



## Incentive Evaluation

### Introduction

Broome County contracted with E.M. Pemrick and Company to prepare the Economic Analysis Component of the County’s Comprehensive Plan. The analysis is intended to update portions of a countywide economic development strategy, adopted in 2002, known as the *BCPlan*. Elements of the scope of work for the Economic Analysis include an economic profile of Broome County, a real estate assessment, a profile of the local workforce, a target industry analysis, and an incentive evaluation.

This document provides a summary of the local, regional, and state incentives currently available to businesses for locating or expanding in Broome County, and evaluates the relative cost of doing business in Broome County compared to other key locations. It should be noted that the report includes only the most significant and/or frequently-used incentives.

### Overview of Incentives

An economic incentive can be defined as any factor (financial or non-financial) that provides a motive for a particular course of action, or counts as a reason for preferring one choice over alternatives. In economic development, incentives may be used to mitigate competitive disadvantages that impact a company’s profitability, such as high energy costs or local property taxes. Incentives may also be offered to enhance local resources – for example, training to prepare workers for specific types of jobs, or extending a sewer line to serve an industrial site. Commonly-used types of incentives are listed in **Table 1**.

**Table 1: Commonly-Used Types of Incentives**

State	Local
Corporate income tax credits	Property tax exemptions and PILOT agreements
Sales/use tax exemptions	Sales/use tax exemptions
Investment grants	Industrial revenue bonds
Access to low-interest loans	Access to low-interest loans / revolving loan funds
Infrastructure assistance	Infrastructure assistance
Subsidized job training	Subsidized land or buildings
Utility incentives – e.g., extensions, rate reductions	Mortgage recording tax exemptions

A nationwide survey of state incentive program managers has been conducted annually by the Council for Community and Economic Research, a non-profit, non-partisan membership organization, since 1999. According to the organization, there are nearly 1,800 economic development incentive programs currently in use by states to influence the location of business investment and promote job opportunities. Although the services and tools offered vary, the Council reports that “financial assistance is still the primary approach that most states adopt, with about half of the programs providing tax-related benefits to businesses. In addition, nearly 35 percent of the programs provided direct financing and lending to businesses.” Some



incentive programs target broad sectors, while others are tailored to specific industries such as manufacturing, agriculture, or wholesale trade and distribution.<sup>1</sup>

According to *Area Development Magazine's* annual survey of corporate executives, incentives are among the many factors that businesses consider when making location decisions. Location fundamentals (like labor) are typically at the top of the list, but when it comes to comparing sites, incentives come to the forefront. Relative interest in incentives also varies by type of operation and economic segment.

In the most recent ranking, *state and local incentives* ranked #13, considered "Very Important" or "Important" by 71% of respondents. Interestingly, state and local incentives were ranked higher, tied for fifth place, in the magazine's 2011 survey. The magazine speculates that corporate executives have adjusted their priorities, realizing that incentives cannot make up for high labor costs, poor interstate access, or the lack of skilled labor.

Asked about various types of incentives, more than two-thirds of the survey respondents indicated that they believe *tax incentives* are the most important. Fully 70% feel that incentives are either *somewhat* or *very* important to moving a project forward in a particular location.

**Table 2: Top Ten Site Selection Factors, 2012**

Ranking	Factor	Percent
1	Labor Costs	90.8
2	Highway Accessibility	90.1
3	Availability of Skilled Labor	89.4
4	Availability of Skilled ICT Services	85.1
5	Occupancy or Construction Costs	82.8
6	Energy Availability and Costs	81.3
7	Corporate Tax Rate	79.3
8	Available Buildings*	78.4
9	Tax Exemptions	75.4
10	Low Union Profile	73.5

Source: *Area Development Magazine*, The 27th Annual Survey of Corporate Executives: Changing Site Selection Priorities, Winter 2013. <http://www.areadevelopment.com/Corporate-Consultants-Survey-Results>

Percentages reflect the total of "Very Important" and "Important" ratings. \*Available Land was ranked #18.

