

## MEMORANDUM

**To:** Richard Slingerland, Village of Mamaroneck and the Mamaroneck Industrial Area Committee  
**cc:** Peter Syrett, rePLACE Urban Studio  
**From:** Kei Hayashi, BJH Advisors  
**Date:** November 13, 2015  
**Re:** Mamaroneck Industrial Area Study Recruiting and Retention Strategy

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### I. Overview of Incentive Strategy and Target Sector Goals for the Industrial Area

BJH Advisors (BJH) conducted an analysis of the economic activity and real estate market in Mamaroneck in order to help identify opportunities and challenges for future development of the Mamaroneck Industrial Study Area (“Industrial Area”). Based on that analysis, which was completed in July 2015, as well as information gleaned from stakeholder meetings/interviews that occurred during Part 1 of this study, the following sectors (listed below and on the next page) were identified as opportunities for the both the retention of existing business and the recruitment of new businesses in the Industrial Area:

In order to support targeted retention and recruitment, BJH and rePLACE Urban Studios (rePLACE) identified a set of existing and proposed incentives (varying from tax abatements to grants to marketing support), along with potential budget impacts and cost benefit frameworks for the proposed incentives. BJH estimates that the proposed new incentive programming could be implemented over the next 12 to 18 months. A critical path/next steps table, as well as key stakeholder/organizational outreach for development of the new programming, is also included in this memorandum.

Below is the list of target sectors, based on identified opportunities in the market assessment:

#### ***A. Industrial/Manufacturing***

**A1. Food Sector:** The food sector is an important component of both manufacturing and retail activity in Mamaroneck, as well as the region on the whole. This regional strength presents an opportunity to attract additional food-related businesses that can support the manufacturing and retail environment in Mamaroneck. There may be a particular opportunity to recruit food manufacturing firms that seek to relocate from New York City to a more price competitive market.

**A2. Landscaping Services/Garden Supply:** The landscaping sector is experiencing growth in the region and is currently responsible for a considerable

number of jobs in the Industrial Area. The space requirements of these firms are well-suited to the Industrial Area. These firms are likely to require relatively small and simple warehouse structures adjacent to paved outdoor area. New businesses to support this sector, such as garden supply, nurseries, and additional landscaping firms, are an opportunity to build on the wholesale and retail activity in the Industrial Area in Mamaroneck.

## ***B. Retail***

**B1. Entertainment and Recreation:** Unmet demand for entertainment and recreation retailers is evident in Mamaroneck. A trend has begun in Mamaroneck to convert former industrial space to recreation facilities. These businesses often capitalize on large, open floor plates and high ceilings. These businesses also generate relatively high income per square foot as compared to industrial and warehouse uses. Thus, entertainment and recreation have the potential to support new development in the Industrial Area.

## ***C. Hotel***

**C1. Hotel:** Nationwide, hotels are experiencing revenue growth which is likely to stimulate new development generally. However, hotel demand in Westchester/Rockland is growing slower than the national average and very little hotel development has occurred in the studied area in recent years. Some limited new development has been focused in areas with unique attractions, such as the Hyatt Place at Cross County Center, a complex that is comprised of 1 million square feet of retail space. In order to encourage hotel development in Mamaroneck, it may be necessary to invest in proximate attractions that stimulate demand for hotel rooms.

## ***D. Office***

**D1. Office:** While the office market is relatively stagnant, there may be opportunities to attract information firms and/or start-ups in the technology space, due to Mamaroneck's unique position along fiber infrastructure that serves the region and the high population of educated residents. The growth of co-working spaces in Westchester County and other suburban counties surrounding New York City may also present an opportunity for Mamaroneck.

## II. Economic Development Program Framework

While the public sector commonly supports industrial/manufacturing activities through direct financial incentives, the public also can and does support retail and office activities through more general policies such as capital improvements/amenities (e.g. street- and landscaping), and publicly supported marketing strategies. Several of these concepts are outlined in the VOM-IAC Implementation Framework provided by rePLACE Urban Studios. Both types of economic development programming – direct incentives (e.g. grants, tax abatements) and indirect incentives (e.g. marketing) – are discussed below as a part of a recommended recruitment and retention strategy for the Industrial Area.

