MDA

METROPOLITAN DEVELOPMENT ASSOCIATION OF SYRACUSE AND CENTRAL NEW YORK INC.

Remarks of Robert M. Simpson
Assistant to the President
Metropolitan Development Association of Syracuse & CNY
NYS Division of the Budget – Syracuse Hearing
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Syracuse Common Council Chambers

Good afternoon. I am Robert Simpson, assistant to the president of the Metropolitan Development Association of Syracuse and Central New York.

About MDA

The MDA represents the region's business leadership as the principal private-sector organization for strategic economic planning and implementation of key development projects. The MDA focuses on initiatives involving economic development, talent attraction, education, transportation, urban planning, and regional cooperation.

The MDA works with a variety of affiliates and partners in efforts to stimulate growth across the region, including: the Downtown Committee, University Hill Corporation, New York Agridevelopment Corporation, the Central Upstate Regional Alliance, and others.

Overall Approach

As we seek to grow the Central Upstate economy, we stand at an important crossroads. Our region faces greater opportunities than it has in a generation. We are blessed with a wealth of natural resources, a high concentration of some of the best colleges and universities in the world, and a competitive edge in global growth clusters such as green energy and environmental systems, biosciences, financial services, and advanced manufacturing. We must take advantage of these strengths or we will remain stagnant.

Given the possibility to emerge as a leader in a changing global economy, it is imperative to have the infrastructure in place for our economy to benefit from sustainable growth. In this light, it is critical for the state to operate as a partner in these efforts making strategic policy decisions to invest these dollars for the greatest return to the taxpayers and businesses of New York. Of course, this must be done with fiscal restraint to permit New York to be competitive on the national and international stage.

ESD Budget a Priority

With this in mind, the MDA urges the Governor to provide funding for new and revised economic development programs to more effectively meet the needs of upstate New York.

With Dan Gunderson and an upstate-focused staff now in place at Empire State Development Corporation, they must be outfitted with the tools necessary to attract new business to New York and grow the state's most firmly-established companies. Further, in the Central Upstate region, we believe that some of our brightest stars are the exciting emerging businesses that often need only a small hand-up to become truly successful. Too often, we watch as other states are all too ready to lure these entrepreneurial companies away.

We support ESD's programmatic requests for new and expanded offerings to create seed capital and innovation funds, support small business, rethink the Empire Zone program and overhaul other existing programs to better meet the needs of a modern economy.

Historic Preservation Tax Credit

To build a stronger upstate, we must recognize that the region will only be as strong as the cities at its core. Urban blight and decay spread more quickly and become more expensive problems as long as our aging cities are neglected. Conversely, as our cities prosper, their growth and prosperity spread well beyond the city limits. In this light, the MDA could not have been more pleased when Governor Spitzer announced that it would be a priority of his administration to renew New York's emphasis on improving its urban areas.

In this arena, our number-one request would be the implementation of a "best practice" State Historic Rehabilitation Tax Credit program.

In 2006, New York State introduced its first historic preservation tax credit. The State now offers 30% of the federal credit value, with a cap of $100,000, for commercial properties.

While that's a step in the right direction, its limited scope seriously diminishes the program's potential impact, particularly in urban areas, where the associated costs of development can be significantly higher and where private investment is most desperately needed

We support an expansion of the Credit to mimic Rhode Island's best-in-the-nation model – including 30% of qualified rehabilitation costs, rather than 30% of federal credit value; and the current $100,000 cap should be removed. There is perhaps no more efficient and effective budgetary investment that the State could make that would have a greater impact on urban redevelopment, smart growth and economic development than the passage of an expanded credit.

Agribusiness Loan Fund

Across our rural areas, agriculture – from farm to processor – is a vital sector of New York's economy – generating more than $20 billion in annual sales. Of the broad assortment of agricultural products produced upstate, dairy makes up at least 50% of the value of that production and is critical to the state's economic development.

New opportunities in dairy manufacturing are emerging that, when combined with the existing food processing capacity of our state, make it clear that upstate New York should be the food processing center of the northeast.

Currently, there are four major expansions proposed by existing New York dairy processors. These expansions bring a major increase in demand for milk production. Collectively, this growth will require well over a half-billion additional pounds of milk annually. Out-of-state processors are also expressing interest in expanding into this state.

These opportunities can produce tremendous results for New York; however they also place great strain on upstate's existing farming infrastructure. These expansions will require modernization of existing farm facilities, the purchase of tens-of-thousands of additional cows, securing additional land to grow more feed, and the construction of new agricultural facilities.

All of this requires the investment of millions of dollars by New York farmers. We are pleased to have worked with ESD and Ag and Markets to develop an innovative New York State Agricultural Economic Development Program.

The centerpiece of this program is a $30 million Agribusiness Loan Fund to provide capital for viable expansion proposals – supplementing traditional financing sources. Additional incentives from the program could be targeted to recruit farmers from other states who may be willing to buy and revive existing farms that stand empty due to the aging of the farming population. Similar programs are already in place in several states, including: Maine, Vermont, Missouri and Texas. We ask that the Governor include full funding for this important agricultural and economic development program in his upcoming budget.

International Development

Attracting foreign investment and building international partnerships is something that the MDA has been actively involved in for years. We have had some success in building international investment and attracting foreign companies to Syracuse and the Central Upstate region.

However, to achieve maximum effect, any program to attract foreign investment and assist businesses with entry into foreign markets must be addressed at the state level. Critical infrastructure to support these programs – foreign offices, country-experts, industry experts, and well-managed networks and databases linking regional and international opportunities – simply cannot be resourced properly at the local level.

In light of New York's undeniable need to be an effective global competitor, we ask that you fully support ESD's budget requests to establish the infrastructure necessary for upstate to effectively compete on a global playing field. The MDA has already offered its resources to assist in this effort; we hope this will be a top priority in the governor's budget proposal.

9-A Corporate Franchise Tax Rate Reduction

Corporate taxes in New York are a significant part of our high cost of doing business. New York had the third-highest level of state and local corporate income taxes, per capita, in the nation in 2005. At $362, New York's level was nearly two-and-a-half times the national per capita figure of $145.

Unfortunately, high taxes make it difficult for existing New York businesses to compete with their counterparts from other states. We see the impact in job statistics – especially upstate – where jobs grew just 3.5% from 1990 to 2005, compared to 23% nationally. As there have been modest tax reductions in recent years, the upstate economy has improved somewhat.

Reduction – and ultimately elimination – of the General Business Corporation Franchise Tax over a five year period would provide meaningful tax relief and produce a healthier upstate business environment. A five-year phase-out of this tax would save upstate businesses $150 million in the first year and $1 billion when fully implemented, according to estimates from the Empire Center for New York State Policy. This would be an effective stimulus for the upstate economy and we ask you to support a phased reduction and elimination of the Corporate Franchise Tax in the coming budget.

In Conclusion

I hope that today's session helps produce a budget that funds creative, strategic investments to put upstate on a path toward long-term, sustainable economic growth. We would like to thank the governor and the panel for conducting this hearing, and we offer the continued support and assistance of the MDA and the region's business community as a resource to you and other policy makers as the budget process moves forward.

Thank you.

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