



# THE BUSINESS INCENTIVES

## REPORT



**NEW YORK**  
STATE OF  
OPPORTUNITY.

**Empire State  
Development**



5063

Project's Assistant

# CONTENTS

<b>Introduction .....</b>	<b>4</b>
<b>Regional Economic Development Councils .....</b>	<b>6</b>
<b>The Buffalo Billion .....</b>	<b>8</b>
<b>Tax-Free Incentives .....</b>	<b>9</b>
New York State Certified Business Incubator and Innovation Hot Spot Program.....	9
START-UP NY.....	9
<b>Business Incentive Programs.....</b>	<b>12</b>
Excelsior Jobs Program .....	12
Empire State Jobs Retention Program.....	13
Economic Development Fund (EDF) .....	14
Economic Development Purposes Fund (EDPF).....	14
Upstate Blueprint and Downstate Revitalization .....	15
JOBS Now .....	15
<b>New York by the Numbers.....</b>	<b>16</b>

## INTRODUCTION

Over the past five years, Governor Andrew M. Cuomo has shifted the State's economic development strategy, moving the focus away from top-down mandates, and shifting the focus to regionally-driven, grassroots economic development. This strategy has created new relationships among academia, labor and private industry, local government and state government, leading to new and lasting partnerships that have proven successful in attracting investments and opportunities across the State.

This report highlights Empire State Development's core programs designed to ensure long term, sustained job creation and economic growth in accordance with Governor Cuomo's economic development strategy.



26,942  
jobs created



77,881  
jobs retained



**To complement this new strategy, Empire State Development (ESD) has promoted new initiatives and revamped existing programs and incentives that encourage sustained levels of job creation, reigniting local economies throughout New York.**

**This strategy has resulted in the creation of 26,942 jobs and the retention of 77,881 jobs in New York from 2011 to the end of 2015. Additionally, the job creation figure does not account for the thousands of construction jobs necessary for the development of these projects.**

**Governor Cuomo's economic development strategy is powering job creation and revitalization in every region of the State. ESD will continue its work to implement this strategy through smart, targeted investments that continue to attract businesses and create even more high-quality jobs.**

# REGIONAL ECONOMIC DEVELOPMENT COUNCILS

Prior to the development of the Regional Economic Development Councils (REDCs), many New York State communities were suffering from the losses of industries and jobs. New York State faced a two-part problem: 1) economic development strategies were created and implemented without community input; and 2) state agencies were operating in silos without the needed coordination to implement a cohesive statewide economic development agenda. As a result, New York State was ill-equipped to respond to the changing realities of the economy.

In 2011, Governor Andrew M. Cuomo established a new state government operating model for economic growth. He launched 10 Regional Councils, which created a bottom-up approach to economic development, fostered interagency collaboration, and produced public-private partnerships. Through the REDCs, the state not only redesigned the relationship between state government, businesses and academia, but it also stimulated regional economic development and created jobs.



**4,100** projects on track  
to create or retain **200,000** jobs



By leveraging state and local resources, agency assets and human capital, New York State has improved its place as a national and global competitor for business and positioned itself to become a leader across industry sectors.

After five rounds of the REDC process, nearly \$4 billion has been awarded to more than 4,100 job creation and community development projects consistent with each region's strategic plans, supporting the creation or retention of more than 200,000 jobs.

Two primary types of funding are available through ESD for Regional Council projects: Excelsior Jobs Program tax credits and capital grants. Excelsior tax credits are job creation incentives available to firms in such targeted industries as biotechnology, pharmaceutical, high-tech, clean-technology, green technology, financial services, agriculture and manufacturing. Capital grant funding is available through various streams for capital-

based economic development projects intended to: create or retain jobs; prevent, reduce or eliminate unemployment and underemployment; and/or increase business or economic activity in a community or region.

Grant funding is allocated among the 10 regions, each represented by a Regional Council, based on each Regional Council's development and implementation of a five-year strategic plan that sets out a comprehensive vision for economic development and specific strategies to implement that vision. Funding is allocated to projects, including priority projects identified by the Regional Councils, identified as significant, regionally supported and capable of stimulating economic investment. To date, 23,131 jobs have been created or retained statewide, with \$54,689,573 in performance-based funding disbursed to these job creation and retention projects.

