

## Committee on Economic Development

Sheldon Silver, Speaker • Robin Schimminger, Chairman

December 2013



### START-UP NY TO OFFER TAX-FREE ZONES TO NEW AND EXPANDING BUSINESSES

The new START-UP NY program seeks to accelerate entrepreneurship and job creation in targeted areas across the state, with a particular focus on Upstate New York, through the creation of tax-free areas located on or in the vicinity of college and university campuses. The State University of New York, along with other college communities, will serve as the framework of the START-UP NY program to attract high-tech and other start-ups, venture capital, new business and investments from across the world. Under the program, businesses have the opportunity to operate completely tax-free for ten years on eligible campuses and spaces. Businesses will partner with the higher education institutions in the SUNY system, as well as other universities and be able to access industry experts and advanced research laboratories.

Participating companies will not pay any taxes – business/corporate, sales or property – to the state or localities for 10 years. Their employees will pay no state or local taxes on personal income for the first five years. For the next five years, employees will pay no taxes on income up to \$200,000 of wages for individuals, \$250,000 for a head of household, and \$300,000 for taxpayers filing a joint return.

In order to be eligible for the START-UP NY program, a business needs to be aligned with or further the academic mission of the college or university sponsoring the tax-free area and either be a new start-up company, be from out of state, or be the expansion of an existing New York company that is creating new jobs and not moving existing jobs. Certain types of businesses are excluded from the program statewide, including retail and wholesale businesses, restaurants and hospitality businesses, professional practices, and energy production and distribution companies. In

New York City, Long Island and Westchester County, businesses must be start-ups or high-tech companies. Businesses that might compete unfairly with other local businesses outside the tax-free area would be ineligible to participate. A business must also create and retain “net new jobs” and meet an annual employment test.

SUNY, CUNY, and independent colleges and universities will all have the opportunity to develop tax-free areas. Every SUNY community college and 4-year school can establish a tax-free area using vacant land on the campus, vacant space in buildings on the campus, any business incubator with an affiliation to the campus, and up to 200,000 square feet within one mile of a campus or a further distance with approval from Empire State Development. The program also allot three million square feet of tax-free areas statewide dedicated to private colleges and universities primarily in counties north of Westchester County, which can include vacant land and vacant space on- or off-campus, as well as any business incubator with an affiliation to the institution. Of these three million square feet, a potential of 150,000 square feet of space will be available for private colleges and universities located in Westchester County, Long Island and New York City.

In addition, up to 20 strategic state properties can be designated as Tax-Free Areas. These must be state-owned vacant land, vacant facilities, or facilities that are in the process of being closed by the state and becoming vacant.

START-UP NY formally begins on January 1, 2014, when tax exemptions are officially available for participating businesses and their employees. Businesses will be able to apply directly to colleges and universities once the tax-free areas are approved, which is expected to occur in December.

**For additional information regarding this program, please contact my office or visit the program's website: <http://startup-ny.com>.**

### EXCELSIOR JOBS PROGRAM UPDATED

In an effort to boost economic development in the state, the Legislature has this year modified the requirements for businesses to receive assistance under the Excelsior Jobs program. The Excelsior Jobs program provides significant tax credits to eligible businesses.

The changes will also impact existing New York State companies since more businesses will be eligible to participate in the program, lessening the likelihood that New York State firms will relocate jobs out of state.

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**CELEBRATING 75 YEARS.** The General Motors Tonawanda Engine Plant celebrated its 75th Anniversary in August and is nearing production of its 71 millionth engine since the plant opened its doors in 1938. Over the past 10 years, GM has invested \$2.3 billion in the plant, which currently has nearly 2,000 employees. During the community celebration, Assemblyman Schimminger, Julie Riling, Gail Floros and Engine Plant Manager Steve Finch examined a new GM vehicle and discussed the plant's storied history and promising future.

