



Legislation Text

File #: Res 0415-2010, **Version:** *

Res. No. 415

Resolution calling upon the New York State Legislature to pass and the Governor to sign Assembly bill A.3659 and Senate bill S.1241, which are designed to improve the efficiency, accountability, and transparency of industrial development agency operations.

By Council Members Mark-Viverito, James, Lander, Palma, Williams, Mendez and Koo

Whereas, In 1969, state legislation was enacted providing for the creation of industrial development agencies (IDAs), which are public benefit corporations designed to facilitate economic development in specific localities; and

Whereas, Since their creation, IDAs have served as an important economic development tool, used to improve economic conditions in their respective areas by attempting to attract, retain and expand businesses within their jurisdictions through the use of financial incentives; and

Whereas, There are currently 114 IDAs throughout New York State that provide private entities with almost \$400 million in tax exemptions each year; and

Whereas, Local communities extend IDA assistance to businesses and thereby forego tax revenues to facilitate increased economic activity and the creation of jobs; and

Whereas, Due to a lack of uniformity in the operations and reporting practices of individual IDAs, the effectiveness of IDA-subsidized projects is unclear, and issues regarding their accountability and transparency persist; and

Whereas, In response to these concerns, two bills have been introduced in the New York State Legislature, A.3659 and S.1241 ("The Act"), which would reform the existing IDA enabling legislation; and

Whereas, The Act would reform business standards to ensure that IDAs statewide are subsidizing

quality business partners; and

Whereas, These reforms would include requiring IDA-subsidized projects to provide prevailing and living wages for their employees, which would afford workers with self-sufficiency and the economic means to sustain a decent livelihood; and

Whereas, IDA subsidy recipients would also have to adhere to local hiring requirements which draw from regional labor pools so that the positive effects of job creation and higher wages directly affect the regional economy and the local communities whose tax revenues are being sacrificed; and

Whereas, Apprenticeship requirements would be instituted for construction contractors and subcontractors and thereby increase the quality of construction work and provide the necessary training and career advancement to build and maintain a skilled workforce; and

Whereas, In addition to mandating green building standards and anti-sprawl requirements for all new construction and development to improve energy, water, and land use conservation, the proposed reforms would restrict the availability of funding for projects not sited on brownfields, not served by public water and sewer systems or on land not suitable for conservation unless there is no viable alternative; and

Whereas, The Act would also reform the accountability measures used for holding IDAs and the businesses they subsidize responsible for projects that are failing to create jobs or to meet other contractual requirements; and

Whereas, These measures would include designating seats on IDA boards for labor, environmental, community and school board representatives in order to ensure that the interests and concerns of everyone affected by IDA subsidies and development are represented; and

Whereas, Currently, some IDAs adopt “clawback” provisions, wherein foregone tax revenues are recouped when assisted businesses fail to fulfill their obligations while some IDAs do not; and

Whereas, Even among the IDAs that have “clawback” provisions, such provisions are not applied consistently; the proposed accountability reforms would require all IDAs to incorporate "clawback" provisions

into their financial agreements with subsidy recipients and would call for uniform enforcement of these provisions in order to suspend benefits, or recapture previously awarded benefits, from companies that renege on their agreements; and

Whereas, Anti-raiding or anti-piracy measures would be enacted to prevent IDAs from practicing unfair and unhealthy competition by subsidizing companies to relocate from one part of the state to another, and thereby cause job shifting rather than job creation; and

Whereas, The Act would also reform IDA transparency measures to create clarity and consistency in IDA decision-making and reporting processes, allowing for an honest evaluation of IDA performance and the projects they subsidize; and

Whereas, These reforms would require IDA-subsidized project applicants to fully disclose the potential adverse community, labor, and environmental impacts their project may cause, along with any necessary mitigation measures; and

Whereas, These reforms would also better guarantee the ability of the community to provide meaningful input in the decision-making process during the required public hearings regarding the impacts, costs and benefits of IDA projects; and

Whereas, Increased monitoring of and reporting by IDAs and their projects would be required to determine compliance with their contracts and more importantly, if the projects should continue to receive IDA benefits; and

Whereas, Due to the substantial amount of tax revenue that local communities sacrifice to subsidize IDA projects, it is imperative that IDAs function effectively and deliver their stated economic commitments; and

Whereas, Providing IDA assistance to companies that do not meet their contractual obligation results in millions of wasted tax dollars, which New York state's local governments and public schools cannot afford; and

Whereas, To guarantee the effectiveness of the City's local economic development subsidies, reform

enacted by the state legislature is required; and

Whereas, Enactment of the proposed legislation would help ensure that IDAs operate efficiently and in the public interest by reforming their business standards, improving monitoring of their subsidized projects and instituting measures to hold the IDAs accountable for failed projects; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the New York State Legislature to pass and the Governor to sign Assembly bill A.3659 and Senate bill S.1241, which are designed to improve the efficiency, accountability, and transparency of industrial development agency operations.