# THE BUFFALO BILLION

The Buffalo Billion Investment Development Plan serves as a roadmap for implementation of the Buffalo Billion, a historic initiative aimed at revitalizing Buffalo and the surrounding areas. Developed by the Western New York Regional Economic Development Council, it identifies six high-level strategies and the unique assets that will move the region forward on the path to sustainable, next-economy growth. High-potential sectors include advanced manufacturing, health and life sciences, and tourism, while key enablers include entrepreneurship, workforce development and smart growth. The strategies are mutually reinforcing and together provide a framework that encompasses, contextualizes and aligns existing efforts, and guides future economic growth initiatives. Buffalo Billion projects are on track to create or retain 8,340 jobs, and have already created or retained 3,227 jobs.

The funding has helped create a comprehensive and diverse portfolio of investments that will collectively drive the future of Buffalo's continuing economic recovery. By inviting large investments in growth industries—similar to those that made New York's Capital Region a world-class center for nanotechnology innovation and the home of major semiconductor manufacturers—the Governor's plan for Buffalo is designed to create thousands of jobs and spur billions of dollars in new private sector investment and economic activity while setting the foundation for sustainable economic opportunity for future generations.

Projects on track

to create or retain **8,340** jobs



# TAX-FREE INCENTIVES

The state has created several tax-free programs including START-UP NY and the Innovation Hot Spot Program. These programs assist businesses that are forming, expanding or locating to New York State for the first time. As part of both programs, businesses interact closely with universities and have the opportunity to operate tax-free for a specified amount of time in order to facilitate growth while promoting entrepreneurialism and job creation in communities across the state.

## **New York State Certified Business Incubator and Innovation Hot Spot Program**

Administered by ESD's Division of Science, Technology & Innovation (NYSTAR), the New York State Certified Business Incubator and Innovation Hot Spot Program was enacted as part of the 2013-14 State Budget and provides financial support for business incubators in the state in order to support entrepreneurial activity.

Through a competitive process, ESD has designated 10 Innovation Hot Spots (one for each of New York State's 10 economic development regions) and 20 Certified Business Incubators and provides funding to expand services and assist a greater number of early stage companies. These designees are operated by universities, colleges or not-for-profit organizations and coordinate regional incubation activities while focusing their services on a particular industry of strategic interest to that region.

The program is helping to stimulate the creation and growth of early stage companies by improving the availability of necessary support and services in all regions. These include: physical space; shared administrative staff; access to capital; coaching; mentoring; networking connections; prototype development; and access to other technical services. In addition, client businesses of the Innovation Hot Spots have access to tax benefits to assist them through their early growth stage.

In its second year and with 20 of the current 30 designees in operation and reporting, the program created and retained 1,387 jobs.

## **START-UP NY**

The START-UP NY incentive program partners New York State's large network of public and private colleges and universities to new, growing and relocating businesses by providing no state and local personal income taxes for 10 years.

By linking new and growing businesses with colleges and universities, START-UP NY provides a unique opportunity for these businesses to take advantage of various resources available at academic institutions – including clean labs, advanced machinery and equipment, 3-D printers, and audio and video equipment – and benefit from connections to faculty and students.



# 4,100 jobs over the next five years

START-UP NY has already resulted in the creation of 441 Tax-Free Areas, enabling small, emerging high-tech companies to thrive in the dynamic ecosystem fostered at the university level.<sup>1</sup> These companies have committed to creating over 4,100 jobs and investing more than \$230 million in their first five years.<sup>2</sup>

Colleges and universities have designated 5,117,172 square feet of building space and 1,981 acres of land as tax-free. This has resulted in the creation of 441 Tax-Free Areas throughout New York State. Upstate SUNY colleges and universities are not limited in the amount of campus space they can designate as Tax-Free Areas in their plans.

	Total	Public Colleges/ Universities <sup>3</sup>	Private Colleges/ Universities	CUNY Colleges/ Universities
Designated areas	<b>441</b>	359	70	12
Total square feet in approved areas	<b>5,117,172</b>	4,528,600	522,670	65,902
Total amount of acreage approved in areas	<b>1,981</b>	1,964	** <sup>4</sup>	17

<sup>1</sup> As of December 31, 2015, 75 colleges and universities have submitted and received approval of their campus plans, of which 51 are State University of New York (SUNY) universities, colleges and community colleges; 19 are private colleges and universities; and five are City University of New York (CUNY) colleges and universities.

<sup>2</sup> Like other tax incentive programs, START-UP NY is expected to grow exponentially as the program continues to move forward. The current phase-in schedule for the more than 4,100 net new jobs committed by businesses participating in the Program, with implementation timelines and milestones, is as follows: 76 net new jobs in 2014; 408 net new jobs in 2015; 1,128 net new jobs in 2016; 1,932 net new jobs in 2017; 2,786 net new jobs in 2018; 3,575 net new jobs in 2019; and 4,140 net new jobs in 2020. By the end of 2015, the 408 net new jobs paid a total of \$32,255,268 in wages statewide.