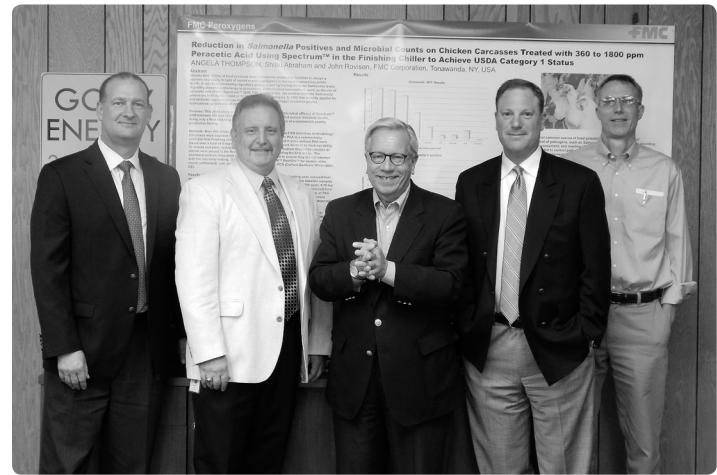
Strategic Industry	Previous Targets	New Targets
Scientific R&D	10	5
Software Development	10	5
Agriculture	10	5
Manufacturing	25	10
Financial Services	100	50
Back Office	150	75
Distribution	150	75

## REGIONAL ECONOMIC DEVELOPMENT COUNCILS AT WORK

In this year's 2013-14 state budget a third round of funding for the Regional Economic Development Council Program was provided by the Governor and the Legislature. The Councils were awarded \$200 million in financial support in 2011 and \$220 million in 2012, and will again be receiving \$220 million – \$150 million in capital grants and \$70 million in Excelsior Tax Credits – in 2013. Additionally, funding from other state agencies and programs – totaling \$540 million for 2013 – will again be awarded for a variety of projects through the Regional Councils via the Consolidated Funding Application (CFA) process.

The Regional Councils were established by the Governor in 2011 to provide a more locally driven approach to economic development in the state. In addition, competition was a major component from the beginning, requiring the best strategic plan to be developed in order to win the maximum amount of funding each year. In 2011 the Western New York Regional Council was one of four councils to submit a winning strategic plan and was awarded \$100 million in funding for 96 projects in the five county region. In 2012 the Regional Councils competed for an additional \$150 million in capital funding and \$70 million in tax credits, with the W.N.Y. Regional Council being awarded \$52.8 million for 58 projects.

Again for 2013, all 10 Regional Councils are competing against each other. Five regions identified as "top performers" will receive \$25 million each in Regional Council funding, and the remaining five regions will compete for the balance of \$25 million. Also, each region is eligible for up to \$10 million in Excelsior Jobs Program tax credits.



**VISITING AT FMC.** Assemblyman Schimminger recently spent some quality time with a number of employees at the FMC facility in Tonawanda during a question-and-answer session, allowing production line employees to inquire about state government and legislative measures that were considered during this year's 2013 Legislative Session. And a tour of FMC's on-site research facilities gave the Assemblyman a more thorough understanding of the work and research being conducted at the plant. Pictured left to right are: FMC Manufacturing Director James Leadbetter, FMC Global Peroxogens Technology Director John Rovision, Assemblyman Schimminger, FMC Vice President Bruce Lerner and Tonawanda Plant Manager Dave Vance.

Every region had to submit its application by September 24th, and it's expected that Regional Council awards for 2013 will be announced by the Governor in December.

For additional information regarding this program please contact my office or visit the program's website: <http://regionalcouncils.ny.gov>.

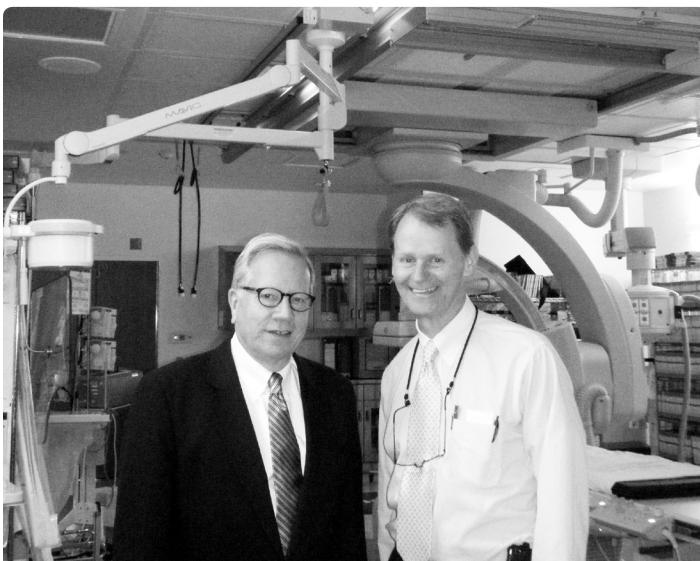
## BUSINESS INCUBATORS AND INNOVATION HOT SPOTS

This year the Legislature approved the New York State Business Incubator and Innovation Hot Spots Support Program to provide funding to business incubators in the state. Business incubators have been longstanding support mechanisms for startups by providing a wealth of resources including technical support, facility sharing, collaborations, and other tools for new business owners. Under this program, successful incubators will be eligible for operating grants from the state.

