

MEMORANDUM
May 17, 2007

To: Assembly Standing Committee on Local Governments
From: James J. Allen, Executive Director, Amherst Industrial Development Agency
Re: Industrial Development Agencies

Thank you Assemblyman Hoyt for giving us an opportunity to provide testimony in regard to the effectiveness of industrial development agencies; to address issues related to proposed reform measures; and to offer suggestions on other methods to make the industrial development agencies in New York State more effective. For the record, my name is James J. Allen and I am the executive director of the Amherst Industrial Development Agency, a position I have held since 1979. Prior to serving in Amherst, I was the executive director for the Genesee County IDA from 1973 to 1979.

Industrial development agencies are an important resource in the state's effort to revitalize and expand our economy. For the most part, IDAs are the lead economic development entity for the county, city or town in which they operate. IDAs serve as a conduit between the public and private sectors in influencing and encouraging the much needed capital investment that results in job creation and retention.

During the past 28 years and working in concert with the town of Amherst, the Amherst Chamber of Commerce, and the private development community, the Amherst IDA has assisted in creating 24 business parks which house over 1000 firms, employing approximately 40,000 people from throughout the Buffalo Niagara region. This represents capital investment of over \$1.2 billion.

We agree with many of the speakers that you will hear today that IDA activities should be transparent and that IDAs must be accountable to government and the public. During the past several years many state laws have been enacted to make sure that this transparency and accountability is in place. We believe that at this time any additional legislation would be at best redundant but more likely make the state of New York less competitive in attracting and retaining the jobs of the new economy. We do however, endorse the NYSEDC recommendation that all IDAs adopt a set of uniform "best practices." I have attached a copy of these recommendations to this testimony although I am sure that you will hear directly from NYSEDC at this hearing. And although the Amherst IDA currently follows most of the best practice suggestions, the AIDA board is scheduled to adopt a formal resolution in support of the recommendations at its next monthly meeting scheduled for May 25, 2007.

However today I wish to discuss the role of IDAs in redevelopment throughout the state and in particular ask that you consider **amending §862, subsection 2 of GML-18A** as it is a significant impediment to IDA involvement in the revitalization of underperforming and vacant properties.

Section 862 of GML-18A was amended in 1993 to discourage IDAs from funding supermarkets and other “big box” retail establishments except under very specific circumstances. It is difficult to say whether it served its intended purpose as there have been instances where IDAs have assisted “big box” retail since 1993, but it has made it very difficult for IDAs to assist their local governments in encouraging the reinvestment in distressed properties wherein the tenancy would include “retail” uses prohibited by §862. Under §862, subsection 2, “no financial assistances of the agency shall be provided in respect of any project where facilities or property that are primarily used in making retail sales to customers who personally visit such facilities constitute more than one-third of the total project cost.” This section goes further to define “retail” as the sale of goods or services which broadens the definition to include all professional services as well as traditional retailers. Thus, this is a restriction not just in regard to big box or supermarkets but all retail and commercial uses.

Section 862 does allow for exceptions. To summarize, the exceptions are in the case that it is necessary to keep the applicant in the state; or to provide goods or services that would otherwise not be readily accessible to the residents of the area; or if the property is located in a highly distressed area. Although I do not believe that “highly distressed area” is defined in GML-18A, it is generally assumed to mean areas of slums or blight. In other words, a community that wishes to prevent slums or blight would not be able to justify the use of IDA incentives unless one of the other two “exceptions” could be made.

The Buffalo-Niagara region contains many underperforming and vacant commercial plazas as well as several abandoned industrial properties. Although there is no current inventory to track the precise number and location of such greyfield and brownfield sites in the region, local public officials and residents generally know which properties pose problems and which present opportunities for reinvestment. Community stakeholders are seeing more empty storefronts and long-term retail vacancy in strip commercial areas and former big boxes. And even though routine market forces and retail trends account for some of the vacancy, many local leaders are concerned that market vacancy, if not adequately and quickly addressed can turn into chronic vacancy, which is extremely more difficult to eradicate.