In developing the **comprehensive recruitment and retention strategy for the Industrial Area**, with the above targeted sectoral promotion goals, BJH suggests taking advantage of existing local, state and federal economic development incentives as well as launching new initiatives. These existing programs bear little to no cost for the Village of Mamaroneck, while if utilized, could bring the significant benefit of committed jobs to the area.

Despite the existence of State and County economic development tools, there are gaps in program eligibility that may be addressed through the creation of new program tools. The Consultants suggest creating two to three new economic development tools that would directly support keeping and/or growing the employment base in the Industrial Area. BJH has provided descriptions of suggested new program concepts, high-level resource needs for each, and a framework for considering the costs and benefits for program transactions.

Directly below is a section describing existing economic incentives that are currently available to promote the above targeted sectoral goals (Section III); and a section outlining new initiatives to recruit and retain businesses in the target sectors, and to generally promote the identified economic opportunities (Section IV and V).

### III. Existing Incentive Framework in NYS and Westchester County

All of the programs below are existing economic development tools, potentially available to businesses in the Industrial Area. The programs are discretionary in nature, meaning the company or entity applying needs to make a “but for” or economic case to the providing agency. As is shown, most of the incentive programming is available exclusively for industrial and manufacturing entities. Some programs are offered locally, but most are available on a state-wide basis. Additional information regarding these programs is provided in Appendix A at the end of this memorandum.

	<b>Program Name</b>	<b>Type of Benefit</b>	<b>Target Economic Activity</b>	<b>Administering Agency</b>
1	Westchester County Industrial Development Agency	Waiver of sales and mortgage recording taxes	A1, A2	Westchester County Industrial Development Agency
2	Excelsior Jobs Program	Refundable tax credits – property tax, state income tax, wage and research and development	A1, A2, possibly D1	NYS Empire State Development Corporation and Department of Finance
3	New York Power Authority ReCharge	Reduced electric power costs	A1, A2, possibly D1	NYS Power Authority
4	NYS Energy Research and Development Authority – Existing Facilities or Industrial Process and Efficiency	Grants and funding for energy efficiency	A1, A2, possibly D1	NYS Energy Research and Development Authority
5	Taxable or Tax-Exempt Manufacturing Bond Program	Lower-interest rate/alternative terms	Possibly A1, A2 (only if valued added manufacturers)	Westchester County Industrial Development Agency
6	EB-5 Program	Lower-interest rate/alternative term financing – based on job creation	A1, A2, B1, C1, D1	Regional Centers
7	Excelsior Linked Deposit	Lower-interest rate	A1, A2, possibly D1	Participating banks
8	NYS Consolidated Funding Application	Grants, tax credits, other	A1, A2, possibly D1	NYS – various agencies
9	NYS Metropolitan Economic Revitalization Fund	Lower-interest rate, long-term take-out financing	A1, A2, possibly D1	NYS Empire State Development Corporation
10	Manufacturing Assistance Program (MAP) Grant	Financing/grant for growth of manufacturing	A1 and possible A2	NYS Empire State Development Corporation

#### IV. New Program Ideas

The following three economic development concepts can act to help recruit and retain businesses, in the targeted sectors, to the Industrial Area.

	Program Concept	Type of Benefit	Target Economic Activity	Cost-Benefit Construct	Administering Agency
1	Job-Based Tax Incentive	Partial waiver of Village of Mamaroneck real property taxes – based on value of capital improvements made to facilities in the Area and formula tied to job growth; Length of agreement (through Village or Westchester IDA) could be 10-15 years; Recapture available	A1, A2, possibly D1	<u>Benefit to Mamaroneck</u> = econ impact of capital improvement plus guaranteed jobs for 10 - 15 years <u>Cost</u> = building tax stabilization (no increase) plus \$50*jobs off of land	Village of Mamaroneck and/or Westchester County IDA
2	Tax Credit or Grant Tied to Moving Expenses	Tax Credit (local sales tax) or grant (funded through entitlement application fees) for companies seeking to relocate to the Industrial Area. Amount capped at 50% of moving costs; Recapture if move out within 5 years	A1, A2, B1, and possibly D1	<u>Benefit to Mamaroneck</u> = New jobs in area for at least 5 years <u>Cost</u> = 50% of moving costs	Village of Mamaroneck or Planning Board of Mamaroneck
3	Business Improvement District (BID) Entity for the Industrial Area	Marketing, branding, streetscape, other business services provided through BID entities; BID funded through tax assessment – approved via existing State law; Potential need for local legislation	A1, A2, B1, C1, D1	<u>Benefit to Mamaroneck</u> = Improved area, higher quality and tenure of jobs <u>Cost</u> = opportunity tax cost	New BID Entity; potential need for local legislation

Further detail on the above suggestions is provided below.

