

Tompkins County Area Development

Memorandum

To: IDA Members
From: Heather Filiberto
Date: September 28, 2010
Re: Transonic Systems Background

The Transonic Systems expansion project first came to the IDA in the fall of 2009. It has been delayed as a result of delays in the extension of municipal wastewater service to the property. The Town of Lansing is currently installing pipes, which will enable the expansion project to (finally) move forward.

The project is requesting a PILOT, sales tax abatement, mortgage recording tax abatement, and access to the tax exempt bond market. The bond portion of the project is not yet ready to go. It will be the subject of a future IDA meeting.

The PILOT that is being requested is commonly referred to as a wrap around PILOT. Transonic currently receives a credit for real property taxes paid through the Empire Zones Program. If, for some reason, Transonic should become ineligible for Empire Zone incentives, the PILOT would then be activated.

I contacted Empire Zone administrators throughout the State and confirmed that many local IDAs deliver a broad range of incentives to Empire Zone certified business. These include providing incentives on top of projected Empire Zone benefits, back-up PILOTs should the Empire Zone benefit levels be reduced in future years, and wrap around PILOTs that are put in place if a business later becomes ineligible for Empire Zone incentives. IDAs have been approving back up and wrap around PILOTs since 2001, the first year the State legislature made significant changes to the Empire Zone Program.

The Empire Zones Program did sunset in June of this year. At this time, businesses that were already certified to participate in the Program will continue to receive tax incentives. There is no way of knowing whether the Legislature will keep these incentives in place or reduce them in future years. For this reason, IDAs continue to approve the back up and wrap around PILOTs similar to what Transonic is asking of the Tompkins County IDA.