<sup>1</sup> The Council for Community and Economic Research. *2012 State Economic Development Incentives Survey Report*, May 2013. Accessed at [http://members.c2er.org/download/2012 Economic Development Program Survey Report.pdf](http://members.c2er.org/download/2012_Economic_Development_Program_Survey_Report.pdf).



## New York State Incentives

Empire State Development Corporation (ESD) is a public finance and development authority that serves as New York's primary agent for economic development. Its mission is to "promote a vigorous and growing economy, encourage the creation of new job and economic opportunities, increase revenues to the State and its municipalities, and achieve stable and diversified local economies." Through the use of loans, grants, tax credits and other forms of financial assistance, ESD strives to enhance private business investment and growth to spur job creation across New York State.

Examples of financial and tax incentives offered by ESD and other state agencies are described below.

### Excelsior Jobs Program

According to ESD, the Excelsior Jobs Program "provides job creation and investment incentives to firms in such targeted industries as biotechnology, pharmaceutical, high-tech, clean-technology, green technology, financial services, agriculture and manufacturing." Firms in these industries that create and maintain new jobs or make significant capital investments are eligible to apply for up to four fully refundable tax credits:

- **Excelsior Jobs Tax Credit:** A credit of 6.85% of gross wages per new job to cover a portion of the associated payroll cost.
- **Excelsior Investment Tax Credit:** Valued at 2% of qualified investments.
- **Excelsior Research & Development Tax Credit:** A credit of 50% of the federal R&D credit, capped at 3% of research expenditures in New York State.
- **Excelsior Real Property Tax Credit:** Available to firms in targeted industries that meet higher employment and investment thresholds (Regionally Significant Project), and to firms locating in certain economically distressed areas, known as Investment Zones, which include the City of Binghamton and the Village of Johnson City.

All employers approved for participation in the Excelsior Program are eligible to apply for the Jobs, Investment, and R&D Tax Credits. Participation is based on job creation and capital investment, with minimum eligibility criteria established for each strategic industry; for example, manufacturers must create at least 10 new jobs, while distribution facilities must create at least 75.<sup>2</sup> Certain types of establishments (e.g., real estate, legal services, utilities, business services) are not eligible to participate. To receive the Real Property Tax Credit, the business must meet higher thresholds for jobs and investment.

Based on a quarterly report dated March 31, 2013, no businesses in Broome County are currently participating in the Excelsior Program.

---

<sup>2</sup> These thresholds were reduced under legislation passed in June 2013, opening the program to smaller companies. Previously, the job creation thresholds were 25 for manufacturing and 150 for distribution facilities.



## **JOBS Now**

The JOBS Now Program offers loans and grants for major business expansion and attraction projects in the state. It is primarily directed toward large projects that create at least 300 new full-time jobs. Eligible businesses include private businesses involved in industrial, manufacturing, warehousing and distribution activities, and research and development, high-technology, service, and other non-retail commercial enterprises.

JOBS Now has three categories of funding:

- **Economic Development Loans and Grants:** Up to \$10,000 per job for projects involving construction and expansion of facilities; funds may be used for real estate acquisition, demolition, construction, infrastructure development, machinery and equipment, inventory, and construction-related planning and design.
- **Job Creation Grants:** Up to \$1.5 million, depending on the number of jobs created, to reimburse state and local taxes incurred related to business expansion that involves capital or working capital expenses.
- **Workforce Training Grants:** Full or partial reimbursement of training costs associated with an expansion or attraction project; funds may be used for workforce recruitment, skills training and or upgrading, productivity enhancement and total product service quality improvement.

Businesses in the area that have received financial assistance through the JOBS Now Program include Lockheed Martin, BAE Systems, and Nationwide Credit, Inc. (NCI).