1. **New Job-Based Tax Incentive:** This program concept would provide a partial real property tax waiver for industrial and manufacturing businesses, specifically in the food and garden sectors, in exchange for businesses that are stabilizing and/or expanding through a capital investment and/or job growth in the Industrial Area. This concept has been readily used in other jurisdictions in New York State.
  - a. **Test for Benefit:** A two-tiered test for obtaining the benefit would apply – first a “but for” test, meaning without the provision of the benefit the capital improvement and/or job growth would not otherwise occur; and – second the project would have to pass a cost – benefit test.
  - b. **Budgetary Framework:** The budget for administering this program would include cost of program and legal staff. These costs could be borne by the applying industrial company through application fees. Discussions with the Westchester IDA could provide guidance and/or possible partnership opportunities for administering this program.
  - c. **Implementation (including marketing):** TBD – would need to confer with counsel as well as the Westchester County IDA. Once an implementation framework was in place, marketing could take place via conferences/seminars, website, and co-marketing with other economic development entities. Village website could include links to partner entities, which may include the County IDA.
2. **Moving Grant:** This program concept would provide a partial (suggested 50%) grant for the costs of moving into the Industrial Area. This concept has been readily used in other jurisdictions in New York State.
  - a. **Test for Benefit:** The program would be offered more “as-of-right,” meaning if the company is moving into the Industrial Area and housing at least two (could be more) jobs in the Area, it would qualify for the benefit, irrespective of other factors (meaning a “but for” or “cost-benefit” test). It is suggested that a cost – benefit test be run nevertheless, in order to measure performance against broader retention goals for the Industrial Area and program administration costs.
  - b. **Budgetary Framework:** The budget for administering this program would include cost of program and legal staff.
  - c. **Implementation (including marketing):** TBD. Once an implementation framework was in place, marketing could take place via conferences/seminars, website, and co-marketing with other economic development entities. This concept could be also be marketed on the State or Village’s Department of Finance website, if it were provided in the form of a tax credit, instead of a grant.
3. **Business Improvement District:** This program concept is the establishment of a Business Improvement District or BID specifically to serve businesses in the Industrial Area. A BID is an entity that is authorized to collect fees, typically tied to the value of property in a specific geographic

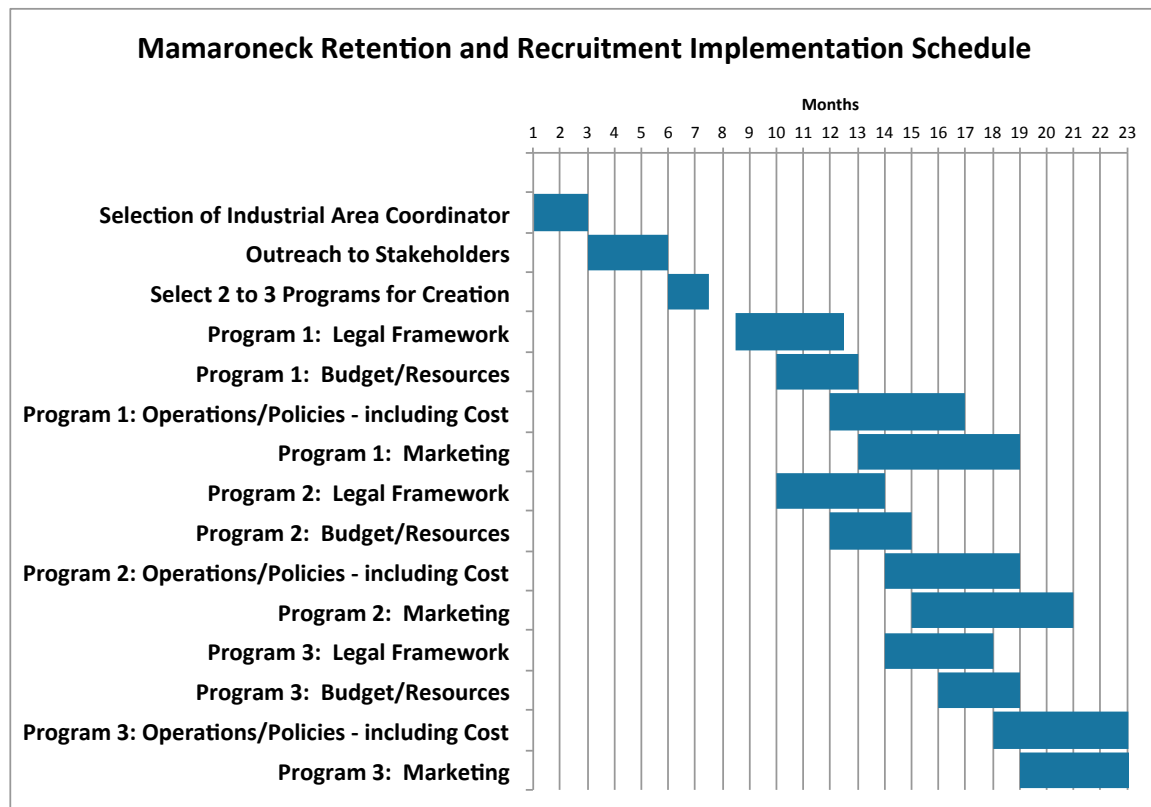
area. The BID is then authorized, through the approval of a budget, to expend collected fees on activities that promote business welfare in its target area.

