

DEPARTMENT OF DEVELOPMENT

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Mr. William Daly, Director
Chautauqua County Industrial Development Agency
200 Harrison Street
Jamestown, New York 14701

Dear Bill:

I am writing to follow-up our recent meeting to discuss the proposed Chautauqua County Industrial Development Agency (CCIDA) “**Uniform Tax Exemption Policy**” (UTEP). First I would like to thank you and Rich Dixon for taking the time to meet with members of the City of Jamestown’s administrative team to answer questions about the UTEP. Secondly, per your request, I am submitting some of the City’s comments and ongoing concerns about the policy.

Tax Abatement:

As discussed at our meeting, the City of Jamestown is fully supportive of the CCIDA’s important role in providing real property tax abatement and other development incentives to retain and expand existing firms and to attract **new** businesses into Chautauqua County, provided that these incentives are focused on businesses that are:

1. **Moving into Chautauqua County from areas outside the County.**
2. **Offering new products or services not currently being provided to Chautauqua County residents and visitors by existing businesses in the same market area.**
3. **“Exporting” new products and services to customers outside the County while at the same time “importing” new dollars, jobs and tax revenues into the local economies of Chautauqua County’s municipalities.**

The City feels that simply providing property tax abatements to businesses re-locating from one community to another within Chautauqua County or to businesses that provide the same products and services currently being provided by existing Chautauqua County businesses, creates an **unfair competitive advantage** for the new business at the expense of existing businesses, which would essentially be subsidizing their competitors through the payment of full real property taxes.

The City also contends that 15-year real property tax abatements offering 100% or 90%, etc. reductions on a sliding scale to the current 50% abatement level, is excessive and unwarranted particularly for retail, lodging, restaurant, and other service-related businesses. Such abatement packages should be reserved for larger scale manufacturing projects or for those projects that will produce a large number of jobs in an industry not already present in Chautauqua County.

Retail Exclusion:

While the proposed UTEP may strive to render tax abatement decisions by the CCIDA staff and Board that will be governed by a “retail exclusion” clause or policy, in reality, it is not clearly stated what the parameters might be. In the case of a developer locating a commercial business, restaurant, or hotel in direct proximity and in direct competition to an established, existing business, the UTEP needs to provide further clarification as to how such a scenario would be handled. The City contends that in these cases, no tax abatement should be granted if the same product or service is currently being provided by existing businesses operating in the same market area. Such a policy will only serve to exacerbate the out-migration of commercial activity from one location to another within the same market leading to more under-utilized, vacant, and abandoned commercial locations and the decline of assessment and tax base in the affected municipalities.

Market-Rate Housing/Commercial Development:

The City of Jamestown is currently reviewing a Neighborhood Revitalization Plan that was recently completed by consultant Charles Buki (*czb, LLC*) of Alexandria, VA, which determined that the Greater Jamestown real estate market is experiencing a “supply” problem in its residential housing market characterized by a surplus of existing units that far exceed the market demand. This, in turn, has driven high vacancy rates, a growing number of abandoned properties, and the depression/stagnation of housing market values. In its FY 2010-FY 2014 HUD Consolidated Plan, the City is seeking to limit the creation of any new residential housing units in the Greater Jamestown market area without an equal or greater reduction in the number of existing units. The language in the UTEP regarding potential “Adaptive Re-Use” property tax abatements for “market-rate” housing is not only problematic for Jamestown housing, but could be equally troublesome for existing housing in the condominium and senior housing markets. Facing a declining population base, the Greater Jamestown market can only fill new housing units by draining existing units within the same market. Such a drain has been ongoing for decades as evidenced by the volume of vacant and abandoned properties that exist today. Providing tax incentives for new housing projects will only serve to exacerbate the City’s and County’s housing problems when a moratorium on new units is the more appropriate strategy to stabilize this inequity.

The City also believes that the application of tax incentives to create new retail and commercial spaces in an already over-saturated, countywide market would create a similar dynamic as the one currently affecting the residential sector. Such development serves to drain tenants from existing retail and commercial locations in the same market. Without a significant influx of people and new income into Chautauqua County, the capacity to support new development in these sectors does not exist and can only be achieved by “moving pieces around the proverbial checker board”, with associated increases in vacant and abandoned commercial buildings left in its wake, followed by the inevitable reduction in local assessments and tax revenues.

Codifying Policy/Setting Unwanted Precedents:

As discussed at our meeting, the adoption of the proposed UTEP could make it difficult for the CCIDA staff and Board to turn down future projects that may meet the “letter” of the policy, while at the same time stimulating a series of unintended consequences. The adoption of this written policy containing language that offers expanded incentives for projects qualifying as “Adaptive Re-Use” and “Tourist Destination” is problematic as such a determination rests solely at the discretion of the CCIDA staff and Board. While the current staff and Board adequately

understand the concerns outlined in this communication and may exercise great care, discretion, and restraint in the review, consideration, and approval of tax abatement applications, a policy “written in stone” could be subject to alternative interpretations by future boards and even legal challenges by developers who will interpret the policy in a manner that suits their relentless drive to maximize development incentive packages. The City feels that the current “deviation” policy, already available to the CCIDA and which has been used effectively recently on projects such as the SKF “Heat Treat” expansion in Falconer, provides an existing, flexible tool that already allows the CCIDA to customize competitive incentive and tax abatement programs on a case-by-case basis without adopting a written policy that future CCIDA staffs and Boards may interpret and apply in an unintended and counterproductive manner.

Summary:

As mentioned previously, the City of Jamestown fully supports the CCIDA’s existing business expansion and new business attraction efforts and remains supportive of its use of real property tax abatements to “level the playing field” in the very competitive arena of **new** developer recruitment. However, such incentives need to be applied at the right time and in the proper manner. The City feels that the CCIDA already has all the tools it needs to accomplish this mission and that it can offer, by utilizing its existing “deviation policy”, customized, cutting-edge incentive packages, when absolutely necessary, that can compete with those offered anywhere in the United States.

We urge the CCIDA staff and Board members to continue to review this matter carefully and consider all of the potentially adverse ramifications, particularly, as it relates to providing a 15-year excessive incentive package for “adaptive re-use” and “tourism” retail, housing, and commercial projects, before adopting this particular version of a **Uniform Tax Exemption Policy**.

If you have any questions regarding this matter please feel free to contact me.

Sincerely,



Steven Centi
Director of Development

Cc: Samuel Teresi, Mayor
Jamestown City Council Members
Randall Holcomb, Assessor
Joseph Bellitto, Comptroller
James Olson, Director of Financial Services
Marilyn Lehman, Corporation Counsel
Gregory Edwards, Chautauqua County Executive
Chautauqua County Legislators
CCIDA Board of Directors
Richard Dixon, Chief Financial Officer – CCIDA
Jonathan Taber, Legal Counsel – CCIDA
Todd Trantum, Executive Director- Chautauqua County Chamber of Commerce