## **Economic Development Fund**

The Economic Development Fund (EDF) is a flexible program that assists companies with general development financing. It helps to increase business activity and facilitate job creation and retention in the state. EDF financing is available for construction, expansion and rehabilitation of facilities; acquisition of machinery and equipment; working capital; and the training of full-time permanent employees. Eligible businesses include private businesses involved in industrial, manufacturing, warehousing and distribution activities, and research and development, high-technology, service, and other non-retail commercial enterprises. Frito-Lay, National Pipe & Plastics, and Buckingham Manufacturing in Broome County and Sanmina in Tioga County are among the local businesses that have received funding through the state EDF.

## **Manufacturing Assistance Program**

The Manufacturing Assistance Program encourages manufacturers to invest in projects that will improve their operations. The program supports projects that will significantly increase the productivity and competitiveness of business operations by providing up to \$1 million in grants to promote investment in machinery, equipment and associated building modifications.

Eligible manufacturers must employ 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. Projects in which there are reductions in employee benefits and wages are not eligible for assistance.



## Other Incentives

Other incentives offered to companies expanding in or relocating to New York State include:

- Low-cost loans and grants to companies that invest significant capital and commit to the creation and retention of private sector jobs;
- Tax incentives for investment and job creation in Qualified Emerging Technology Companies (QETCs);
- Investment tax credits of up to 10% for businesses that create new jobs and make new investments in production property and equipment;
- A 9% corporate tax credit for investments in research and development facilities; and
- Liability relief and tax credits for the cleanup and redevelopment of brownfield sites.

The extent to which Broome County businesses have taken advantage of these financial and tax incentives could not be ascertained.

## Recharge NY Power Program

The Recharge NY (RNY) Power Program is a statewide economic development power program for qualified businesses and non-profit organizations. It is designed to create and maintain jobs by allocating a blend of stable, low-cost hydropower and market power procured by the New York Power Authority. Allocations of RNY power are made through a competitive application process.

Key provisions include:

- A 910 megawatt program that gives the state more economic development power resources than previously available and opened the program to new applicants;
- Allocation-based power benefits and long-term contracts of up to seven years provide competitive, stable electric power prices to energy intensive businesses; and
- Eligibility criteria to ensure significant, long-term economic return to the state, including the number and value (wages and benefits) of jobs created and retained, investments in capital equipment and energy efficiency, the significance of energy costs to the competitiveness of the business, and the local economic significance of the facility.

Approved RNY power allocations in Broome County<sup>3</sup> include BAE Systems (1,850 kW), Buckingham Manufacturing (96 kW), Huron Real Estate Associates LLC (10,000 kW), Maines Paper & Food Service (666 kW), National Pipe & Plastics (1,250 kW), and United Health Services (170 kW). Lockheed Martin in Owego also received an approved allocation (3,606 kW).

## START-UP NY

Governor Cuomo recently proposed a new “Tax-Free NY” initiative for companies that locate on SUNY campuses outside New York City, including that of Binghamton University. Under this initiative – to be enacted legislatively as START-UP NY (SUNY Tax-free Areas to Revitalize and Transform Upstate NY) –

---

<sup>3</sup> Through March 21, 2013.



businesses would pay no sales, business, or property taxes for their first decade on campus, and their employees would be exempt from paying income taxes for five years.<sup>4</sup>

Eligible businesses include companies with “a relationship to the academic mission of the university” and companies creating new jobs, including new businesses, out-of-state businesses that relocate to New York, and existing businesses that expand their New York operations, as long as they can demonstrate that they are creating new jobs and not moving existing ones. All businesses participating in the program will need to have positive community and economic benefits.

Each university community will develop a plan for the types of businesses it intends to attract and the locations that will be tax-free. For SUNY community colleges and four-year colleges and universities, these locations may include vacant land or space in buildings on the SUNY campus; business incubators “with a bona fide affiliation to the campus, university or college”; and up to 200,000 square feet within a mile of the SUNY campus.

An additional 3 million square feet of commercial space will be available at designated private colleges north of Westchester County and up to twenty strategic state assets will also be designated tax-free. These sites will be identified by a three-person START-UP NY program board.

