Lost to Date	Project End Year	Project Purpose
Morgan Stanley Group	NYC	\$63,995,122	37	2012	Retain employees in NYC
Chase Manhattan Bank	NYC	\$11,254,417	-3,847	2015	Commercial building construction
NBC	NYC	\$9,540,150	1,271	2024	Renovation for offices in NYC
CBS	NYC	\$5,552,297	621	2019	Improving offices in NYC
Credit Suisse First Boston	NYC	\$4,364,409	1,102	2017	Consolidate NYC operations

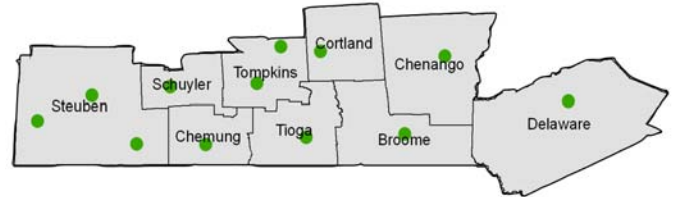
¹² Recent changes to the NYC IDA's policies have improved transparency and accountability. We are using the Office of the State Comptroller data, rather than NYC LL48 data, to ensure the data in our report is consistent across regions.

SUBSIDY SNAPSHOT: SOUTHERN TIER

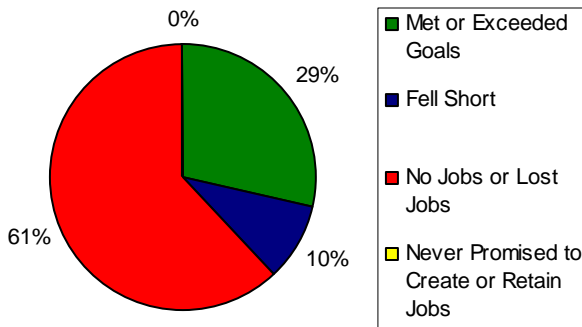
9 IDAs: Broome • Chemung • Chenango • Delaware County • Hornell • Schuyler County • Steuben County • Tioga County • Tompkins County

IDA subsidies take much-needed tax revenues from local communities

- Southern Tier's nine IDAs financed 257 projects, giving away \$38.4 million in net tax exemptions in 2009 alone. With this money we could:
 - Fund the education of 2,100 students for one year, or
 - Retrofit nearly 3,000 small businesses for energy efficiency, saving millions of dollars in energy costs and employing over 600 construction workers.



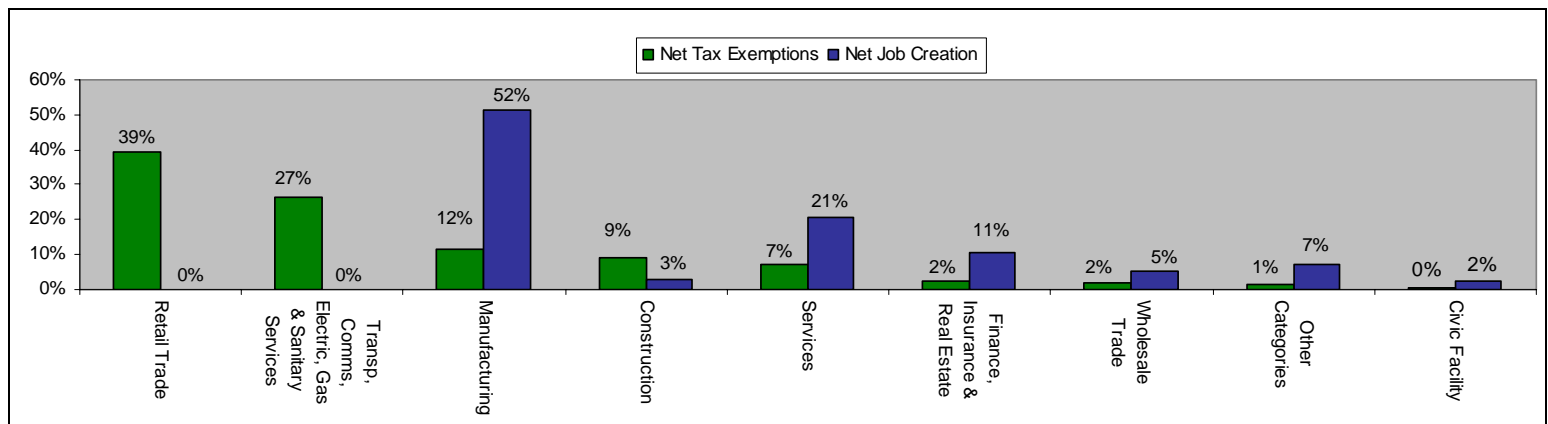
IDAs are failing to create and retain the jobs they promise



- Six of the 21 IDA-subsidized projects that ended in 2009 met or exceeded their job creation or retention promises.
- Thirteen businesses lost 920 jobs during the course of their IDA subsidies.
- All 21 projects promised to create or retain a total of 2,164 jobs. Instead, these projects were 1,420 below their promise, ending with just 744 jobs.