- a. Village Support: In order to support the initiation of the BID, the Village could issue an RFP for existing or to be established entities that would be interested in promoting the Industrial Area. Another model would be for the Village to itself establish an Local Development Corporation, with ex-officio board appointees, to run the BID.
- b. BID Activities: BID activities typically include garbage and trash removal, lighting improvements, street- and landscape improvements, transportations services to and from the area, as well as general promotion and business support.
- c. Budgetary Framework: The budget for administering this program would include cost of BID administrative and program staff, as well as initial legal support. These costs would be borne by the collected fees.
- d. Implementation (including marketing): Once selected or created, the BID entity would be responsible for its own administration and any marketing programming for the Industrial Area. BIDs provide marketing services such as events, advertising and other promotional services for business in their jurisdictions.

## **V. Next Steps**

The next steps for moving towards and comprehensive economic development framework for the Industrial Area include the steps outlined on the gantt chart below. Key critical path items may include the appointment of a dedicated director or manager for the Industrial Area's growth – someone responsible for undertaking required legal research, coordination with existing economic development agencies already administering programs, establishing specific priorities and timeframes for implementation of new programs and coordinating marketing, as well as methods for obtaining required funding to fulfill all goals. Other key critical path items include stakeholder outreach and establishing more specific program goals and measurement criteria for success.

In addition to the gantt chart, which lays out high level next steps and critical path items, a list of suggested advisors is provided for the Village's consideration. These advisors could give industry specific and detailed advise to the new director / manager and the Industry Area Committee (IAC) on different programs as well as offer insights on the recruitment of new businesses and retention of existing district based businesses.



**Suggested Retention and Recruitment Advisors:**

Stephen Hunt, Chairman, Westchester County IDA  
 Robert P. Astorino, Westchester County Executive  
 Kathy Guadagnolo, Secretary, Planning Board  
 Bob Galvin, Village Planner, Planning Board  
 Rita Kim, Mamaroneck Chamber of Commerce  
 Kevin Nunn, Executive Director White Plains Business Improvement District  
 Scott Singer, Nixon Peabody – Tax Incentives (legal expert)  
 Consolidated Edison  
 Howard Zemsky, Empire State Development Corporation  
 Adam Friedman, Pratt Center (industrial expert)  
 Dr. Marsha Gordon, President/CEO, Business Council of Westchester  
 Robin Douglas, CEO & Founder, African American Chamber of Commerce  
 Westchester & Rockland Counties



## **APPENDIX A: DETAILED EXISTING INCENTIVE PROGRAM SUMMARIES FOR MAMARONECK**

The existing programs below are general in nature and there are other industry specific programs, such as the Empire State Development Corporation's Craft Beverage Marketing and Promotion Grant Program that are targeted to specific sectors of interest to policy makers.