Certain restrictions apply: for example, companies will not be able to simply shift workers from another location to a START-UP NY site, and the state will retain the right to reduce, suspend, or terminate benefits if companies fail to live up to their commitments to create new jobs.

---

<sup>4</sup> For the second five years, employees would pay no taxes on income up to \$200,000 of wages for individuals, \$250,000 for a head of household, and \$300,000 for taxpayers filing a joint return.



## Incentives Offered in Broome County

### Southern Tier Regional Economic Development Council (REDC)

With funding from Empire State Development, the Southern Tier REDC has established three regional initiatives: the Rural Initiative Venture Fund, Community Revitalization Program, and Infrastructure Fund for Shovel-Ready Sites.

- The **Rural Initiative Venture Fund** is a grant and revolving loan fund that provides start-up and expansion capital to agricultural businesses. The program supports the REDC’s strategy to build the rural-based economy of the Southern Tier.
- The **Community Revitalization Program** is a loan/grant fund that provides “gap” financing for projects that utilize a collaborative approach to improving diverse downtowns, mixed use options, and commercial and retail opportunities. It is expected to leverage millions of dollars in private investment in downtown cores and community centers.
- The **Regional Infrastructure Fund for Shovel Ready Sites** is designed to increase the region’s capacity for business development and promote the redevelopment of brownfield sites. Emphasis is placed on smart growth and energy efficient site development. The Fund provides loans to establish infrastructure for new shovel ready sites.

Proceeds of the three loan programs will be used to seed future projects, leveraging millions of dollars in additional private investment.

### Broome County IDA

The Broome County Industrial Development Agency (BCIDA) is a public benefit corporation chartered by the State of New York. It offers a variety of tax incentives and financing programs for businesses, including:

- **Tax Exempt Industrial Development Bonds:** Manufacturing-related expansion projects that anticipate fixed asset financing over \$1 million can take advantage of tax-exempt industrial development bonds to secure sub-prime loans for real estate and equipment. Features include real property tax abatements, state and local sales tax abatements, and a mortgage recording tax exemption.
- **Taxable Industrial Development Bonds:** Manufacturing, industrial and some commercial projects in Broome County can receive considerable benefits by using this tool for fixed asset related expansion projects. Many non-retail uses are permitted. The interest from the bonds is exempt from NYS income tax but is fully subject to federal taxation. Features include real property tax abatements, state and local sales tax abatements, and a mortgage recording tax exemption. Real estate and equipment loans are offered at or near conventional rates.
- **Sale/Leaseback Transactions:** Even in instances in which the BCIDA is not involved in issuing industrial development bonds, it can offer real property tax abatements through the development of a simple



sale/leaseback agreement with the project sponsor. In 2012, for example, the BCIDA approved a sale/leaseback and payment-in-lieu-of-taxes (PILOT) agreement with Maines Paper & Food Service, Inc., to add 20,000 square feet to its Conklin distribution center for Darden Restaurants, Inc.

- **Southern Tier East Economic Development Revolving Loan Fund Program (STEED):** The STEED RLF program assists start-up and existing firms in an eight-county region by offering low-interest financial support for the purchase of fixed capital assets or working capital. Eligible businesses may finance up to 40% of a project's cost up to a maximum of \$200,000. The successful applicant must be able to document that the planned project will result in job creation and/or retention. Other eligibility criteria apply.
- **Title IX Economic Adjustment Revolving Loan Fund Program:** The Title IX Program assists start-up and existing firms in Broome County by offering low-interest financial support for the purchase of fixed capital assets or working capital. Eligible businesses may finance up to 40% of a project's cost up to a maximum of \$200,000. The successful applicant must be able to document that the planned project will result in job creation and/or retention. Other eligibility criteria apply.