IDA tax exemptions are disconnected from job creation

- Retail Trade received \$15.2 million in net tax exemptions in 2009 and failed to create any jobs.
- Manufacturing, on the other hand, created 4,845 net jobs, but received only \$4.5 million in net tax exemptions.



5 Most Expensive Projects of 2009

Project Name	City	2009 Net Exemptions	Jobs Added/Lost to Date	Project End Year	Project Purpose
Lowe's Home Center	Hornell	\$15,154,500	0	2027	Construction of retail building
Canandaigua Power Partners	Cohocton	\$2,594,572	8	2028	Construction of wind turbines
Arlington Storage Co	Bath	\$2,139,692	3	2030	Natural gas storage
Millennium Pipeline	Pearl River	\$1,672,154	10	2024	Construction of pipeline
Riverside Realty Elmira	Elmira Heights	\$1,439,464	79	2018	Construction of building

SUBSIDY SNAPSHOT: WESTERN NEW YORK

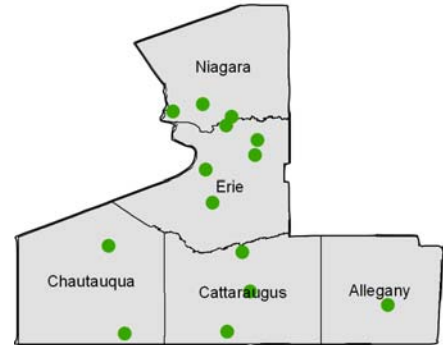
14 IDAs: Allegany, Amherst, Cattaraugus, Chautauqua, Clarence, Concord, Dunkirk, Erie County, Hamburg, Lancaster, Niagara County, Niagara Town, Salamanca, Town of Lockport

Western New York's sprawling network of development agencies needs coordination and consolidation

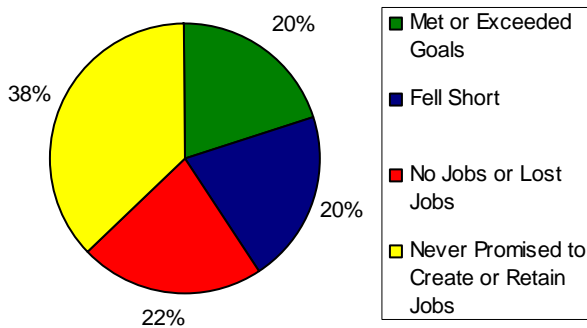
- > With 14 IDAs in the five-county region, it is a case study on the need for coordination and consolidation.
- > IDA subsidies in Western NY often promote disinvestment in urban areas. The city of Buffalo, with 30% of the county population, had only 17% of the IDA tax-exempted properties in 2009.

IDA subsidies take much-needed tax revenues from local communities

- > Western New York's 14 IDAs financed 702 projects, giving away \$48.5 million net tax exemptions in 2009 alone. With that money we could:
 - > Fund the education of over 2,600 students for one year, or
 - > Retrofit over 3,700 small businesses for energy efficiency, save millions of dollars in energy costs and employ nearly 800 workers in the construction industry.



