

**Erie County Industrial Development Agency
Patrick Fitzsimmons
University at Buffalo Law Student**

What is the ECIDA?

The ECIDA is a public benefit corporation created by the New York State Legislature for the purpose of attracting and retaining private sector business development in Erie County. That development creates local job opportunities and improves the overall economic environment for the people of Erie County.¹

What is the ECIDA's website and contact information?

Web site: <http://www.ecidany.com/>

The ECIDA can be contacted by submitting an inquiry through its website at http://www.ecidany.com/contact_us.asp, by direct mail at 275 Oak Street, Buffalo, New York 14203, by telephone: 716-856-6525, by fax: 716-856-6754, or by email at info@ecidany.com.

What geographic area does it serve?

The ECIDA serves all cities, towns, and villages inside of Erie County.

How does the ECIDA fulfill its purpose?

The ECIDA fulfills its purpose by providing financial incentives to businesses. There are several ways in which this is done:

- **Tax Subsidies/Leasing Arrangements** – The ECIDA can provide tax subsidies to individual businesses that are parties in a particular project. Frequently, this is done by entering into a leasing agreement with the individual business. The ECIDA will take title to the business's property for the duration of the project (usually 10 – 15 years) and enter into a leasing agreement with the business. The ECIDA's tax



exemptions will pass through to the business. The business will make payments-in-lieu-of-taxes (PILOTs) throughout the duration of the project to the local municipalities that would otherwise collect property taxes from the local business. These PILOTs are only a percentage of what the business would otherwise pay in property taxes to the local municipality.²

- Bond Financing – The ECIDA will issue bonds and use the proceeds to purchase land or make improvements to property according to the approved project guidelines. The local business will lease that property from the ECIDA throughout the duration of the project. Following completion of the project the ECIDA will convey the property back to the local business for a nominal fee. Recently, bond-financing arrangements are used less often as changes in state and federal tax laws have made them less attractive.³ The NYS Budget Authority, however, reports that over one hundred bond financing deals are still done each year throughout the state, including quite a few by the ECIDA in 2007-2008.



- Venture Investment – The ECIDA, through its Financing Group, will provide “funding for start-up, early stage and expansion stage companies” that are expected to provide long-term growth to the region.⁴ Typically, venture investment is in the form of loans and other equity-type investment arrangements.⁵ In 2008, the ECIDA, through its affiliated corporations, provided \$865,000 in venture capital equity financing to five Erie County corporations. Those corporations are: Niagara Dispensing, First Wave Products, Pill Crusher, Medical Conservation Devices, and Associate Interactive.⁶
- Gap Financing – The ECIDA will provide loans to local businesses who otherwise cannot meet their financial obligations. For instance, some local businesses cannot borrow enough capital from banks and other lenders to meet their economic obligations. The ECIDA will bridge this “gap” by providing the necessary financing to the local business.⁷ In 2008, the ECIDA, through two of its affiliated lending corporations, provided \$3,774,000 in loans to 24 different businesses in Erie County.⁸

- Export Assistance – The ECIDA provides a vast array of products and services to local businesses that transact with foreign counterparties. One such service the ECIDA can provide is insurance coverage to local businesses. Specifically, the ECIDA, through its Export Division, provides payment insurance protection to local businesses in case a foreign corporation defaults on its payment obligations. Furthermore, the ECIDA will arrange for local businesses to attend overseas trade shows that are otherwise too costly for such local businesses to attend.⁹

Who runs the ECIDA?

The ECIDA has a Board of Directors as its oversight body. The Board of Directors is responsible for exercising “direct oversight of the Agency’s Executive Director and other senior management in the effective and ethical management of the Agency.”¹⁰ Currently, there are nineteen Directors on the Board. The Directors are from both the private and public sectors. The complete list of the ECIDA’s Board of Directors can be found at http://www.ecidany.com/about_bod.asp.

How is the Board of Directors appointed?

