

GOVERNOR PATERSON OUTLINES ECONOMIC DEVELOPMENT AND AFFORDABLE HOUSING PLANS

On January 6th Governor Paterson held his second State of the State address and outlined his plan to rebuild New York. Included in his address was an economic development plan that provides a replacement to the Empire Zone Program and a commitment to affordable housing development in Upstate New York. Below are some of the highlights of the Governor's economic development and affordable housing plans.

Excelsior Jobs Program

Under the Governor's plan the Empire Zone Program will be replaced by the Excelsior Jobs Program, which focuses predominately on the industries of the "New Economy", which include businesses involved in high technology, biotechnology, clean technology, etc. Under the Excelsior Program investments will be strategically targeted and the costs will be controlled through increased transparency and oversight.

According to the Governor's plan, the Program utilizes three different incentives for targeted growth industries: the Research and Development Tax Credit, the Investment Tax Credit, and the New Jobs Incentive. The Governor seeks to expand the Research and Development Tax Credit by allowing it to be claimed by businesses investing in assets other than capital equipment, the current limitation. Likewise, the Governor's plan expands the Investment Tax Credit, which provides firms investing in manufacturing, production or research and development property with a credit against their corporate income tax for such investment. The Governor has not yet detailed how the Investment Tax Credit will be expanded under his plan. Lastly, the Governor proposes a New Jobs Incentive, which will give businesses in the high technology, biotechnology, clean technology, finance and manufacturing industries, a tax credit if they create and maintain a set number of jobs in the State for a five year period. The tax credits under this incentive are determined by the payroll costs associated with such new jobs.

The Excelsior Jobs Program will also employ streamlined accountability and transparency measures. First, all job creation numbers will be net-statewide, which will restrict a business's ability to move workers from its other State facilities to gain tax benefits. Moreover, businesses must be in good standing, in compliance with all environmental laws and worker protection laws, and be current with all state and local taxes, fees, and fines. Additionally, businesses must provide clear and detailed information regarding their affiliated businesses. Lastly, annual performance reports are required to qualify for benefits and to verify compliance. Empire State Development will monitor Program compliance.

New Technology Seed Fund

Seeking to encourage growth in "New Economy" industries, Governor Paterson's plan includes a \$25 million New Technology Seed Fund. The Fund is expected to help New York's institutions of higher learning attract aspiring entrepreneurs and assist them in moving from research to product development and production. State funds committed under this Program will require a

match of federal or private investment to leverage and maximize the impact of the State's investment.

Small Business Revolving Loan Fund

The Governor's plan includes a small business revolving loan fund which will primarily target minorities, women, and other disadvantaged New Yorkers that have had difficulty accessing regular credit markets.

Manufacturing Legacy Program

Governor Paterson's economic development plan will create a Manufacturing Legacy Program with the focus on repurposing the State's underutilized industrial facilities. Under the Program, the State will partner with regional not-for-profit organizations to establish an inventory of available locations, assess the opportunities, identify regional core competencies, partner with key stakeholders, invest in such locations and market them nationally and internationally. Like other initiatives under the Governor's economic development plan, this Program focuses on developing "New Economy" industries.

Sustainable Neighborhoods Project

The Governor's plan creates the Sustainable Neighborhoods Project, which he hopes will serve as a national model for the development of affordable housing and the revitalization of urban centers. Under this initiative, existing Federal, State, and Local resources will be strategically coordinated and invested in urban agriculture projects, open space management and economic development projects. Specifically, the Governor seeks to create Sustainable Neighborhoods by targeting resources such as the Division of Housing and Community Renewal's Weatherization Program, the Housing Finance Agency's Neighborhood Stabilization Program, the Department of Environmental Conservation's Brownfields Tax Credit, the State's energy efficiency programs, and the Historic Rehabilitation Tax Credits. According to the Governor, the Sustainable Neighborhoods Project will revitalize urban neighborhoods and create new, high-quality homeownership opportunities. Buffalo, with more than 23,000 vacant housing units, will serve as the starting point for the Project, which will then expand to cities across the State.

As the Governor and the Legislature further develop these and other initiatives and programs, it is important to gauge what these new opportunities mean and how your business or industry may benefit. If you have any questions regarding the information in this Alert, please contact Raymond P. Reichert at 716.843.3886 or rreichert@jaeckle.com, or Christopher N. Ollinick at 716.843.3845 or collinick@jaeckle.com.