In addition, the new "Hot Spot" aspect of the program will provide extensive benefits to participants in the form of tax breaks. For example, companies located in a "Hot Spot" will be eligible to receive a credit or refund for sales tax on the purchase of business-related goods and services.

An Innovation Hot Spot and Regional Incubator Plan will be developed by the state's 10 economic development regions in conjunction with Regional Councils. Each Regional Council will develop a strategy for the designation of a "Hot Spot." Guidelines for the development of the plan include a strategy for the commercialization of technology, connecting regional resources with capability, ensuring industry accepted best practices, providing a three-year commitment with the companies located in the "Hot Spot," and generating at least a 2:1 match in state resources.

For additional information regarding this program please contact my office or visit: [http://regionalcouncils.ny.gov/sites/default/files/documents/2013/new-available\\_resources\\_2013.pdf](http://regionalcouncils.ny.gov/sites/default/files/documents/2013/new-available_resources_2013.pdf).



**TOURING THE JACOBS INSTITUTE.** Dr. L. Nelson Hopkins, Chief Executive Officer of The Jacobs Institute, gave Assemblyman Schimminger a tour of the research facility, located in the new Gates Vascular Institute building on the Buffalo Niagara Medical Campus that is shared with Kaleida Health and the University at Buffalo. The Jacobs Institute was established to catalyze medical collaboration and innovation in vascular medicine and related neurological diseases through partnerships among UB, Kaleida, community physicians and industry.

## STATE LAUNCHES NEW INITIATIVE TO HELP SMALL BUSINESSES

In October, the state launched a new initiative that offers free help to business owners, including an expanded website linking employers with free support and resources to help them grow their businesses.

On an expanded NewNY.com website, employers can link up with recruitment and training services, research financing options, learn about incentives and tax credits, receive business counseling, find information on becoming a minority or women-owned certified business and access HR and layoff aversion resources.

Also, Empire State Development's Business Service Team members will be available online to provide direct hands-on assistance to any businesses that need their help.

For more information about these services and hiring incentives please visit [www.theNewNY.com](http://www.theNewNY.com) or contact a New York Works for Business representative at [BusinessSurvey@nyworks.ny.gov](mailto:BusinessSurvey@nyworks.ny.gov) or 1-888-708-6712 toll-free.

# BOOSTING WINE AND HARD CIDER PRODUCTION IN THE STATE

The Legislature and Governor enacted a series of new laws that will continue the state's efforts to better market and promote New York wine by allowing wine to be sold at roadside farm markets and by designating portions of state highways near wineries and vineyards as "Wine Trails."

These new laws will build on our continuing efforts to promote New York's wine industry across the state and beyond, boosting tourism, local economies and job growth. We are increasing market opportunities for local producers and farmers and expanding our wine trails to attract tourists to communities across Upstate New York. Our state is home to hundreds of wineries that produce some of the best wine in the world, and we want both New Yorkers and visitors to come and enjoy them.

The farm markets law will create a new venue for New York wineries to sell their products by allowing roadside farm markets to sell wine manufactured and produced by up to two licensed farm wineries, special wineries or micro-wineries located within 20 miles of the roadside farm market.

We also enacted four wine trail laws: one establishes a new wine trail – the Adirondack Coast Wine Trail in the North Country; one expands an existing wine trail – the Shawangunk East Wine Trail in Orange and Ulster counties; one, which I sponsored, both expands two existing wine trails and changes their names – the Niagara Wine Trail Lake and Niagara Wine Trail Ridge in Niagara, Erie, Orleans and Monroe counties; and one simply changes the name of an existing wine trail – the Lake Erie Wine Trail in Chautauqua County. Wine trails help guide tourists to local attractions, vineyards, and wine tasting rooms, and to experience all that New York's wine regions have to offer. There are currently 16 wine trails designated by state law.

