

**CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
DEVELOPMENT POLICY  
DECEMBER 2019**

***Overview:***

The Cortland County Industrial Development Agency is a public benefit corporation of the State of New York, created by the Cortland County Legislature pursuant to Chapter 77 of the 1974 Laws of New York, effective March 19, 1974. The Cortland County Industrial Development Agency has the powers and duties conferred on industrial development agencies by Article 18-A of the New York General Municipal Law.

The goal of the Industrial Development Agency is to provide incentives for private sector business investment and job creation resulting in economic growth and improved quality of life. Cortland County's economic objectives include:

- Technical assistance to aid the formation of new businesses in Cortland County
- Retention and expansion of existing high-value businesses within Cortland County
- Marketing efforts to attract new business and investment to Cortland County
- Technical assistance to redevelop existing vacant industrial and historic sites, and developing new sites for business attraction and expansion
- Supporting strategic economic development initiatives by the Cortland County Business Development Corporation and the goals of the Cortland County Empire Zone.
- Enhancing quality of life through targeted community development projects, including arts, cultural and recreational projects.

The Cortland County Industrial Development Agency coordinates financial incentives for projects that produce investment and job creation in Cortland County. These incentives are typically delivered in the form of real property tax exemption, offset by payments in lieu of taxes (PILOTS) by the project sponsor, sales tax exemptions on project related construction materials and equipment, exemptions from New York State mortgage recording tax, or other negotiated local incentives. In general, these projects are manufacturing related, although the activities that produce positive economic impact, including those encompassing PILOT agreements, are governed by, and are in compliance with, General Municipal Law Article 18-A.

***Management and Administration:***

The Industrial Development Agency is governed by a seven-member board of directors appointed by the Cortland County Legislature. The Cortland County Business Development Corporation staff provides administrative services and support to the Industrial Development Agency board under terms of an administrative contract. The Industrial Development Agency retains legal counsel to coordinate and deliver legal services, including, but not limited to, straight lease transactions and tax-exempt bond projects. Legal counsel reports to the Industrial Development Agency board and assists in monitoring the performance of Industrial Development Agency projects through annual employment affidavits. Additionally, the Industrial Development Agency board retains an independent auditor who conducts annual audits in accordance with generally accepted government auditing requirements, and who is responsible for compiling and filing required reports with the Office of the State Comptroller.

The Industrial Development Agency receives no county funding. There is an extremely modest annual operating budget, supported entirely by project fees. Any fees generated by projects are redirected back into economic development projects. Industrial Development Agency fees may also be used as matching funds for state grant programs, or other special projects as determined by the Industrial Development Agency board.

The Industrial Development Agency seeks input regarding projects from the staff and board of directors of the Cortland County Business Development Corporation, a separate not-for-profit corporation. This assures a coordination of economic development efforts. The Business Development Corporation also administers the Cortland County Empire Zone. The Business Development Corporation works closely with businesses on financing for business expansions, in partnership with partner agencies like the SBDC, SBA, SCORE, ESD and NYBDC, as well as community development providers. The Business Development Corporation administers a \$500,000 Revolving Loan Program, which directly funds small business openings and expansions.

The Cortland County Business Development Corporation staff consists of an Executive Director/CEO, an Economic Development Specialist/CFO, and an Office Manager. The Business Development Corporation is governed by a 13-member board of directors, seven of which are Industrial Development Agency members. The Cortland County Industrial Development Agency members elect the at-large Business Development Corporation directors, who serve three-year terms.

As part of the Cortland Industrial Development Agency's organization commitment to good governance and a strong system of internal controls, staff strives to implement best practices and an organizational quality improvement program. The Industrial Development Agency regularly discusses governance issues, reporting and tracking mechanisms, internal controls related to the leaseback process and documentation, and roles and responsibilities of staff and counsel. In addition, the board and staff also discuss if additional policies and procedures are required, to enhance these areas.