<sup>3</sup> Includes SUNY and Community Colleges

<sup>4</sup> Acreage is converted to square feet for tracking purposes pursuant to Econ. Dev. L. §432(2).

Types of Business	Number of Companies	5 Year Job Commitment	5 Year Investment Commitment
Existing, expanding NYS Businesses	53	1,707	\$128,565,580
New Businesses	102	2,375	\$101,108,529
NYS Incubator Graduate Businesses	4	58	\$1,199,000
<b>Total</b>	<b>159</b>	<b>4,140</b>	<b>\$230,873,109</b>

The end of 2015 marked the second full year that the START-UP NY program was up and running, and the momentum that began in 2014 continued throughout that year. In 2015, 95 business applications were received: 32 from existing, expanding New York State businesses; 61 from new businesses and two from New York State incubator graduates. Of those, 86 were approved. The remaining nine companies were approved in 2016.

As of December 31, 2015, 159 companies were participating in the program, of which 109 were operating in Tax-Free Areas.<sup>5</sup> The remaining 50 businesses are on track to locate to their Tax-Free Areas in 2016.

As participants of START-UP NY, eligible employees have reported receiving an estimated total of \$879,261 in personal income tax exemptions, and companies have reported receiving an estimated \$309,299 in other tax exemptions, including sales tax.

The businesses that are operating in Tax-Free Areas are not only creating jobs, but also investing in the communities where they are located. A total of \$11,430,599 was invested by START-UP NY companies in 2015, in addition to the \$1.6 million invested in 2014, and this is just the start. Small companies, in particular, must secure financing and contracts before they can build out space and buy equipment. Investment rose from 2014 to 2015 and, based on business commitments, this trend will continue into the future.

<sup>5</sup> A complete list of participating businesses operating in Tax-Free Areas can be found at <http://esd.ny.gov/Reports.html>

# BUSINESS INCENTIVE PROGRAMS

## Excelsior Jobs Program

The Excelsior Jobs Program was created in 2010 to provide job creation and investment tax credit incentives to businesses in targeted industries. In 2011, Governor Cuomo revamped the program to produce better results for New York's strategic industries — high-tech, biotech, manufacturing, agribusiness and financial services — by enhancing the available tax credits and improving the program's responsiveness.

The Excelsior Jobs Program allocates a portion of funds to the Regional Economic Development Councils (REDCs) each year, but is also available to fund projects that require funding outside the timeframe of the REDC process. Excelsior funds allocated outside the Regional Economic Development Council timeline are projected to create or retain more than 178,000 jobs. Thus far, allocated funds have resulted in the creation or retention of 33,886 jobs. This program provides job creation and investment incentives to firms in such targeted industries as biotechnology, pharmaceutical, high-tech, clean-technology, green technology, financial services, agriculture and manufacturing. Firms in these industries that create and maintain new jobs or make significant financial investment are eligible to apply for up to four tax credits. The Program encourages businesses to expand in and relocate to

New York while maintaining strict accountability standards to guarantee that businesses deliver on job and investment commitments. Firms in the Excelsior Jobs Program may qualify for four, fully refundable tax credits. Businesses claim the credits over a multi-year period. To earn any of the following credits, firms must first meet and maintain the established job and investment thresholds.

- **The Excelsior Jobs Tax Credit:** A credit of 6.85 percent of wages per new job to cover a portion of the associated payroll cost.
- **The Excelsior Investment Tax Credit:** Valued at two percent of qualified investments.
- **The Excelsior Research and Development Tax Credit:** A credit of 50 percent of the Federal Research and Development credit up to three percent of eligible research expenditures in NYS.
- **The Excelsior Real Property Tax Credit:** Available to firms locating in certain distressed areas and to firms in targeted industries that meet higher employment and investment thresholds (Regionally Significant Project).

Excelsior Jobs Program

**178,000**  
jobs projected to be  
created or retained

## Empire State Jobs Retention Program

The Empire State Jobs Retention Program (ESJRP) was created to provide financial incentives to retain strategic businesses and jobs that are at risk of leaving the state due to the impact on business operations of an event leading to an emergency declaration by the Governor. The applicant must demonstrate substantial physical damage and economic harm resulting from such event. Only those impacted jobs that are retained by the firm are eligible for the jobs retention credit. The strategic industries eligible to participate in the Program are: manufacturing, hi-tech,

biotech and clean-tech, financial services data centers or financial services customer back office operations, distribution, software development, back office and agriculture. The program has resulted in the retention of 2,392 jobs since 2011.