Based on its most recent report to the Office of the State Comptroller (OSC), the BCIDA in 2010:

- Supported 42 projects valued at \$456.5 million<sup>5</sup>; and
- Provided \$6,966,814 in total tax exemptions, which were offset by \$3,418,965 in PILOTs, resulting in net tax exemptions of \$3,547,849.<sup>6</sup>

These BCIDA projects reported a total of 4,375 full-time equivalent positions, which reflects an increase of 1,060 jobs from the commencement of the projects, at an average cost of \$3,346 per job gained.

### **Binghamton Local Development Corporation**

The Binghamton Local Development Corporation (LDC) is a public benefit corporation created under state law to implement and support the City's economic development strategy, in conjunction with the Binghamton Economic Development Office, through loan programs, business initiatives and outreach efforts. BLDC loan programs include:

- **Revolving Loans** are available to businesses for up to 40% of the total project cost or a maximum of \$250,000, whichever is less; terms to match the security or collateral.
- **Microenterprise Loans** are available to businesses with five or fewer employees, one of whom must be the owner, for the purchase of fixed assets, inventory and working capital; up to \$24,000 with a maximum five-year term.
- To improve the overall "curb appeal" of the City's commercial districts, the **Commercial Facade Improvement Program** provides financial assistance to local businesses to upgrade and restore building

<sup>5</sup> Total project value includes all aspects of the project, including those components that may not directly benefit from IDA assistance.

<sup>6</sup> OSC, [http://www.osc.state.ny.us/localgov/pubs/research/ida\\_reports/2013/IDAProjectDataSummary2011.xlsx](http://www.osc.state.ny.us/localgov/pubs/research/ida_reports/2013/IDAProjectDataSummary2011.xlsx).





facades, roofs, doors, and windows. Funding is available for up to 75% of the total project cost to a maximum of \$100,000, with a maximum seven-year term.

Eligible businesses must be located in or relocating to the City of Binghamton, able to create jobs for low to moderate income persons, and able to provide at least 10% owner equity in the project. In 2012, the Binghamton LDC made six loans totaling \$594,050.

### **Town of Union Local Development Corporation**

The Town of Union Local Development Corporation (LDC) offers financial assistance to start-up and expanding businesses. Most LDC programs are intended to create and retain permanent jobs, and to supplement rather than replace financing from private lenders. These programs include:

- **Town of Union Business Assistance (TUBA) Program:** Loans for the purchase of fixed assets with a useful life of at least five years; financing for up to 40% of total project costs, generally not to exceed \$200,000. At least 50% of the project cost must be funded privately. Funding is based on the number of jobs to be created within two or three years of the loan approval. Start-up businesses are eligible for funding, but additional requirements must be met.
- **Emerging Enterprise/Emerging Market Entrepreneurial (E<sup>3</sup>):** Loans to encourage research and development in emerging fields and/or improve upon existing technologies; financing of fixed assets for up to 75% of eligible projects, generally not to exceed \$50,000. At least 60% of the project cost must be funded privately. Funding is based on the number of jobs to be created within two or three years of the loan approval. Start-up businesses are eligible for funding, but additional requirements must be met.
- **Microenterprise Loan Program:** Loans to start-up or existing businesses with five (5) or fewer employees that may not be able to be approved for a loan through traditional means of financing without the use of public funds; financing for up to 75% of eligible projects, not to exceed \$20,000. At least 25% of the project cost must be funded privately. Funding is based on the number of jobs to be created within two years of the loan approval.
- **Central Business District (CBD) Loan Program:** For the purchase of land and buildings in business districts in the Town of Union, Village of Endicott, and Village of Johnson City where 51% or more of the building will be used for commercial purposes; financing for up to 40% of eligible project costs, generally not to exceed \$50,000. At least 75% of the project cost must be funded privately. Funding is based on the number of jobs to be created within two or three years of the loan approval. Start-up businesses are eligible for funding, but additional requirements must be met.
- **Commercial Façade Loan Program:** For the revitalization of building facades on commercial structures; financing for up to 50% of eligible projects, generally not to exceed \$10,000. Open only to the owners of commercial property in business districts in the Town of Union, Village of Endicott, and Village of Johnson City.