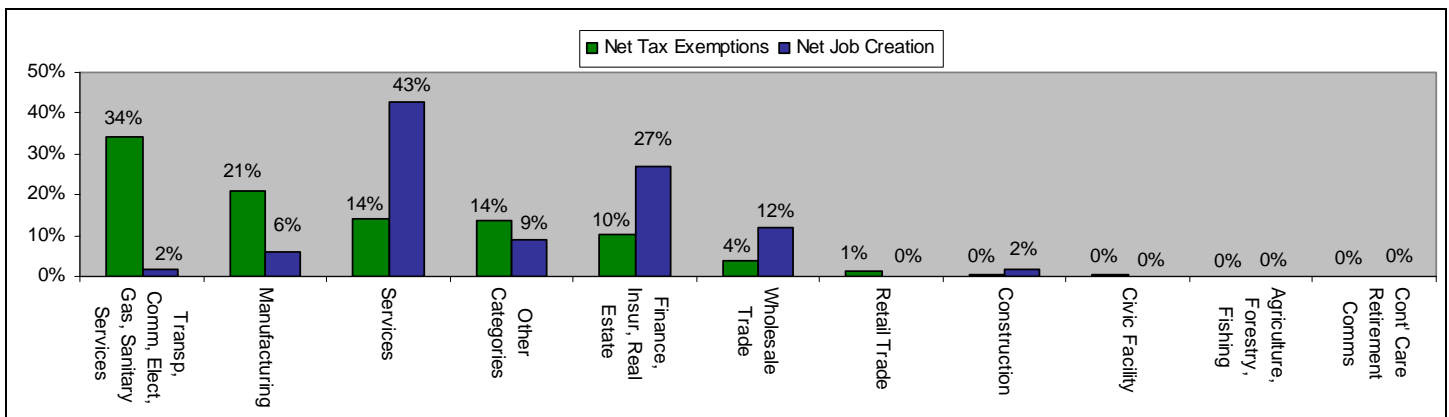
IDAs are failing to create the jobs they promise



- > Only twelve of the 59 IDA subsidized projects that ended in 2009 met or exceeded their job creation or retention promises.
- > Nine businesses lost 1,772 jobs.
- > Those businesses that fell short of their job creation or retention promises were 1,300 jobs short of the mark.
- > Western New York's IDAs spent nearly \$3 million on these failing projects in 2009 alone.

IDA tax exemptions are disconnected from job creation

- > Transportation, Communications, Electric, Gas and Sanitary Services received \$16.6 million of the net tax exemptions yet created only 337 net jobs.
- > Services, on the other hand, created 9,342 net jobs, but received only \$6.9 million of the net tax exemptions.



Five Most Expensive Projects of 2009

Project Name	City	2009 Net Exemptions	Jobs Added/Lost to Date	Project End Year	Project Purpose
AES Somerset	Barker	\$ 11,545,884	-15	2019	Power plant stabilization
Covanta Niagara	Niagara Falls	\$ 1,877,423	-13	2026	Refinance pollution control facility
Niagara Generation	Niagara Falls	\$ 1,831,295	10	2026	Acquisition of power plant
Yahoo	Lockport	\$1,712,400	0	2030	Construction of facility
Fisher Price	East Aurora	\$1,427,085	0	2009	Facility upgrades

RECOMMENDATIONS AND CONCLUSION

New Yorkers are not getting their money's worth from IDA investments. To move us in a new direction, IDAs and other economic development initiatives should adopt strong measures so that development decisions result in concrete benefits for New Yorkers and build an economy with shared prosperity¹³:

- > **Performance Standards** to ensure that jobs created are good jobs and that subsidized projects encourage a healthy and sustainable environment. Public subsidies should pay for performance and be targeted to deliver family-sustaining jobs with benefits, opportunities for local people, and liveable communities that limit sprawl and environmental impacts.
- > **Accountability Measures** so that government protects the public interest during the development decision-making process and especially when businesses break their promises. A clawback mechanism would provide the public a money-back guarantee, and anti-pirating provisions could ensure subsidies create new jobs instead of shifting jobs between and within regions.
- > **Transparency Reforms** so that taxpayers see how and where their money is being spent and are able to advocate for economic development that benefits their communities as a whole. The data collected must also be improved for monitoring and to show the impact of "backdoor spending" on our state and local budgets.

In addition to adopting universal, baseline reforms, each region's strengths and weaknesses in economic development warrant closer examination. We hope this regional analysis is especially informative in the context of current discussions of regional strategies for effective, high-performance economic development by the state's ten new Regional Economic Development Councils. Regional Councils have led a more robust conversation about how to better coordinate and target economic development efforts in New York's ten regions. Launched in July, 2011, Regional Councils have taken positive steps towards better coordination of the state's myriad economic development programs by instituting a Consolidated Funding Application that brings existing programs from 9 state agencies under one common application process. Each region has also adopted criteria by which to judge and select projects for funding, which is not true for all IDAs. As regional strategic plans are unveiled and projects funded, it is imperative that Regional Councils learn from the mistakes of IDAs and usher in a new era of effective, coordinated, accountable economic development that creates good jobs and concrete community benefits for New Yorkers.

¹³ For a more detailed list of our recommendations, please see our latest full report at <http://www.alignny.org/posts/resource/2011/06/seizing-the-moment-how-regional-economic-development-councils-can-build-a-good-jobs-economy/>