

To Clinch a Deal Explore IDA Benefits and LDC Financing

By Daniel P. Deegan & Thomas D. Glascock

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Industrial Development Agencies (IDA) can offer substantial benefits to commercial real estate projects' benefits that are often overlooked by the real estate and business communities. These benefits can often make or break a deal and IDAs are looking to "make" deals that might otherwise not happen. Commercial brokers especially should be aware of what an IDA can bring to the table. IDAs give businesses incentives to locate, expand and/or remain in New York State, thereby creating and retaining tax base and jobs and resulting in a beneficial economic "Multiplier Effect." Commercial buildings and businesses (including retail in some cases) can qualify.

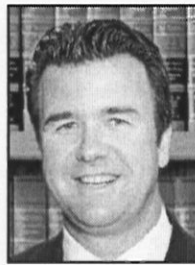
It is a myth that the IDA process can slow down a deal. The IDA process is rarely the "long-lead" item in a transaction and can be accomplished typically in 60 to 90 days. Some have even been done in 45 days.

The potential benefits include: a sales tax exemption on construction materials and eligible equipment; a mortgage recording tax exemption; and, often the most valu-

able, a beneficial PILOT agreement with significant savings on real property taxes. A project may also qualify for "Tax Exempt" and/or "Taxable" bonds, providing lower interest rates and allowing a project to tap credit markets not otherwise available.

It is very important to approach the IDA as early as possible, before a contract, when the deal is being put together. IDAs want to create incentives for projects, not give benefits to something that is happening anyway. In addition, it is essential that qualified IDA counsel be brought into the picture as early as possible so the right approach to the IDA can be made.

Despite the negative shift in the economic landscape over the past years, the authority of IDAs to finance not-for-profit and "civic facility" projects expired as of January 31, 2008. Without this financing option, many of Long Island's largest employers (its colleges, universities, hospitals, nursing homes, assisted living facilities, museums, libraries, social service providers to disabled persons, and other



Daniel P. Deegan



Thomas D. Glascock

not-for-profits) have limited opportunities for low cost financing.

LDCs can serve as an alternative to IDA assistance. Under New York law, LDCs are authorized to issue tax-exempt bonds

on behalf of the not-for-profit community, and can therefore offer it access to the tax-exempt capital markets and its low cost financing opportunities.

LDCs may also serve as entities eligible to issue tax-exempt Recovery Zone Private Activity Bonds, allowing for-profit companies to borrow at tax-exempt rather than taxable rates. Interest on a qualified Private Activity Bond is exempt from

Federal and New York State income taxation. Therefore, typical borrowing rates can be substantially lower than interest rates on conventional borrowing.

Additional benefits an LDC may offer can include sales and use tax exemptions on construction materials and eligible equipment, and a mortgage recording tax exemption. Further, by working with an LDC affiliate, loans, energy discounts, hir-

ing assistance and training incentives, business planning and counseling, and employee housing assistance may be available.

Given these substantial benefits, LDCs should not be overlooked (but instead engaged) by both for-profit and not-for-profit organizations as they seek means by which to obtain low cost financing for their commercial real estate projects.

Note: Daniel P. Deegan heads Forchelli, Curto, Deegan, Schwartz, Mineo, Cohn & Terrana, LLP's Industrial Development Agency (IDA), Municipal Incentives and Government Relations practices, with particular emphasis on facilitating and implementing responsible real estate development projects. He specializes in Real Estate Development Law, Zoning Law, Municipal Incentives/IDA Law, and Government Relations/Municipal Law.

Note: Thomas D. Glascock is an associate at Forchelli, Curto, Deegan, Schwartz, Mineo, Cohn & Terrana, LLP in the Corporate, Real Estate, and Trusts and Estates practice groups. He concentrates his legal practice representing numerous businesses on various legal and business planning matters, including purchasers/sellers and lessors/lessees in commercial real estate matters, and individuals in estate planning and probate matters.

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