### **1. Westchester Industrial Development Agency Industrial**

Eligibility: Discretionary

Applicant: Operating company

Program Summary: Westchester IDA tax benefits may be available to induce industrial companies to undertake major capital investments that result in the creation and retention of a significant level of jobs in Mamaroneck. A project must satisfy the following basic requirements: 1) demonstration of the need for benefits; 2) substantial capital investment, together with likely retention and growth of employment as a result of the project; and 3) significant enforceable commitments to the Newburgh in return for benefits.

Benefits: Westchester IDA offers a full mortgage recording tax deferral and sales tax abatement on materials purchased in connection with a renovation.

### **2. Excelsior Jobs Program**

Eligibility: Discretionary

Applicant: Operating company

Program Summary: The Excelsior Jobs Program provides job creation and investment incentives to firms in targeted industries (biotechnology, pharmaceutical, high-tech, clean-technology, green technology, financial services, agriculture and manufacturing). Firms in these sectors that create and maintain new jobs or make significant investment are eligible to apply for up to 4 fully refundable tax credits against New York State income taxes. See below under "Benefits" for a listing of the credits.

Eligibility Minimums:

- Scientific – 10 jobs (20 jobs or \$6 million for RPTC)
- Software Development – 10 jobs
- Agriculture – 10 jobs (20 jobs or \$500,000 for RPTC)
- Manufacturing – 25 jobs (50 jobs or \$5 million for RPTC)
- Financial Services – 100 jobs (300 jobs or \$6 million for RPTC)

- Back Office – 150 jobs (300 jobs or \$6 million for RPTC)
- Distribution – 150 jobs (300 jobs or \$30 million for RPTC)
- Other – n/a (300 jobs or \$6 million for RPTC)

Benefits: Credits are claimed over a 10-year period and include:

- Jobs Tax Credit: up to 6.85% credit of wages/new job to cover a portion of the associated payroll cost (average credit is more like 3 to 4%). For example, if wages averaged \$12/hour for eligible workers (which for the purposes of the credit were 70% of total employees), and the average workweek was 40 hours, then the credit could amount to approximately (\$12\*40 hours\*52 weeks\*60 workers\*70%\*3% credit) \$31,450 annually.
- Investment Tax Credit: 2% of qualified investments.
- Research and Development Tax Credit: 50% of the Federal Research and Development credit for up to 3% of research expenditures in New York State.
- Real Property Tax Credit (RPTC): For manufacturers spending at least \$5 million and hiring at least 50 jobs, a RPTC may be available when locating to Newburgh (or anywhere in Orange County) or the following areas in New York City: East NY (BK), Port Morris (BX), South Jamaica (QU), East Harlem (MN), Hunts Point (BX), Southwest Brooklyn (BK), Far Rockaway (QU), North Brooklyn (BK), West Shore Staten Island (SI), Chinatown/Lower East Side (MN), and Staten Island North Shore (SI).

### **3. New York Power Authority ReCharge Program**

Eligibility: Discretionary

Applicant: Property owner

Program Summary: ReCharge offers a block of 910 Megawatts of electric power (50% hydro and 50% market procured by the New York Power Authority) to businesses, including manufacturers. Allocations are made through a competitive application process. Evaluations are based on significance of electricity cost to applicant's total cost of doing business; new capital investment resulting from an allocation; type and cost of building, equipment and facilities; extent to which an allocation would be consistent with existing regional economic development strategies; applicant's payroll, salaries, and benefits; number of jobs created or retained in NYS; and other items.

Benefit: Allocations are negotiated and benefits may last up to seven years.

### **4. New York State Energy Research and Development Authority (NYSERDA)**

Eligibility: NYSERDA has both Discretionary and As-of-Right programming

Applicant: Property owner or tenant/NFP

Program Summary: New York State Energy Research and Development Authority (NYSERDA) has programs for new construction as well as renovation projects that can offset the costs of making capital investments in energy efficiency programs (e.g. lighting, HVAC, natural gas, combined heat and power). Depending on how the investment is structured, the property owner or a tenant could be the applicant for these programs.

Benefits: Benefits for “Small, Simple, Equipment Changeouts” are up to \$30,000. Benefits for large-scale custom build-outs are up to \$5 million.

