

# **SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

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Suffolk County Executive

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## **Operations and Accomplishments - 2011**

The Suffolk County Industrial Development Agency (IDA) is a public benefit corporation of the State of New York created in 1975, pursuant to Article 18A of the General Municipal Law. The purpose of the Agency is to promote economic development in Suffolk County by assisting in the "acquiring, constructing, reconstructing and equipping of manufacturing, warehousing, research, civic, commercial or industrial projects."

### **Mission**

The mission of the Suffolk County Industrial Development Agency is to promote the economic welfare, employment opportunities and quality of life of the residents of Suffolk County.

### **Program Objectives**

Provide employment opportunities for the residents of Suffolk County by assisting businesses to remain, expand and/or relocate in the County.

Expand the tax base and maintain a healthy economy by providing assistance to businesses.

Improve the overall quality of life for County residents by assisting not-for-profit organizations that provide educational, cultural, health and social services.

Encourage environmentally compatible projects and uses particularly through the reuse and redevelopment of existing facilities.

Balance the needs of both the business community and the taxpayers through the judicious and prudent use of incentives.

Work cooperatively with all other economic development entities and local officials to insure that appropriate and desirable projects are dealt with smoothly and efficiently.

Conduct all activities of the Agency in a professional and ethical manner.

## **IDA Financial Assistance**

In order to promote economic development the IDA provides financial assistance through the issuance of tax-exempt or taxable bonds or in the form of a straight lease transaction. The Agency provides this assistance for businesses that either wish to locate or expand their operations in Suffolk County. Typical projects eligible for financing include the purchase and rehabilitation of existing buildings, the construction of new buildings, or the construction of additions to existing facilities. Machinery and equipment may also be financed through the IDA.

There are six types of financial assistance available through the IDA:

1. Tax-Exempt Bonds: Manufacturing facilities can be financed with tax-exempt bonds.
2. Taxable Bonds: Commercial non-manufacturing projects qualify for taxable bonds. In addition manufacturing projects which would not ordinarily qualify for tax-exempt bonds may be eligible for taxable bonds.
3. Tax-Exempt and Taxable Bonds: A combination of tax-exempt and taxable bonds can be issued for projects that include both manufacturing and non-manufacturing activities.
4. Refunding Bonds: Projects which were previously assisted with tax-exempt bonds are allowed to repay/refund the outstanding principal amount of the "old" bonds with new tax-exempt refunding bonds bearing a lower interest rate but only for the same term remaining on the original tax-exempt issue.
5. Civic Facility Bonds: These are tax-exempt bonds for facilities owned or operated by not-for-profit (501-C-3) corporations. In addition, 501-C-3's can refinance outstanding conventional debt with tax-exempt bonds. However, the legislation authorizing these types of bonds expired on January 31, 2008 and has not been renewed by the NYS Legislature.
6. Straight Lease Transactions: Nominal title to the facility is placed in the IDA and the IDA in turn leases the facility back to the applicant company. Conventional or other sources of financing can be used for this type of transaction.

## **IDA Benefits**

1. Real Property Tax Abatements: An abatement provided on the increased assessment that results from the project.

2. Sales Tax Exemption: Full or partial sales tax exemption on materials and/or equipment included in the project.

3. Exemption from Mortgage Recording Tax: If a mortgage is used to finance the project it is exempt from mortgage recording tax.

In addition, the interest on a tax-exempt bond is wholly or partially exempt from federal, state and local income taxes, while the interest on a taxable bond is exempt from New York State personal income tax only.

### **IDA Application/Project Process**

1. Initial inquiry - discuss project; eligibility; application process, etc. Hand out application packet.

2. Review draft application with applicant to insure it is complete.

3. Completed application submitted to IDA. Application distributed to IDA Bond Counsel, Agency Counsel, Board Members, and Planning Department for environmental review and IDA staff for internal review and preparation of project abstract.

4. Presentation of application to the IDA Board for consideration. Board approves, tables or disapproves. An inducement resolution is issued for approved applications.

5. Public Hearing for all IDA projects as required by federal and State law. Current New York State law requires 30 day notice for Public Hearings. Note: In some cases it may be possible to schedule Public Hearing prior to Inducement.

6. Processing of documentation begins; Inducement Agreement sent to applicant; Engagement letter from Bond Counsel; etc.

7. Applicant submits fully executed bank commitment letter to the IDA indicating that the required financing is in place.

8. Induced project is again presented to the IDA Board for the adoption of the Bond Resolution for bonds or a Final Resolution for straight lease projects.

9. Applicable elected representative approves the project, i.e. that all requirements of environmental review, public hearing, etc. have been compiled with. This approval is required under TEFRA 1982 for tax-exempt bonds.

## **2011 IDA Closed Projects**

The Suffolk County IDA closed three projects in 2011. In addition, the Agency supported and serviced approximately 125 existing bond and/or lease projects. The 2011 projects resulted in the investment of over \$65.33 million into Suffolk County by these businesses. Employment at these three projects will total almost 1,286 people with a total annual payroll of approximately \$102.27 million after approximately two years of operation. In addition, the IDA provided support and services to the Suffolk County Economic Development Corporation which closed two tax-exempt bonds for not-for-profit organizations.