Section 891-a of the General Municipal Law specifically lists, by job title, those members that constitute the Board of Directors of the ECIDA.¹¹ The Board is composed of nineteen members from within Erie County who hold the occupations specified in the statute. For example, Chris Collins, Erie County Executive, Byron W. Brown, Mayor of the City of Buffalo, and Anthony F. Caruana, Supervisor of the Town of Tonawanda are all ex officio members of the Board of Directors.¹²

How is the ECIDA staffed?

The ECIDA is staffed according to its needs. A three-person management team,¹³ which reports directly to the Board of Directors, makes all staffing decisions, including what positions are needed and how they will be filled. The management team will propose new employment positions in its annual budget and the Board of Directors will consider whether to fund the proposed positions. Currently, there are fifteen people on the ECIDA staff, which includes positions such as a chief financial officer, a coordinator of the PILOT program, a coordinator of loans and tax-exempt bonds, a facility site management director, an information technology director, and several others.¹⁴

What is the annual budget?

The adopted annual budget for fiscal year 2009 is \$2,418,682. The budget also lists a \$2,000,000 Development Division Project Grant, but Andrew Schoepich, ECIDA Controller, said those monies are not considered in the budget as the ECIDA is merely a



pass-through vehicle for grant funding purposes.¹⁵ A copy of the fiscal year 2009 adopted budget can be found at http://www.ecidany.com/pdf/2009_ECIDA_Budget.pdf.

How is the budget funded?

The ECIDA is a self-sustaining public benefit corporation. That means the ECIDA does not receive any operational funding from federal, state, or local sources. The ECIDA, however, charges fees to companies that utilize its products and services. The biggest revenue generator for the ECIDA are the fees from tax subsidy/leasing arrangements, which are itemized in the budget as “Administrative Fees” and fund approximately 75% of the ECIDA’s budget.¹⁶

How is the budget spent?

The expenses in the ECIDA’s budget are like most businesses: salaries and benefits, rent, general office expenses, travel, etc. Salaries and benefits comprise almost 70% of the ECIDA’s budgetary expenses.¹⁷

What are some examples of the ECIDA’s projects?

1. New Era Cap Company, Inc. – The ECIDA provided various tax incentives to New Era Cap Company, Inc., which established its world headquarters in downtown Buffalo. New Era acquired and renovated the former Federal Reserve Bank located at 160 Delaware Avenue in the City of Buffalo. The project will generate almost \$1,000,000 of revenue to the local taxing jurisdictions over the abatement period.¹⁸



2. AC Lofts LLC – This project consists of the construction, renovation, and expansion of the vacant Alling & Cory warehouse at 136 North Division St. in the City of Buffalo. The end result will be a 90-unit, 289 person student apartment facility with apartments ranging from single bed studios to four bedroom

apartments. There will also be an on-site store and laundry facility.¹⁹

3. 1650 Military Road Associates, LLC/National Gypsum Co. – \$3,000,000 in private capital investment was leveraged to acquire and renovate property located at 1650 Military Road, Tonawanda, NY. This project resulted in a multi-tenant facility, providing space for National Gypsum Co. as well as the Ken-Ton School District.²⁰
4. Advantage Housewares, Inc./Robinson Home Products, Inc. – Robinson Home Products, who markets quality kitchen utensils and food preparation tools, acquired and renovated the former Buffalo China property on Bailey Avenue. The project anticipated creating 30 additional jobs.²¹
5. Every Person Influences Children, Inc. (“EPIC”) – EPIC, a not-for-profit corporation, acquired machinery and equipment as well as refinanced an existing mortgage. The equipment and the facility are to be used to provide training and “technical assistance for programs relating to parenting education, character education and leadership.”²²

How does the ECIDA measure its success?

The ECIDA measures its success in a few ways.

First, from a purely economic development standpoint, the ECIDA measures a project’s success on the number of new jobs it creates. The more employment opportunities created within Erie County, the better. Second, the ECIDA measures its success based on its ability to provide new investment in the community. This not only helps to create local jobs but it helps keep businesses invested in our community and its people. Finally, the ECIDA measures its success based on job retention. The goal of a project may not be to bring in a new business or create new jobs, but rather to help a local business better compete with foreign companies. The ECIDA can do this by helping the business expand and become more efficient, which ultimately helps retain local jobs by keeping local business globally competitive.²³



What are some criticisms of IDAs, and what are some proposed reforms?