In 2005, the Buffalo-Niagara region was one of seven communities selected from among fifty who responded to the **National Vacant Properties Campaign (NVPC)** request for proposal to provide technical assistance in evaluating our region’s existing policies and programs that address abandonment and blight. The proposal was sponsored by the Office of Local Initiatives Support (LISC), the Amherst Industrial Development Agency, and the Regional Institute of SUNY Buffalo. We requested a regional vacant property assessment that would include the City of Buffalo, and the contiguous towns of Amherst, Cheektowaga, and Tonawanda. An advisory committee including the Partners for a Livable Western New York and various other stakeholders was formed to assist in this assessment. The report, which was completed last fall is entitled, **Blueprint Buffalo: Regional Strategies and Local Tools for Reclaiming Vacant Properties in the City and Suburbs of Buffalo.**

The following is a few of the highlights of the assessment:

- ✓ U.S. Census data from 2000 reveals that the city alone has over **23,000 vacant properties with another 16,000 within the region.**
- ✓ The report defines “**vacant**” property to include residential, commercial, and industrial buildings that either: **(a) pose a threat to public safety and/or; (b) the owners/managers neglect fundamental duties of property ownership.**
- ✓ The report notes a trend toward more home foreclosures, not just in the City but in the adjacent towns as well. It also states that the suburban strip plaza and “big box” sites are threatening to become “**chronic greyfields.**”
- ✓ It estimates that that the cost of vacancy is over **\$12,000 per parcel** over a five-year period. Using the statistics cited above, the cost of the 39,000 vacancies (**23,000** in the city; **16,000** in the suburbs) is **\$486 million over 5 years, or \$93 million per year.**
- ✓ The report also suggests a number of steps that can and should be taken to address this situation. Among the steps recommended is “a cohesive array of development incentives be coordinated among the government agencies (state, county, local, **and the IDAs**) to facilitate private investment and foster nonprofit developments as well.

It is important to note that the report also states that, “Buffalo’s brownfields legacy, compounded by regional decline and suburban sprawl, does not reflect poor planning, failing environmental regulation, or political incompetence. Brownfield sites today are visible reminders of the once vital and now transforming industrial markets that touch Buffalo and dozens of other cities throughout Upstate New York.” Finding solutions to reclaiming these sites needs to become a priority of the region and enabling IDAs to assist in the reclamation effort needs to be considered by the New York State Legislature.

Industrial development agencies in New York State are essentially creatures of the industrial economy designed to address traditional attraction and retention of industry and its ancillary facilities. As such, it is very difficult for IDAs to comprehensively address revitalization of a region’s declining commercial corridors. The foundation of the new economy, as well as new urbanism and smart growth is a mixture of uses combining retail, office use and residential within areas formerly considered traditional business districts. Section 862 essentially prohibits IDAs from assisting two of the three uses (retail and residential) and often the third use (office) as well. I do not believe that was the intent when §862 was amended to restrict IDA assistance to retail because no one could have foreseen the return to the vertical integration of uses as last seen in the late 19th and early 20th centuries. But the knowledge economy has created a market for this

type of development and our older, obsolete commercial corridors provide excellent sites for such development. But because rehabilitating existing facilities is significantly more expensive than building a new facility on a “greenfield” site, incentives are necessary to encourage a reuse of existing sites and facilities. Amending §862 and allowing IDAs to assist “mixed use” revitalization projects is essential to the redevelopment, and enhanced assessment of older, underperforming or vacant properties both to eradicate slums and blight and preferably prevent it.

IDAs incentives are not sufficient to address this, of course. There are many other initiatives that municipalities may and should undertake. The following are just a few of the steps that the town of Amherst has initiated to address the problem:

- ✓ The creation of an **Industrial and Commercial Incentive Board (ICIB)** to target areas and types of firms eligible for property tax incentives under **NYS Real Property Law 485-b**.
- ✓ Identify and prioritize redevelopment as a “primary goal” of its **comprehensive master plan**.
- ✓ Create “**incentive zoning districts**” and “**overlay districts**” to offer incentives for redevelopment (density, permitted uses, exemptions from other regulations).
- ✓ To identify certain areas of the municipality as “**redevelopment**” or “**enhancement**” districts
- ✓ Designate the **IDA as the official redevelopment authority** for the community (to implement the plan)

Of course there are many other steps that a region needs to take to curtail sprawl and encourage redevelopment. In Erie County, all IDAs have developed an **eligibility policy** that offers IDA assistance, to the extent possible, in “redevelopment zones” as designated by the municipal legislatures in each municipality and we have committed to coordinating all of our efforts with the **Framework for Regional Growth** which was adopted recently by both the Erie and Niagara County Legislatures. We are looking for creative ways to assist redevelopment projects but §862 is a formidable impediment. We urge you to amend it to help us facilitate a smart growth approach to revitalization of the upstate economy.

Thank you for your consideration.