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Dear Governor Hochul, Attorney General James, Senator Palumbo, and  
Assemblyman Thiele,

Many Southold Town residents and elected officials recently participated in the Suffolk County Industrial Development Agency's public comment process for a local hotel project seeking relief from sales taxes and mortgage recording tax, and reductions in property taxes via payments in lieu of taxes (PILOTs).

We came away convinced that the SC IDA's decision-making process lacks accountability and transparency and their process for inviting and considering public comment on applications is fundamentally flawed.

Our research into IDAs across New York State suggests that these issues are not unique to Suffolk County and that State-wide IDA reform is necessary.

While we applaud and support the Ryan-Bronson bill (S.89/A.351) that would prohibit Industrial Development Agencies (IDAs) from abating the school share of property taxes, and we appreciate NYS Senator Palumbo's and Assemblyman Thiele's support for this bill, we believe it does not go far enough in addressing deficiencies in IDA operations and processes.

We recommend the following improvements and offer the basis for each. We request that you vigorously pursue and support legislation necessary to enact and enforce these improvements.

**Recommendations:**

- **Document IDA decision-making process:** For each decision on tax abatements, require IDAs to make findings and issue a memo detailing whether each selection criteria was fully met, partially met, or not met, and how the criteria were weighed in decision-making.
  - **Rationale:** The SC IDA has established criteria to be considered in making their decisions. In written and oral testimony, many Southold Town residents pointed out that the applicant's project missed several of the criteria completely and met others only partially. It is completely opaque to the public how the criteria were considered or weighed. IDAs should be required to issue findings statements that include the factual basis for their decisions linked to State and local project evaluation criteria, analogous to the findings statements issued by Zoning Boards of Appeals.

- Require affected tax jurisdiction approval: Require consent of the elected leader of the affected town, such as the Town Supervisor, before an IDA can grant tax assistance for projects in their Town.
  - Rationale: One of the SC IDA’s eleven project evaluation criteria is “Local official(s) support.” The entire six member Southold Town Board signed a letter opposing awarding tax abatements to the subject project. The former Town Supervisor also expressed his lack of support for tax abatements for the project during his term. How the IDA, all of whom are unelected, considered and weighed this opposition from local elected officials was entirely unclear. The affected taxing jurisdictions lose millions of dollars in property tax revenues and effectively have no voice in the process. This must be remedied.
  
- Improve affected jurisdiction notification: For projects applying to an IDA for tax abatements, require the IDA to provide the affected taxing jurisdiction, such as the Town Board and school district, written notice by certified letter with return receipt requested at least 2 weeks in advance of the project’s first appearance before the IDA.
  - Rationale: NYS law that went into effect on January 1, 2023 requires that taxing jurisdictions be notified of projects applying for tax assistance in their jurisdictions. The notification timing, however, is too late. In the project in question, the Southold school district received notification in November 2023, over a month after the SC IDA’s September 2023 preliminary vote to approve tax abatements for the project. Once an IDA holds a preliminary vote regarding tax abatements for a project, it rarely changes its position at the final vote. Hence it is critical that affected jurisdictions be notified well in advance of a project’s first appearance before the IDA so they can present their perspective at a point when initial decision-making is taking place. IDA members in this case noted that the Town government and the public had the opportunity to appear at the first IDA meeting considering this project. In this case neither the public nor the taxing jurisdictions had notification of the first IDA session that considered the project.
  
- Require objective evidence of need: Require empirical, impartial evidence that a project applying for tax assistance would not be financially feasible without the tax assistance.
  - Rationale: IDA applications typically ask questions such as: Would the project go forward without IDA assistance? Applicants answer “yes” or “no.” According to a June 2023 Investigative Post article (<https://www.investigativepost.org/2023/06/01/the-false-promises-of-ida-subsidies/>), no further evidence of need is required, and IDAs do not, and are not required to, conduct further investigations into whether or not an applicant actually needs the assistance. The same article cited published research that found 75% of jobs created with tax assistance would have been created anyway, and that tax incentives are a waste of money 90% of the time. To ensure process integrity and greater accountability for diverting tax payments, a higher bar of substantiation of need is essential. Applicants for tax

assistance should be required to provide impartial, objective evidence that their project cannot proceed without tax assistance.

- Improve data collection and reporting: Require that IDA annual reports include data indicating, for each project considered in the year, whether the project was awarded incentives or not, the total value of the incentives sought, the total value of the incentives granted, the affected taxing jurisdiction(s), and a summary of the rationale for awarding or not awarding the incentives.
  - Rationale: SC IDA vice chair Kevin Harvey was quoted as saying, “We don’t just hand these [tax abatements] out like candy or lollipops in order to satisfy people's needs or to enrich anybody.” Yet applications are rarely denied. That the vice chair felt the need to make this statement suggests that is exactly the public’s perception. Clear data on projects granted tax assistance, projects denied tax assistance, and a summary basis for those decisions would bolster transparency and the public’s confidence in their local IDA.
  
- Strengthen oversight: Authorize the State Comptroller to audit IDAs.
  - Rationale: There is evidence that local IDAs do not fully comply with NYS Municipal Code. For example, the NYS code requires IDAs to consider numerous criteria - including the impact of a proposed project on existing and proposed businesses and economic development projects in the vicinity; demonstrated public support for the proposed project; the likelihood of accomplishing the proposed project in a timely fashion; the effect of the proposed project upon the environment; and the extent to which the proposed project will require the provision of additional services, including, but not limited to additional educational, transportation, police, emergency medical or fire services. **None of these NYS required criteria are included in the SC IDA’s uniform project evaluation criteria.** If such explicit required criteria are absent from IDA processes, who will demand this deficiency be remedied? And what other legislative requirements might also be missing? Audits by the State Comptroller could address these issues.
  
- Strengthen oversight: Give the NYS Authorities Budget Office (ABO) the authority to annually review the performance of IDAs, evaluate their compliance with state statutes and the authority to enforce those provisions.
  - Rationale: Our understanding is that the ABO is currently limited to censuring IDAs. The ABO should have the authority to compel IDAs to comply with their legislative mandates.

We thank you for considering these recommendations and we look forward to your reply. We welcome the opportunity to discuss with you further and, if helpful, to travel to Albany to lend support to the suggestions.

Respectfully,



Margaret Steinbugler  
Vice President, Southold Peconic Civic Association

And on behalf of:

Carolyn McCall and the Board of the Cutchogue Civic Association

Anne Murray, East Marion

Staley Sednaoui, Fishers Island

Randy Wade, Greenport

Charles Gueli and the Board of the Mattituck Laurel Civic Association

George Cork Maul and the Board of the New Suffolk Civic Association

Drienne Benner, Barbara Friedman, Mark Riesenfeld, and the Board of the Orient Association

Maggie Merrill and the Board of the Southold Peconic Civic Association