

LONG ISLAND IDAs: MYSTERIES UNRAVELED

By ADINA GENN ■ PHOTOS by BOB GIGLIONE

These headlines are the kind of news Long Islanders need:

Best Market relocating its headquarters to space abandoned by Entenmann's in Bay Shore.

Dealertrack Technologies moving its headquarters to East Hills. High-paying jobs stay on Long Island in what amounts to a \$100-plus million project.

WAC Lighting bringing design and engineering jobs to Port Washington.

Not only do these events help transform economic development on Long Island, they also share a common denominator: Their local industrial development agencies offered support so the companies could anchor into the region.

Helping to make these benefits happen are the local real estate attorneys who specialize in IDA deals. With their expertise, business owners can understand where to turn for support and how to navigate challenges.

That includes evaluating if it's worth their while to apply for any assistance. These include obtaining sales-tax exemptions, mortgage-tax exemptions, or the abatement of property taxes that are phased in over time.

"IDAs are so important," said Andrew Presberg, who runs a commercial real estate firm in Islandia. "They serve as that real inducement to dig in a firm's roots."

Consider, for example, property tax abatements.

"Without a gradual phase-in, a developer may not be able to get up and running and catch their breath and start making payments at full-boat immediately," said Chris Coschignano, a partner at Sahn Ward Coschignano, a Uniondale-based law firm. "The biggest failure in business is undercapitalization. This gives you an opportunity to get slowly on your feet and moving."

Increasingly, IDA benefits are provided to pharmaceutical companies looking to expand or start new. The industry has tapped into an educated workforce, many of which are connected to local universities. Another sector securing IDA benefits includes transit-oriented developments, which continue to gain acceptance in some Long Island communities – and where, incidentally, employees of these growing companies may choose to live.

"Pharma is really growing," said Peter Curry, a partner at Farrell Fritz, in Uniondale. "Old-line companies spun off other companies, and once there's a certain density, employees may leave for another – it's an ecosystem that works, and has grown significantly here."

The first step is to know what assistance is available through the IDA. Attorneys, who are often referred by bankers and realtors about pending transactions, understand the potential economic benefits that hold the key to new opportunities for the next generation of entrepreneurs.

"Typically a company has no idea that these benefits are available," Presberg said,

Yet they stand to gain, said Daniel Deegan, who heads up the industrial development agency practice group at the Uniondale-based law firm Forchelli, Curto, Deegan, Schwartz, Mineo & Terana.

"Decisions could be positively influenced to make determinations about expansions," he added. "An IDA can be helpful – there's always a negotiation between landlord and tenant or buyer and seller. An IDA can help close up the gap to make something happen that might not otherwise to help a company maintain its competitive position. A lot of companies are competing with companies in other parts of the country or the world, where the costs are lower."

New Beginnings

In many instances, the IDA concept makes something out of nothing. Blighted properties, places that don't work, businesses that have fallen by the wayside – these sites can be resurrected with new purpose. The eyesore property, closed and abandoned, isn't bringing in any tax dollars now.

Still, there are challenges.

"Statutes have become more restrictive, in the effort to stop jurisdictions from pirating from each other," Curry said.

And experts say that the state would like to minimize control from local IDAs and make decisions on a regional or statewide level.

"We stay on top of ever-changing legislation at the state level," Presberg



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Also, IDA benefits are not always well received by local residents.

"It's not a giveaway, it's a delayed payment," Coschignano pointed out. A company "may be paying a reduced rate but each year it grows and phases in until it hits what would be the full tax and then the taxes kick back in close to full."

Otherwise, he said, "a project might not happen without the benefit, and the vacant land sits there, or a building sits there. There's no increase in the tax base. The biggest thing Long Island needs now is to increase its tax base, so current property owners don't need to pick up the difference. Yes, it takes time, but long range it's a benefit."

'No Brainer'

And while other states – Texas and North Carolina, for instance – heavily recruit companies to relocate from Nassau and Suffolk, the owners that are already here "want to be on Long Island and have family roots," Presberg said. "It's a beautiful place to live; if they can be enticed to stay that's the impetus and if you get an economic development agency or IDA to hold that carrot out then it becomes a no brainer."

In some cases, with the cooperation of a landlord, a tenant can get benefits that are passed on the property through the lease, making the property more attractive and valuable to a tenant, Presberg said.

"From a lawyer's perspective, it's really knowing and understanding the

taste that each IDA has for various types of projects" and their uniform tax exemption policy, or UTEP, Presberg said.

IDAs have evolved over time. While new construction and tax-exempt bonds used to be the focus, the emphasis now is on job retention, preferably when they come attached with high-paying salaries, Presberg said.

"Dealertrack is the poster child" of IDA success stories, Deegan said, who worked on the transaction. By building new headquarters in East Hills, the project aims to add in the next three years more than 350 new high-salary jobs to the 500 already here.

Another big transaction: Best Market is moving its headquarters into the abandoned Entenmann's 500,000-square-foot facility in Bay Shore.

"It's essentially what we call in this industry a regionally significant project," Presberg said of "a large dinosaur property" that local leaders did not "want to lay vacant or turned into a big box store" with "transient jobs that are not well paying." Presberg said he is in discussions to negotiate sales tax exemption for use by Best Market independently from incentives being afforded by the developer.

Still, IDA benefits may not be worthwhile to a company if it is paying application fees, attorney fees and doing the legwork necessary to complete an application.

Presberg put it this way: The client's interest comes first.