

## More Light Shed on Disturbingly Misaligned IDA Incentives

[Reinvent Albany](#), in collaboration with [Good Jobs First](#), recently released 2 reports about NYS Industrial Development Agencies:

- April 2024 Report: [Perverse Incentive: How New York State's IDAs Depend on Giving Away Tax Dollars](#)
- May 2024 Report: [Upstate Law Firms Reap Undisclosed Millions from IDA Deals that Cost Public Billions](#)

### **Key Findings:**

1. Since IDAs are largely funded by the “deal fees” generated when they give corporations tax abatements, the more deals they complete, and the bigger the deals are, the more revenue the IDAs generate for themselves.

#### From Page 1 of the April 2024 Report:

*The bottom line is that IDA staff have a strong institutional and personal incentive to give away more tax dollars as corporate tax abatements instead of having these tax dollars spent on investments in schools, safety and health that are essential for strong local economies.*

2. Two “upstate” law firms focused most of their campaign contributions “within the boundaries of the nine IDA districts where they are the IDA’s deal counsel”. In other words, they give money to the politicians who have control over the IDAs they counsel.

One of law firms focused on in the May 2024 Report, **Harris Beach, PLLC**, is the transaction law firm for the Mount Vernon Industrial Development Agency. [I tracked](#) close to \$3,000 in campaign contributions to “Friends of Shawyn Patterson-Howard” from **Harris Beach** and Michael Curti, the **Harris Beach** lawyer assigned to counsel the MV IDA.

3. Counseling IDAs on transaction deals highly lucrative for these law firms: From 2017 to 2022, they collected fees worth \$85.6 million, and only a fraction of these fees were required to be disclosed. This is because an estimated \$29-39 million in “transaction fees” were paid to these law firms directly **from the companies seeking tax breaks from the IDAs**.

#### From Page 2 of the May 2024 Report:

*Their largest fees are not typically paid by the IDAs themselves, but rather by the applicant companies, and often their fees are a portion of what is funded by taxpayers for the project (i.e., the abated taxes). Although they are paid nominally small percentages (often around one-third of 1% of the total project cost), these fees add up to millions of dollars per year,*

*making it a lucrative trade. There is almost no transparency around these fees, making the exact amounts hard to pin down.*

In other words, these law firms get paid from both the IDAs **and** the companies seeking tax breaks from the IDA. Since the fee paid by the company to the law firm is typically a % of the transaction size, the bigger the tax abatement the larger the legal fee generated. The law firm's incentive, therefore, is to "counsel" both parties (the IDA and company seeking a tax break) such that legal fees are maximized. This has nothing whatsoever to do with the economic welfare of local communities like Mount Vernon.

The Reports offer 3 Essential Policy Recommendations:

1. Require IDAs to be funded within the municipal budget. By doing this, elected officials will have to confront the fact that increasing IDA revenue comes at the cost of decreasing corporate property tax revenue.
2. All legal fees, such as those paid to **Harris Beach**, need to be a) fully disclosed, and b) paid only by the IDA, not the IDA and the corporation seeking tax abatement from the IDA.
3. "Forbid IDAs from abating property taxes that would otherwise go to schools." [\\$1.8 billion in public school taxes were forgone in 2021](#). This must stop.