One major criticism of IDAs across New York State is they are not fulfilling their purpose and creating meaningful employment opportunities.²⁴ Rather, many projects are failing to retain jobs, let alone create new ones with competitive salaries and benefits.²⁵ For example, in 2005, the total number of jobs promised by subsidized companies was 217,000, and the total number of jobs actually created was 79,000.²⁶ This represents a 36% success rate. Additionally, IDAs are not reporting data

from the projects they subsidize. In 2005, nearly 60% of IDAs “did not provide data for more than half of the projects they subsidize[d].”²⁷ That means the success rate for IDA projects could be worse than what is actually reported.

Another criticism is that having multiple IDAs in a single county is wasteful and undemocratic.²⁸ This is especially relevant to Erie County because we have six local IDAs, including the ECIDA. The argument here is that town IDAs have the ability to give away county tax revenue through subsidies, but the rest of the county has no voice in the project’s decision.²⁹



Advocates for IDA reform propose improving the “business standards, accountability measures and transparency” of IDAs.³⁰ One specific business standard reform is for localities and IDAs to adopt a living wage policy.³¹ This ensures meaningful employment and provides workers with the ability to sustain a decent livelihood.³²

Another proposed reform is to require IDAs “to submit a full report on their job creation performance, wages provided, and future commitments” to the state.³³ Any IDAs that fail to provide the necessary reporting documents could then face penalties such as a suspension of their tax subsidies.³⁴

How does the ECIDA report to the public?

The ECIDA reports to the public via public Board of Directors meetings, which are open to the public. The agency posts notices of the meetings on its website. A complete schedule of all 2009 monthly meeting times can be found at http://www.ecidany.com/about_meeting_schedule.asp. For more information regarding the ECIDA’s monthly meetings call 716-856-6525.³⁵

Also, the ECIDA has its 2007 and 2008 meeting minutes archived on its website at http://www.ecidany.com/about_bmm.asp.

How can I contribute input to the ECIDA’s decisions?

When the ECIDA proposes a project, state law mandates that it hold a public meeting. A notice of the meeting will be posted on the agency’s website 30 days prior to the meeting. At the meeting, the public is invited to ask questions and share its concerns with the agency regarding the proposed project. The public comments made at the meeting are considered by the Board during its next meeting. A notice of that Board meeting will also be posted on the website 30 days prior to its occurrence. The public can then attend the Board meeting to observe the Board’s

deliberations. Public comment, however, is not taken during the Board meetings.³⁶

¹ ECIDA website, http://www.ecidany.com/about_us.asp.

² Interview by Patrick Fitzsimmons of Andrew Schoeppich, ECIDA Controller (March 27, 2009).

³ Office of the New York State Comptroller, Industrial Development Agencies in New York State, <http://www.osc.state.ny.us/localgov/pubs/research/idabackground.pdf>; Interview by Patrick Fitzsimmons of Andrew Schoeppich, ECIDA Controller (March 27, 2009).

⁴ ECIDA website, http://www.ecidany.com/products_venture_capital.asp; Interview by Patrick Fitzsimmons of Andrew Schoeppich, ECIDA Controller (March 27, 2009).

⁵ Interview by Patrick Fitzsimmons of Andrew Schoeppich, ECIDA Controller (March 27, 2009).

⁶ ECIDA 2008 Annual Report, http://www.ecidany.com/pdf/Public_Authorities_Act_2008_Annual_Report.pdf.

⁷ Interview by Patrick Fitzsimmons of Andrew Schoeppich, ECIDA Controller (March 27, 2009).

⁸ ECIDA 2008 Annual Report, http://www.ecidany.com/pdf/Public_Authorities_Act_2008_Annual_Report.pdf.

⁹ Interview by Patrick Fitzsimmons of Andrew Schoeppich, ECIDA Controller (March 27, 2009); ECIDA website, http://www.ecidany.com/products_inter_trade.asp.