Empire State Jobs Retention Program

**2,392**  
jobs retained  
since 2011



## Economic Development Fund (EDF)

The Economic Development Fund program offers financial assistance for projects that promote the economic health of New York State by facilitating the creation and/or retention of jobs or the increase of business activities in the state. EDF funds paid out since 2011 have created or retained 27,255 jobs. EDF is a flexible program, providing a range of assistance to businesses, municipalities, IDAs and other economic development organizations to ensure that the diversity of business needs are being met by the State. EDF funds assist with: construction, expansion and rehabilitation of facilities; acquisition of machinery and equipment; working capital; and the training of full-time permanent employees. The funds can be used for: real estate and land acquisition; demolition; construction and renovations; site and infrastructure; machinery and equipment; inventory; construction-related planning and design; training; soft costs; and feasibility planning studies. Eligible uses include: industrial, manufacturing, warehousing and distribution; research and development, high technology, service and other non-retail commercial enterprises; not-for-profits; local development corporations and industrial development agencies; and municipalities.

Economic Development Fund

**27,255**  
jobs created or  
retained since 2011

## Economic Development Purposes Fund (EDPF)

The Economic Development Purposes Fund offers financial assistance for economic development initiatives and projects that create or retain jobs, generate increased economic activity and improve the economic and social viability and vitality of local communities. EDPF funds paid out since 2011 have created or retained 2,553 jobs. These funds may be used for: acquisition or leasing of land, buildings, machinery and/or equipment; acquisition of existing businesses and/or assets; demolition and environmental remediation; new construction, renovation or leased improvements; acquisition of furniture and fixtures; planning and feasibility studies; site and infrastructure development; inventory; training; soft costs; working capital; and marketing and advertising. Eligible applicants include: for-profit businesses; not-for-profit corporations; business improvement districts; local development corporations; public benefit corporations (including industrial development agencies); economic development organizations; research and academic institutions; incubators; technology parks; municipalities; counties; regional planning councils; tourist attractions; and community facilities.

Economic Development Purposes Fund

**2,533**  
jobs created or  
retained since 2011

## Upstate Blueprint and Downstate Revitalization

New York's Upstate Regional Blueprint Fund ("Upstate Fund") and Downstate Revitalization Fund ("Downstate Fund") seek to promote economic development by financing capital investment in New York State. Since 2011, these funds have been used to create or retain 10,492 jobs. These funds are available for business investment, infrastructure investment and downtown redevelopment. These funds were available as subsidized loans, convertible loans and grants.

Upstate Blueprint/Downstate Revitalization

**10,492**  
jobs created or  
retained since 2011

## JOBS Now

JOBS Now grants offer financial assistance for major business expansion and attraction efforts that will create or attract significant numbers of permanent, full-time private sector jobs in New York State. It is primarily directed toward large projects that create a minimum of 300 new full-time jobs. ESD may provide assistance for projects that create fewer than 300, but at least 100 new, permanent, full-time, private sector jobs within New York State. Since 2011, JOBS Now funds have been allocated to projects creating or retaining a total of 3,366 jobs. Funding assists businesses with: construction and expansion of

facilities; acquisition of machinery and equipment; to offset a portion of state and local taxes incurred by the expansion; and the recruitment, hiring and training of full-time permanent employees.

There are three categories of JOBS Now funding:

1. **Economic Development Loans and Grants** for projects that promote the economic health of New York State by creating private sector jobs and increasing business activity through expansion of existing companies and the attraction of new companies to New York State.
2. **Job Creation Grants** can be used to reimburse state and local taxes incurred related to business expansion that involves capital or working capital expenses.
3. **Workforce Training Grants** offer full or partial reimbursement of costs to eligible businesses for providing worker training that is connected with an expansion or attraction project. Fundable activities include workforce recruitment, skills training and or upgrading, productivity enhancement and total product service quality improvement

JOBS Now

**3,366**  
jobs created or  
retained since 2011

**800,000** private sector jobs added since 2011

**4.7%** unemployment, below the national rate

**320,000** fewer unemployed than in January 2011



Home to more than 50 business incubator facilities



**15<sup>th</sup>** largest economy in the world

24,000 high-tech establishments

nearly **400,000** scientists and engineers call the Empire State home



34% of all adults in New York State have four or more years of college

**370,000** in high-tech jobs with over **\$40 billion** in payroll



Empire State Development

**NEW YORK BY THE NUMBERS**