While Industrial Development Agencies are not subject to Sarbanes-Oxley, the public company accounting reform and investor protection act, the Cortland County Industrial Development Agency feels that is critically important to stay abreast of Sarbanes-Oxley and incorporate best practices about internal controls and corporate governance issues. While not bound by the same record keeping and disclosure requirements of Sarbanes-Oxley, management has instituted a process by which the Industrial Development Agency takes an annual look at issues of internal controls, risk management, self-assessment, and testing. Management believes that self-regulation is an important step toward compliance with spirit of Sarbanes-Oxley.

Industrial Development Agency members are provided extensive orientation materials and training when they are appointed by the Cortland County Legislature to the Industrial Development Agency. Orientation materials include:

- Guidelines for Not-for-Profit Board Members published by the Attorney General's Office
- An overview of the Cortland County Industrial Development Agency, produced by the law firm of Hodgson, Russ, Andrews, Woods & Goodyear, LLP which describes:

- creation of the agency; members, officers and employees; types of agency projects; agency benefits; industrial development agency controversies; state laws that significantly affect agency operations such as Open Meetings Law, SEQR, Freedom of Information Law, Personal Privacy Law, Conflict of Interest Law and Ethics Law; litigation, indemnification; major agency projects; federal and state laws, requirements and restrictions on agency financing; typical structure of an agency transaction/financing; advantages and disadvantages of agency transaction/financing
- The special act that created the Cortland County Industrial Development Agency (Chapter 77 of the 1974 Laws of New York)
  - The Bylaws of the Cortland County Industrial Development Agency
  - Materials related to public finance from a handbook prepared by Harris Beach, LLP, including: structure of an Industrial Development Agency-assisted transaction; financial assistance, structure of a tax exempt bond transaction; SEQR, FOIL; Public Hearings
  - Article 18-A of the General Municipal Law

Well-educated and informed Industrial Development Agency members, a good system of internal controls, and annual independent external audits, best assure that the Cortland County Industrial Development Agency achieves compliance and good governance. Additionally, because the Cortland County Industrial Development Agency is a public authority, it is bound by state laws affecting agency operations. These include:

**Open Meetings Law:** The Industrial Development Agency must give notice to the public and news media of all meetings. All meetings are open to the public. The agency votes in open meetings and can only go into executive session to discuss certain limited items.

**State Environmental Quality Review:** The Industrial Development Agency must comply with Article 8 of the New York Environmental Conservation Law and implementing regulations (the “SEQR Act”)

**Freedom of Information Law:** The Industrial Development Agency must comply with Article 6 of the New York Public Officers Law (the “Freedom of Information Law” or “FOIL”) which requires that with certain limited exceptions, the Industrial Development Agency must provide public access to records of the agency.

**Personal Privacy Law:** The Industrial Development Agency must comply with Article 6-A of the New York Public Officers Law (the “Personal Privacy Protection Law”).

**Conflict of Interest Law:** The Industrial Development Agency must comply with Article 18 of the New York General Municipal Law that defines conflicts of interest.

**Ethics Law:** the Industrial Development Agency is bound by Section 810 (3) of the New York General Municipal Law, in that members, officers are deemed officers and employees of Cortland County for the purposes of the “State Ethics Law”, and they may be subject to annual financial disclosure.

The Cortland County Industrial Development Agency carries a D&O insurance policy to indemnify members. The Industrial Development Agency requires that projects it is involved

with carry adequate insurance, with the Industrial Development Agency also named as an insured party.

***Industrial Development Agency Benefits:***

Criteria for Industrial Development Agency benefits are outlined through Article 18-A of New York General Municipal Law. Under the General Act, the Industrial Development Agency can undertake the following types of projects: manufacturing, warehousing, research, commercial, industrial, industrial pollution control facility, recreation facility, horseracing facility, educational or cultural facility, continuing care retirement community and railroad facility. The Industrial Development Agency can undertake a project either on its own behalf or for the benefit of an applicant. Applicant projects may be either “bond” projects (involving the issuance of debt) or “straight lease” projects (not involving debt). The Industrial Development Agency evaluates projects on a case-by-case basis to assure that projects result in new investment (typically of more than \$500,000), and/or increase employment.

