

Town IDAs in Erie County: 2011-2013

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Summary

In addition to the Erie County Industrial Development Agency (IDA), Erie County has five town IDAs: Amherst, Clarence, Concord, Hamburg, and Lancaster. In this policy brief, we review the performance of the five town IDAs from 2011 to 2013 and find that most of the projects that they have approved have involved restaurants, retail businesses, hotels, speculative office parks, or other projects that are highly unlikely to grow the region's economy and create a net gain of jobs.

Financial Snapshot

In 2013, there were 287 projects with active tax exemptions from the five IDAs. The taxes not paid to the state, county, municipalities, and school districts totaled nearly \$10 million and can be summarized as follows:

- \$1,515,194 in sales tax
- \$1,811,825 in local sales tax
- \$496,983 in mortgage recording tax
- \$1,539,838 in county property tax
- \$1,180,609 in municipal property tax
- \$3,345,344 in school district property tax

IDA	Number of Projects	Net Value of Tax Exemptions
Amherst	127	\$6,228,768
Clarence	36	\$ 918,455
Concord	8	\$ 80,188
Hamburg	39	\$ 814,227
Lancaster	77	\$1,848,115

Overhead

Together, the five town IDAs had over one million dollars in operating expenditures in 2013. The Amherst IDA accounted for over \$700,000 of these expenditures, including over \$400,000 in salaries for its employees, with a 2012 salary of \$172,008 for its executive director. By contrast, the County Executive of Erie County is paid \$103,248 per year.

Questionable Projects

The first question to ask about an IDA project is, “Will it help to grow the region’s economy.” In order to do so, the project generally should meet two criteria:

- It should be a project that would not have happened without the IDA’s assistance; and
- It should be a business that exports goods or services or draws in tourists, rather than competing against other local businesses for a finite local pool of customers.

Using these criteria, we examined the 32 projects that the town IDAs approved between 2011 and 2013. Of the 32, only five appeared to represent potential gains for the local economy. Twenty-one of the other 27 projects are listed in the accompanying chart. Among them are three restaurants, two fitness centers, a veterinary practice, a car dealership, two hotels, a movie theater, and a variety of office building or office park projects that simply shuffle tenants from one location in the region to another.

Among the questionable projects are three restaurants, two fitness centers, a veterinary practice, a car dealership, two hotels, and a movie theater.

These projects do not add jobs to our economy. While it is true that the Pizza Plant will hire servers, cooks, and dishwashers, those jobs are not new to this region. There is a finite pool of customers for local restaurants. When one restaurant hires staff, another restaurant is laying them off. Moreover, jobs such as these tend to pay poverty level wages, leaving the workers reliant on public assistance to make ends meet. When an IDA grants tax exemptions such as these, there are two winners: the business, and the IDA (which takes a percentage of the exemption as a fee). Every other business and resident of Erie County must pay higher taxes to make up for the lost revenue.

To improve the quality of local IDA-funded projects, we recommend that:

- The town IDAs adhere strictly to the County-Wide IDA policy, and that the County-Wide Policy be amended to include living wage standards and other high road economic development criteria;ⁱ
- State legislation be passed to include high road economic development criteria and accountability measures in economic development projects;
- Eventually, the five town IDAs be merged with the Erie County IDA.

Questionable Town IDA Projects: 2011-2013

IDA	Project	Notes
Amherst	PHH Mortgage	Mortgage servicer laying off large number of workers
	3D Partners	Retail/Office
	Ellicott Development	Wyndham Hotel
	Iskalo Development	Hyatt Hotel
	Symkowiak and Associates	Accounting Firm
	Iskalo Development	5178 Main St: tenant not disclosed
	Prime Wines	Wine store
	Pizza Plant	Restaurant
Clarence	Specialized Care	Veterinarian
	Millherst Construction	Construction contractor
	Niagara County Produce	Produce market
	Pearl Holdings	Moving two tenants, RV Rhodes and Architecture Unlimited, from downtown Buffalo to Clarence
	Rockledge Professional Park	Office park; only current tenant moved from Buffalo
	Toyota	Car Dealership
Concord	Spring Creek Athletic Club	Athletic club moved 2 miles
Hamburg	Waterstone Grill	Restaurant
	Russo Development	Developer/contractor moving from Springville
Lancaster	Gold's Gym	National fitness chain
	Eagle Association	Beer warehouse
	M&B Flix	Movie theater
	Olive Tree	Restaurant

NOTES

¹ High Road Economic Development is an economic development strategy that emphasizes high quality jobs, environmental sustainability, and broad access to opportunities for a diversity of businesses and workers. High Road Economic Development prioritizes both a healthy economy and a healthy community. It ensures that public dollars result in both public good and economic growth, and that economic benefits are distributed equitably. For some good introductions to High Road concepts and practices, see

- Joel Rogers, “Build the High Road Here”, April 17, 2006, The Nation, Center on Wisconsin Strategy (COWS), <http://www.cows.org/data/documents/1063.pdf>
- Policy Matters Ohio, <http://www.policymattersohio.org/moving-on-up-what-high-road-development-means-and-means-to-us>
- Green for All, “High Road Agreements”
http://s3.amazonaws.com/greenforall.org/High_Road_Agreements.pdf



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