Also, the state's hard cider production is ramping up quickly to be a leader in the industry. The demand for hard cider and other high-end craft products is on the rise.

The Legislature is paying attention to the state's unique position for cider production. This year the state had an excellent apple crop and farmers were looking for additional markets for their product. That, coupled with the growing number of small craft breweries and distilleries, makes New York State primed to be a leading contender in the production of craft hard ciders.

This year the Legislature passed a law I sponsored establishing a farm cidery license. Licensed farm cideries can now produce and sell hard cider, host tastings, and also sell New York-produced beers and spirits. The license will also reduce sales tax requirements for cideries. Most importantly, farm cideries will be required to utilize New York State grown apples. The initiative is expected not only to create additional markets for New York State farmers,

but also to increase production of existing apple crops and encourage new business opportunities associated with hard cider production.

In addition, the 2013-14 state budget contained several new initiatives to help improve the marketing of New York State products, including a total of \$7 million for Market New York and Taste NY to support a multi-faceted regional marketing plan that will promote regional tourism and New York goods and products.

For additional information regarding these initiatives please contact my office or visit: <http://taste.ny.gov>.



**BREWING UP A BATCH.** Earlier this year Assemblyman Schimminger visited Flying Bison Brewing Company, the first stand alone brewery to operate in the City of Buffalo since Iroquois Brewing closed its doors in 1972. The Assemblyman met with employees Ryan Coleman and Paul Koehler and founder Tim Herzog, an award-winning brewer who hopes to foster the return of what was once a flourishing industry in the city. With more than 100 craft breweries throughout the state, the craft beer industry is growing across New York, which was recently ranked 8th on USA Today's "Top Ten Best Craft Brew States in America" list, and is a significant sector in the state's agricultural and tourism industries.

## WORKERS' COMP REFORMS TO CUT EMPLOYERS' COSTS BY \$800 MILLION

A series of measures that will reduce the cost to employers under the state's workers' compensation system by 26 percent annually beginning in 2014 were included in the 2013-14 state budget.

The Business Relief Act enacted as part of the budget cuts the workers' compensation assessment to employers from 18.8 percent to 13.8 percent, the largest reduction since 1998, and also provides a one-time workers' comp assessment savings next year to all self-insured employers.

The changes reduce the cost to operate the workers' compensation system, otherwise known as assessments, in two ways. Closing the Re-Opened Case Fund initially will save employers a \$300 million annual assessment. In recent years, the cost of the Re-Opened Case Fund had grown exponentially while failing to serve its originally intended purpose. Closing the fund also reduces unnecessary litigation in the comp system, another cost savings for employers.

Additionally, the Business Relief Act simplifies the antiquated, disjointed and overly complicated system used to calculate employer assessments. Unlike the old system, the new system will charge all employers using the same methodology. As a result, self-insured employers in New York State, including most local governments and school districts, will realize a one-time savings in claim reserves of \$500 million.

Along with these cost-saving measures, the state has launched two other initiatives this year that will have a long-lasting positive impact on the system. This summer, New York began implementing the first phase of electronic reporting of injuries, known as eClaims. By March 2014, insurers and third party administrators will submit injury information electronically, instead of on paper – a more efficient and cost-effective process.

Finally, the Workers' Compensation Board is now beginning a comprehensive project known as "business process re-engineering" to evaluate and re-imagine the state's workers' comp system. This effort will examine the system in New York as it exists today, assess how well it meets its goals, and re-create a system that more effectively serves the needs of injured workers and employers.

For more information please contact the Workers' Compensation Board at [BusinessReliefAct@wcb.ny.gov](mailto:BusinessReliefAct@wcb.ny.gov).

### EXCELSIOR JOBS PROGRAM UPDATED

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In addition, while the Empire State Development Corporation (ESDC) will continue to work within the existing state allocation of tax credits, the law was changed so that ESDC can roll over unutilized credits from one state fiscal year to the next fiscal year to achieve the maximum benefits for eligible businesses.

The Assembly looks forward to working with the Governor to ensure rapid approval for eligible applicants for Excelsior Jobs credits and a continued dialogue on this very important program.