Potential Industrial Development Agency benefits may include:

- Federal and state interest exemption on certain debt, providing the project meets the requirements of the Internal Revenue Code. These exemptions of interest allow borrowing at lower interest rates.
- Other state tax benefits, such as exemption from the New York State Mortgage Recording Tax, and the exemption from New York State and local sales tax for purchases of equipment and building supplies during the project period.
- Real property tax exemption, offset through a PILOT (payment in lieu of tax agreement). The Industrial Development Agency can abate real property taxes on new construction via a sale-leaseback or lease-leaseback arrangement. The real property tax reductions under the PILOT schedule are effective following the tax status date of each taxing entity occurring subsequent to the date upon which the Agency becomes the owner or lessee of record of the real property and the Real Property Tax Exemption Form is filed. The Company will be required to pay all taxes and assessments lawfully levied and/or assessed against the real property until the property shall be entitled to exempt status on the tax rolls of the respective taxing entities.

The standard Cortland County Industrial Development Agency PILOT schedule is as follows:

Project Year	% of Normal Taxes Payable
1	0
2	0
3	0
4	25
5	25
6	50
7	50
8	50
9	75
10	75
11	100

The foregoing schedule provides for an approximately 65% reduction in real property taxes over a ten year period. Terms and conditions of the PILOT are outline in an agreement between the company and the Industrial Development Agency and subject to the tax guidelines of Cortland County.

Determination of eligibility for benefits is made clear through Article 18-A of General Municipal Law; however, the Industrial Development Agency may also consider other factors when evaluating applications from businesses:

- The number of jobs to be created, with priority given to businesses creating full-time permanent jobs that pay starting hourly wages at 135% of the current New York State minimum wage or higher
- The timeline for projected investment and job creation, with priority given to projects expected to create investment and job growth within the first two years of application
- The extent to which the applicant will increase the skill base of the local workforce through training, opportunities for professional development and career track advancement
- The extent to which goods are services will be procured regionally, thereby increasing regional buyer-supply chains and producing a greater multiplier effect in the Upstate economy
- The level and type of investment to be made by the applicant business, with a total minimum new investment of \$500,000
- The extent to which the business enhances strategic goals identified in the Business Development Corporation's economic development plan, and the extent to which the project will enhance the overall regional economic climate

The Industrial Development Agency may deny benefits to businesses that have existing code violations, unsightly or poorly maintained exterior facades, renovations that compromise a structure's historic integrity or facilities that are consistently poorly maintained. Businesses in arrears on taxes, or out of compliance with federal, state or local regulations will not be granted benefits.

*All projects are considered on a case-by-case basis, if the applicant can demonstrate that the project is consistent with the provisions of Article 18-A of General Municipal Law.*

Retail projects will not be granted Industrial Development Agency benefits without a special exception ratified by the entire Cortland County Legislature. The Industrial Development Agency will apply statutory definitions for retail as outlined in Article 18-A of General Municipal Law governing Industrial Development Agencies, which does not permit special exceptions retail enterprises.

***Termination of Benefits:***

Termination of Industrial Development Agency benefits include failure to comply with statutes that govern the program, failure to invest or meet job goals within three years of application, and/or default on any other provision of the final agreement between the Industrial Development Agency and the company.

Industrial Development Agency counsel and staff are jointly responsible for monitoring the performance of the project and providing a recommendation to Industrial Development Agency Board regarding termination or restructuring of an agreement due to non-performance or default.

***Geographic Areas for Development:***

The Cortland County Industrial Development Agency serves all communities within Cortland County.