¹⁰ ECIDA, Statement of Duties and Responsibilities of the Board of Directors, http://www.ecidany.com/pdf/Board_Duties_and_Responsibilities_policy_Approved_5-12-08.pdf.

¹¹ General Municipal Law § 891-a(1).

¹² The other members of the Board of Directors are: Phil Ackerman, Chairman, Board of Directors, National Fuel Gas Company; Phil Corwin, Executive Vice President & CFO, White Directory Publishers; James F. Doherty, Area General Manager, Laidlaw Transit, Inc.; Ramona L. Gallagher, Labor Arbitrator; Mary F. Holtz, Supervisor, Town of Cheektowaga; Lynn Marinelli, Chairperson, Erie County Legislature; Frank B. Mesiah, President, NAACP, Buffalo Chapter; Andrew J. Rudnick, President, Buffalo Niagara Partnership; Barry Brandon, Senior Vice President and General Counsel, Seneca Gaming Corp.; Mary Busse, Chairperson, Erie County Association of School Boards; Jonathan Dandes, President, Rich Baseball Operations; David A. Franczyk, President, Buffalo Common Council; Michael Hoffert, President, Buffalo AFL-CIO Council; Timothy M. Kennedy, Chairman, Economic Development Committee, Erie County Legislature; Lawrence M. Meckler, Executive Director, NFTA; Satish Mohan, Supervisor, Town of

Amherst. The complete list of the Board of Directors can be found at http://www.ecidany.com/about_bod.asp.

¹³ Currently, the members of the three-person management team are: (1) Al Culliton, CFO and Chair of the three-person management team; (2) John Cappellino, Director of Business Development and Marketing; and (3) Andrew Schoeppich, Controller; Interview by Patrick Fitzsimmons of Andrew Schoeppich, ECIDA Controller (March 27, 2009).

¹⁴ Interview by Patrick Fitzsimmons of Grant Lesswing, ECIDA Marketing Department (March 27, 2009).

¹⁵ Interview by Patrick Fitzsimmons of Andrew Schoeppich, ECIDA Controller (March 27, 2009).

¹⁶ Interview by Patrick Fitzsimmons of Andrew Schoeppich, ECIDA Controller (March 27, 2009).

¹⁷ Interview by Patrick Fitzsimmons of Andrew Schoeppich, ECIDA Controller (March 27, 2009); ECIDA website, http://www.ecidany.com/pdf/2009_ECIDA_Budget.pdf.

¹⁸ ECIDA website, <http://www.ecidany.com/projects/pdfs/New%20Era%20Cap%20Company.pdf>.

¹⁹ ECIDA website, http://www.ecidany.com/current_projects.asp?ID=336.

²⁰ ECIDA website, <http://www.ecidany.com/projects/pdfs/1650%20military.pdf>.

²¹ ECIDA website, <http://www.ecidany.com/projects/pdfs/advantage%20housewares.pdf>.

²² ECIDA website, <http://www.ecidany.com/projects/pdfs/epic.pdf>.

²³ Interview by Patrick Fitzsimmons of Grant Lesswing, ECIDA Marketing Department (March 23, 2009).

²⁴ Getting Our Money's Worth, The Case for IDA Reform in New York State, by New York Jobs With Justice, pg. 1, May 2007, [http://www.nyjwj.org/docs/GO\\$W.pdf](http://www.nyjwj.org/docs/GO$W.pdf).

²⁵ *Id.*

²⁶ *Id.* at 2.

²⁷ *Id.* at 3.

²⁸ Missing the Target, Partnership for the Public Good, Sam Magavern et. al, pg. 31, <http://ppg-buffalo.wikispaces.com/file/view/Missing+the+Target.pdf>.

²⁹ *Id.* at 31-32.

³⁰ Getting Our Money's Worth, at pg. 5.

³¹ *Id.* at 8.

³² *Id.*

³³ *Id.* at 18.

³⁴ *Id.*

³⁵ ECIDA website, http://www.ecidany.com/about_meeting_schedule.asp.

³⁶ Interview by Patrick Fitzsimmons of Grant Lesswing, ECIDA Marketing Department (March 23, 2009).