For additional information regarding this program please contact my office or visit the program's website: [http://esd.ny.gov/BusinessPrograms/Data/Excelsior/06272013\\_ExcelsiorJobsProgramOverview.pdf](http://esd.ny.gov/BusinessPrograms/Data/Excelsior/06272013_ExcelsiorJobsProgramOverview.pdf)

## "BUFFALO BILLION" UPDATE

The Buffalo Niagara region was a leader in America's industrial economy for most of the 20th century – a major center of heavy manufacturing and a hub for transportation and logistics. However, as the economy has changed, the region's strengths have not evolved to preserve growth.

The region's population, employment and GDP have all declined over the last several decades, leaving a population that is closer to retirement than the average U.S. metropolitan area and a persistently high unemployment rate as the region's manufacturing base has substantially eroded. As a result, the regional economy no longer produces the volume of quality jobs necessary to sustain a renewal. Fortunately, the region has significant assets to grow – enduring capabilities in advanced manufacturing, a leading regional health and life science presence, and world-renowned tourist assets that draw millions of visitors every year.

In recognition of Buffalo Niagara's lagging economy and untapped potential, Governor Cuomo pledged \$1 billion in state assistance in his 2012 State of the State Message to attract complementary private investment at a 5:1 leverage ratio and ignite growth in the region. The W.N.Y. Regional Economic Development Council has developed a blueprint for utilizing the "Buffalo Billion" for sustained and purposeful transformation of the region. The Buffalo Billion Investment Development Plan unveiled earlier this year identifies six specific strategies tailored to Buffalo Niagara's assets and opportunities. These mutually reinforcing strategies will accelerate growth in three prioritized sectors: manufacturing, health/life sciences and tourism. Underpinning these sectors are a variety of cross cutting enablers focused on fostering entrepreneurs, improving workforce skills, and revitalizing communities.

A total of \$200 million in state funding and business tax credits – \$75 million in capital funding and \$25 million in tax credits reserved in the Excelsior Jobs Program via the 2012-13 state budget, and another \$75 million in capital funding and another \$25 million in Excelsior tax credits

in the 2013-14 budget – has been sought by the Governor and approved by the Legislature thus far to meet this multi-year commitment. To date, several preliminary projects consistent with the Buffalo Billion Investment Development Plan have been committed funding, including an expansion of Albany Molecular Research Inc. to Western New York to bring 250 jobs to the Buffalo Niagara Medical Campus; the launch of a new post-production, visual effects and animation company, Empire Visual Effects, that will partner with Daemen College and create 150 new jobs; and a major development competition aimed at revitalizing Downtown Niagara Falls. And just last month the Governor announced that as part of the Buffalo Billion initiative New York State will build a state-of-the-art anchor hub facility for high tech and green energy businesses on the vacant, cleaned-up site of a former steel mill in the City of Buffalo. Two California-based companies at the forefront of the clean energy revolution, Soraa and Silveo, promise to eventually invest a total of \$1.5 billion in the project and relocate major parts of their operations from California to the new Buffalo High-Tech Manufacturing Innovation Hub at RiverBend, creating 850 permanent jobs and at least 500 construction jobs and hopefully attracting additional manufacturing companies to the previous brownfield site. RiverBend, formerly Republic Steel, is a 90-acre site that is ready for development.

Further plans include establishing an Institute for Advanced Manufacturing Competitiveness that will help Western New York's over 1,500 small and medium-sized local manufacturers with R&D support, development of more efficient processes, and access to new markets that they might not otherwise have the resources to undertake on their own, as well as a new regional workforce training center focused on the needs of manufacturers to fill employment skills gaps among the area's residents. Also, a new research commercialization center dubbed SParC – Science Productivity and Research Catalyster – is intended to capture the value of the region's health and life sciences research.

For additional information regarding this initiative please contact my office or visit:

[http://regionalcouncils.ny.gov/themes/nyopenrc/rc-files/westernny/Buffalo\\_Billion\\_Investment\\_Development\\_Plan\\_February\\_2013.pdf](http://regionalcouncils.ny.gov/themes/nyopenrc/rc-files/westernny/Buffalo_Billion_Investment_Development_Plan_February_2013.pdf)



Legislative Update from the New York State Assembly

## Committee on Economic Development

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**December 2013**



### Robin Schimminger, Chairman Committee on Economic Development

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