## **5. Tax-Exempt Manufacturing Bond Program**

Eligibility: Discretionary

Applicant: Manufacturing entity

Program Summary: Manufacturers that are planning major capital projects, including tenant fit-out in leased premises depending on a variety of factors including length of lease and useful life of assets to be acquired, may be able to use triple tax-exempt bonds issued by the Newburgh Industrial Development Agency (or the New York City Industrial Development Agency (NYCIDA) for projects in New York City) to finance the acquisition, construction, renovation, and equipping of their facilities. Longer lease terms are more favorable from an IRS standpoint in enabling a tax-exempt bond financing for leasehold improvements. Financing a project with triple tax-exempt bonds enables borrowers to initiate needed capital improvements at the lowest available cost and to better manage the timing of their capital investments. Eligible borrowers include manufacturers that are using no more than 25% of bond proceeds to purchase land and meet other IRC regulations including capital expenditures limitations (\$20 million over a 6 year period) and restrictions on ancillary uses of the facility (e.g. offices and storage). Maximum amount of bonds that can be issued is \$10 million.

Benefit: The interest rate on triple tax-exempt bonds is approximately 15-25% less than the interest rate on similarly structured conventional debt.

## **6. EB-5 Program**

Eligibility: Discretionary

Applicant: Entity making capital expenditures

Program Summary: EB-5 allows foreign investors seeking U.S. green cards to invest in new commercial enterprises, established after November 29, 1990. The investment projects must create or preserve at least 10 full-time jobs for qualifying U.S. workers within 2 years of the immigrant investor's admission to the U.S. as a Conditional Permanent Resident. In the past the number of green cards offered under the program has been limited to 3,000. Third party managers of the investment vehicles, called Regional Centers, are responsible for implementing the program and matching investors with projects. Regional Centers will pool multiple investors together for each project. The program is currently awaiting reauthorization.

Benefit: EB-5 offers borrowers a financing/investment vehicle with alternative structure from conventional financing. The minimum qualifying investment per green card applicant in the U.S. is \$1 million (\$500,000 for an area with at least 150% of the national average unemployment rate.)

## **7. Excelsior Linked Deposit Program**

Eligibility: Discretionary

Applicant: Operating company

Program Summary: Linked Deposit helps firms obtain reduced-rate financing for uses such as working capital and tenant fit-out. The program provides an interest rate reduction on the prevailing interest rate for "Linked Loans" to reduce borrowing costs. The rate write down depends on market conditions. Maximum loan amounts are \$500,000 for 4 years with a 4-year renewal possibility. Businesses must have fewer than 100 employees. Retail businesses are not eligible.

Benefit: Reduction in borrowing rate.

## **8. New York State Consolidated Funding Application (CFA)**

Eligibility: Both discretionary and as-of-right programming (as-of-right programming may be subject to budgetary constraints)

Applicant: Operating entity

Program Summary: The State's CFA process is a single application process that provides companies with access to a variety of benefit programs and funding streams that may assist with project costs, ongoing operating costs, energy audits, and/or employee training funds.

Benefits: Depends on project specification, but generally for manufacturing entities applying for capital investment in new operations, Excelsior Jobs Program (mentioned

above), Capital Grants, and NYSERDA funding (also mentioned above) are the main program benefits.

## **9. New York State Metropolitan Economic Revitalization Fund (MERF)**

Eligibility: Discretionary

Applicant: Operating entity

Program Summary: The Metropolitan Economic Revitalization Fund is a State program that provides financing for projects that retain or create significant numbers of private sector jobs in economically distressed areas.

Benefits: Loans may be provided up to a maximum of \$5 million or 10% of total project costs, whichever is less, for improvement of land and/or buildings, construction and renovation, and for machinery and equipment purchases. There is a minimum of 10% borrower equity. Interest rates will be determined by market conditions, applicant's ability to repay, and project requirements. Terms for project loans will not exceed 10 years for real estate and 7 years (or useful life of collateral for machinery and equipment).

## **10. New York State Manufacturing Assistance Program (MAP) Grant**

Eligibility: Discretionary

Applicant: Manufacturing Operating Entity that employs 50 to 1,000 workers; and export at least 30% of their production beyond the immediate region or supply at least 30% of their production to a prime manufacturer that exports beyond the region.

Program Summary: MAP assists manufacturers in capital projects that improve productivity and competitiveness. MAP funds must be used for capital investments in machinery and equipment of at least \$1 million. The project must demonstrate quantified improvements over baseline operation of 20% or more. Retention of at least 85% of workforce for five years.

Benefits: MAP assistance is capped at \$1 million.