### Other Resources

- **Greater Binghamton SCORE** provides free and confidential business counseling tailored to meet the needs of the small business or prospective entrepreneur. SCORE volunteers are real-world professionals, often retirees, who donate thousands of hours to helping small businesses succeed.
- **The Small Business Development Center** at Binghamton University provides management and technical assistance to small businesses in a seven-county area. One-on-one assistance is offered on a wide range of topics, including business plan development, accounting and financial projections, marketing, sources of financing, etc.
- The **Entrepreneurial Assistance Program (EAP)** is a program offered at Broome Community College that provides instruction, training, technical assistance, and support services to both existing and prospective entrepreneurs. Students participate in a ten-week class that teaches them how to develop a business plan. In partnership with the Binghamton LDC, the EAP co-sponsors an annual business plan competition. In 2013, the contest winner received a \$5,000 grant, a \$5,000 advertising package from the *Press & Sun Bulletin*, a one-year membership in the Greater Binghamton Chamber of Commerce, and a professional consultation for website design and Internet marketing.



## E. The Cost of Doing Business in Broome County

### Labor Costs

Labor costs in the Binghamton MSA are competitive compared with other locations in New York State and Pennsylvania. This is particularly important for large and mid-sized operations considering Broome County. **Table 3** below provides a labor cost comparison for selected key occupations.

**Table 3: Annual Median Wages for Selected Occupations by MSA**

Occupation	Binghamton MSA	Albany-Schenectady-Troy MSA	Scranton, PA MSA	Williamsport PA MSA	Allentown-Bethlehem-Easton PA-NJ MSA
<b>Management, Business, and Finance</b>					
General and operations managers	\$80,840	\$92,310	\$80,230	\$80,740	\$91,440
Industrial production managers	\$82,850	\$103,720	\$74,310	\$98,330	\$92,940
Computer and information systems mgrs	\$96,100	\$108,990	\$105,700	\$96,650	\$103,380
Financial managers	\$106,920	\$106,050	\$85,420	\$66,590	\$106,080
Administrative services managers	\$94,940	\$87,410	\$79,010	\$68,240	\$89,180
Medical and health services managers	\$63,620	\$91,050	\$71,000	\$73,120	\$86,230
Business operations specialists	\$64,580	\$66,030	\$55,350	\$46,600	\$63,300
Accountants and auditors	\$57,370	\$64,600	\$51,030	\$52,920	\$51,070
Claims adjusters, examiners, and investigators	\$66,800	\$60,720	\$58,390	NA	\$59,780
Management analysts	\$58,310	\$70,000	\$72,320	NA	\$84,230
<b>Computer &amp; Engineering</b>					
Computer systems analysts	\$64,640	\$73,520	\$76,170	\$90,990	\$77,060
Software developers, systems software	\$87,840	\$81,850	\$72,260	\$85,130	\$105,640
Electrical engineers	\$85,900	\$99,960	\$75,190	NA	\$74,600
Industrial engineers	\$53,830	\$94,360	\$73,770	\$75,510	\$86,220
Mechanical engineers	\$71,580	\$83,580	\$63,130	\$66,330	\$81,130
Electrical/electronic engineering technicians	\$61,410	\$61,200	\$62,180	\$37,030	\$62,180
<b>Health Care</b>					
Registered nurses	\$53,500	\$58,210	\$57,050	\$59,310	\$66,690
Licensed practical nurses	\$36,710	\$38,810	\$41,690	\$41,780	\$42,550
Physicians assistants	\$91,240	\$88,450	\$69,250	\$79,860	\$80,900
Pharmacists	\$115,450	\$114,820	\$106,860	\$102,060	\$110,850
Medical and clinical lab technologists	\$65,270	\$56,950	\$53,510	NA	\$54,850
Home health aides	\$23,980	\$23,150	\$21,120	\$20,150	\$19,450
<b>Office &amp; Administrative Support</b>					
Sales representatives, wholesale/mfg., non-technical	\$44,980	\$55,980	\$49,360	\$52,810	\$58,890
Stock clerks and order fillers	\$19,590	\$22,550	\$23,860	\$22,000	\$22,240
Bill and account collectors	\$28,770	\$36,030	\$31,410	\$26,540	\$28,690
Executive secretaries and admin. assistants	\$56,180	\$56,560	\$42,570	\$37,480	\$46,880
Receptionists	\$22,050	\$27,950	\$23,440	\$23,550	\$24,480
Customer service representatives	\$29,550	\$32,310	\$28,740	\$28,220	\$30,060
General office clerks	\$23,420	\$29,260	\$26,200	\$28,200	\$28,080