## **Summary of 2011 IDA Projects**

Forest laboratories, Inc. \$39,327,307 lease transaction.

The project involves the renovation of 270,000 sq. ft. of unused space and consolidate various operations (research & labs, data center, training & office).

OSI Pharmaceuticals LLC \$20,000,000 lease transaction.

Renovate and equip approximately 46,000 sq. ft. of space for expanded research & development and support services.

Contract Pharmacal Corp. \$6,000,000 lease transaction.

The project involves the renovation of space at the Company's manufacturing facility.

## **Board Members and Staff**

The Agency is governed by a seven member Board of Directors. The following individuals are members of the Board and Officers (if applicable):

Jim Morgo, Chairman  
David I. Rosenberg, Vice Chairman  
Peter E. Zarcone, Jr., Treasurer  
Steven Rossetti, Secretary  
Elizabeth Custodio, Member  
Alan J. Ehl, Member  
Yves Michel, Member

The Board has the following Committees:

### **Audit Committee**

David I. Rosenberg, Chairman  
Alan J. Ehl  
Jim Morgo

### Finance Committee

Peter E. Zarcone, Jr., Chairman  
Jim Morgo  
David I. Rosenberg

### Governance Committee

Steven Rossetti, Chairman  
Elizabeth Custodio  
Yves Michel

Members of the Board of Directors serve as volunteers and receive no compensation pursuant to NYS law. The Agency has four staff members consisting of three full time and one part time employee. Current titles for staff are Executive Director/CEO, Deputy Executive Director/CFO, Secretary, and Bookkeeper. The Board of Directors determines and sets the compensation for Agency staff members. Historically, the Board has followed the County's grade and title system for Agency staff in order to determine similar duties and responsibilities. In addition the Board has historically used the Association of Municipal Employees (AME) contract to determine compensation levels for staff members. Agency staff takes direction and carries out the policies of the Board of Directors. The following staff members are considered having management positions with the Agency:

#### Bruce E. Ferguson, Executive Director and Chief Executive Officer

Mr. Ferguson has been with the Agency since 1985 in the position of Administrative Director. Mr. Ferguson received his current titles of Executive Director and CEO due to the requirements of the Public Authorities Accountability Act (PAAA) which became law in January 2006. Mr. Ferguson's earliest experience as an economic developer was as a Peace Corps Volunteer in the Solomon Islands in the mid 1970's where he supervised a small business loan and advisory program. Mr. Ferguson has Bachelor of Business Arts and Master of Public Administration degrees. Mr. Ferguson received his Certified Economic Developer (CEcD) designation from the International Economic Development Council (IEDC) in 1989. He is also a graduate of both the Economic Development Institute and the National Development Professional Certification Program.

#### Anthony J. Catapano, Deputy Executive Director and Chief Financial Officer

Mr. Catapano has been with the Agency since 1984 starting in the position of Operations Assistant. Mr. Catapano began as a college intern at the Agency. Mr. Catapano received his current titles of Deputy Executive Director and CFO

due to the requirements of the Public Authorities Accountability Act (PAAA) which became law in January 2006. Mr. Catapano has Bachelor of Arts, Master of Arts in Public Affairs and Master of Science in Industrial Management degrees. Mr. Catapano is a graduate of the National Development Professional Certification Program.

### **No Agency Outstanding Debt**

The Agency does not have any debt of its own including bonds, notes or loans. All of the IDA Bonds are conduit debt obligations where the respective business or not-for-profit organization is responsible for the repayment of its IDA bond to the bank/bondholder. The Agency is not liable for any of these conduit debt obligations.

### **No Agency Real Property**

The Agency does not have any real property of its own. The Agency is not the beneficial owner of any of the real property it holds nominal title to for purposes of providing IDA assistance to businesses. The Agency cannot sell, encumber, or dispose of any of real property it holds in nominal title. In addition, the Agency cannot depreciate on its books and records nominal title property because the Agency is not the beneficial owner. The Agency does not have any liability with respect to nominal title property.

### **Assessment of the Effectiveness of Internal Controls**

The Audit Committee and Agency staff periodically review the system of internal controls to determine its effectiveness and to make any improvements.

Beginning in 2006 there were new accounting and auditing disclosure standards that took effect for accounting firms in regard to internal controls. The accounting standards require very specific language in disclosing this information. The Agency's outside accounting firm assisted the Agency in preparation of the financial statements as it has done in previous years. Therefore, the accounting firm must now disclose this information. Due to the very specific language that is required by the accounting standards board the Agency's outside accountants must indicate that since they assisted in the preparation of the financial statements this is considered to be significant deficiencies in internal controls when, in layman's terms, it is not. The Agency's Accountant has explained this disclosure requirement to the Board of Directors.