



Frederick C. Braun, III, Chairman

One Independence Hill, Farmingville, NY 11738 Telephone 631-451-6563 Fax 631-451-6925 [www.brookhaven.org](http://www.brookhaven.org)

## Industrial Development Agencies

### Myth vs. Truth

1. MYTH *IDA projects are financed with taxpayer dollars.*  
TRUTH IDA projects are financed by investors, financial institutions, and in some cases, with the support of the Small Business Administration.
2. MYTH *The full faith and credit of the Town, County and New York State stands behind each and every project.*  
TRUTH Credit support depends on the cash flow, collateral and usually, the guarantees from the project's principals or owners. Neither the IDA's, nor the municipality's credit is ever exposed or at risk.
3. MYTH *Tax abatements are automatically handed out with little consideration for the impact of a project on the municipalities affected.*  
TRUTH Projects are evaluated based on both the existing jobs and those to be created (or retained) and the capital investments being made. The actual abatement however, is a function of the capital investment (and the assessment thereof) and the municipality's tax rate (s). Municipal taxing jurisdictions impacted are notified and a public hearing is held before final approval. In the great majority of cases, no existing real estate taxes are lost, and, after a term, usually ten years, real estate taxes are greatly increased. The IDA is required to hold a public meeting on every project and is required to mail notice of such public hearing to every impacted taxing jurisdiction.
4. MYTH *IDA Board Members are paid.*  
TRUTH Members are appointed by the governing body of the municipality and serve without compensation.
5. MYTH *IDA projects don't pay taxes.*  
TRUTH While title to the real estate passes to the Industrial Development Agency which is exempt from paying taxes, a Payment-in-Lieu-of-Tax (PILOT) Agreement is executed to govern the approved abatement. Generally, full taxes for vacant land and previously

existing structures continue to be paid under the PILOT Agreement. Abatements generally apply to new construction or expansion.

6. MYTH

*If a project fails to live up to its promised investment or the jobs promised, no action including penalty assessments is taken by the host IDA.*

TRUTH

PILOT Agreements contain “clawback” language that enables IDAs to amend, reduce or even cancel the approved abatement and recover any benefit provided.

7. MYTH

*IDA meetings are closed to the public and are not publicly advertised.*

TRUTH

Meetings are open to the public with dates and times advertised ten days before each meeting. Members of the public are welcome to speak or present written objections at such public meeting. Minutes of those meetings are posted on the organization’s website.

8. MYTH

*Finances and financial statements are figments of the IDA Board’s imagination and are confidential.*

TRUTH

The Public Authorities Accountability Act of 2005 (PAAA) of New York State requires every IDA to have an annual audited financial statement prepared by an independent certified public accounting firm, and includes a section on all outstanding IDA projects. This document is also posted on the website.

9. MYTH

*Monies collected (semi-annually) under the PILOT Agreement are used by the IDA until its management decides to remit to the affected taxing jurisdictions.*

TRUTH

All monies collected under PILOT Agreements must be distributed within 30 days of their receipt.

10. MYTH

*Industrial Development Agencies operate without supervision or oversight.*

TRUTH

Virtually every aspect of IDA operations is governed by the Public Authorities Accountability Act of 2005, and the Public Authorities Reform Act of 2009, which is enforced by the Authority Budget Office, and the Office of the State Comptroller. An annual budget must be submitted to the municipality before it is adopted. In addition, the IDA’s appointed board has fiduciary and ethical responsibilities regarding all IDA actions.

11. MYTH

*There is active and continuing competition among IDAs resulting in additional abatements and exemptions for a project.*

TRUTH

Long Island IDAs do not compete. Project site selection is based primarily on the availability and location of vacant land, existing structures and either highway or rail transportation. IDAs fully understand that a business that stays and expands in any Long Island town benefits the economic stability of the entire region.