**Table 3: Annual Median Wages for Selected Occupations by MSA**

Occupation	Binghamton MSA	Albany-Schenectady-Troy MSA	Scranton, PA MSA	Williamsport PA MSA	Allentown-Bethlehem-Easton PA-NJ MSA
Shipping and receiving clerks	\$28,410	\$30,270	\$30,170	\$28,970	\$30,850
<b>Production &amp; Transportation</b>					
Sheet metal workers	\$33,750	\$56,610	\$48,440	\$31,470	\$68,650
Industrial machinery mechanics	\$49,890	\$52,900	\$40,940	\$43,300	\$51,250
Production supervisors	\$47,370	\$62,970	\$52,710	\$51,900	\$59,680
Team assemblers	\$24,300	\$23,690	\$24,590	\$25,530	\$28,920
Food batchmakers	\$34,150	\$33,190	\$22,470	\$41,390	\$32,530
Bakers	\$26,360	\$24,810	\$23,520	\$22,720	\$25,290
Computer-controlled machine tool operators	\$29,790	\$35,370	\$33,700	\$36,010	\$35,300
Machinists	\$34,200	\$45,580	\$38,540	\$41,250	\$41,770
Welders, cutters, solderers	\$29,280	\$44,810	\$34,560	\$30,620	\$37,030
Inspectors and testers	\$29,900	\$41,060	\$33,500	\$32,550	\$36,600
Heavy/tractor-trailer truck drivers	\$42,660	\$41,050	\$36,200	\$37,720	\$39,970
Industrial truck and tractor operators	\$29,390	\$35,440	\$31,740	\$35,010	\$32,210
Packers and packagers, hand	\$21,330	\$22,200	\$22,000	\$20,600	\$25,320
Laborers and freight movers	\$24,010	\$29,830	\$28,620	\$24,410	\$27,230

Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2012. Occupations in which annual median wages are lowest in the Binghamton MSA are highlighted in green.

### State and Local Taxes

A key aspect of the cost of doing business is taxes. In the Tax Foundation’s 2013 version of its State Business Tax Climate Index – which considers corporate, income, unemployment insurance, and sales tax rates as well as property taxes – New York ranked last. According to the Tax Foundation’s report: “Despite moderate corporate taxes, New York scores at the bottom this year by having the worst individual income tax, the sixth-worst unemployment insurance taxes, and the sixth-worst property taxes” in the nation.<sup>7</sup>

**Table 4: 2013 Business Tax Climate Index Ranks and Component Tax Ranks**

State	Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Unemployment Insurance Tax Rank
New York	50	23	50	45
Pennsylvania	19	46	12	36
New Jersey	49	40	48	24
Massachusetts	22	33	15	49
Virginia	27	6	38	38

Source: Tax Foundation. Report shows tax systems as of July 1, 2012 (the beginning of Fiscal Year 2013).

Note: A rank of 1 is more favorable for business than a rank of 50. Rankings do not average to total.

<sup>7</sup> Tax Foundation. 2013 State Business Tax Climate Index. October 2012. <http://taxfoundation.org/article/2013-state-business-tax-climate-index> The corporate tax rates are 7.1% in New York State and 9.99% in Pennsylvania.



Property tax rates in the State of New York are among the highest in the United States. In a county-by-county analysis of median property taxes paid on homes, Broome ranked #230 out of 806 counties included. Broome County ranked #26, however, in terms of property taxes as a percent of median home value, and #109 in property taxes as a percent of median household income. Comparisons between Broome County and other counties in New York and Pennsylvania are shown in **Table 5** below (note differences in rank order).

County	Median Property Taxes Paid on Homes		Taxes as a Percent of Median Home Value		Taxes as a Percent of Median Household Income	
	Rank	Amt.	Amt.	Rank	Amt.	Rank
<b>Broome, NY</b>	<b>230</b>	<b>2.36%</b>	<b>26</b>	<b>4.59%</b>	<b>109</b>	
Lackawanna, PA	349	1.37%	248	3.56%	277	
Lehigh, PA	138	1.50%	205	4.65%	103	
Lycoming, PA	404	1.39%	243	3.63%	264	
Albany, NY	80	1.83%	120	4.96%	82	
Schenectady, NY	55	2.61%	12	6.65%	33	
Tompkins, NY	81	2.30%	34	5.51%	55	
<b>U.S. Average</b>	-	<b>1.14%</b>	-	<b>3.25%</b>	-	

Source: Tax Foundation. Note: In this table, a rank of 1 is *least* favorable – i.e., the total tax paid is highest in the county ranked #1. A total of 806 U.S. counties was included in the analysis.

Information on other Southern Tier counties is provided in the appendix to this chapter.

An online property tax database created by the Empire Center for New York State Policy calculates the combined tax rate for every school district and local governments in the state. The database can be used to calculate the “effective” tax rate in a given locality or compare property tax burdens between municipalities.

Based on this information, real estate property taxes in Broome County in 2012 ranged from approximately \$23 per \$1,000 of assessed value to \$52 per \$1,000, with an average of \$32. The lowest effective tax rate was for property located in the Town of Fenton and the Harpursville School District. Property located in the City of Binghamton and the Binghamton School District had the highest effective tax rate not only in Broome County, but in the entire Southern Tier region. Effective tax rates were also much higher than average in the villages of Johnson City and Endicott.



### Utility Costs

According to the U.S. Energy Information Administration, the average retail price of electricity in New York is 14.74 cents per kilowatt-hour (kWh) for commercial users and 6.56 cents per kWh for industrial users (**Table 6**).<sup>8</sup>

Discussions with small- to mid-sized industrial users indicate that the bundled rate (generation/transmission) in Broome County is between 10 and 15 cents per kWh.

Typically for large energy users in the region, NYSEG offers incentives in the form of rate discounts and funding assistance. Large energy users can also take advantage of the state’s Recharge New York program.

	<b>Commercial</b>	<b>Industrial</b>
New York	14.74	6.56
Pennsylvania	9.34	6.98
New Jersey	12.08	10.16
Massachusetts	15.09	13.13
Virginia	7.88	6.53
<b>U.S. Average</b>	<b>9.99</b>	<b>6.59</b>

Source: U.S. Energy Information Administration, March 2013.

### Cost of Living

Overall, the cost of living in Binghamton is on par with the national average (**Table 7**). Housing costs in particular are well below average, although the same is true of potential competitors in eastern and central Pennsylvania. On the negative side, utility and health care costs in Binghamton and other Southern Tier communities are considerably higher than average.

	<b>Overall Index</b>	<b>Food</b>	<b>Housing</b>	<b>Utilities</b>	<b>Health</b>	<b>Transportation</b>	<b>Misc.</b>
Binghamton, NY	101	110	69	124	113	108	113
Ithaca, NY	108	101	122	114	110	106	98
Albany, NY	106	108	100	102	106	103	114
Schenectady, NY	97	107	67	104	105	102	114
Scranton, PA	87	103	52	108	93	101	100
Williamsport, PA	90	89	70	125	97	96	94
Allentown, PA	93	102	66	114	103	101	104

Source: Sperling’s Best Places Cost of Living Calculator. U.S. Index = 100.

Misc. category includes clothing, restaurants, repairs, entertainment, and other services.

<sup>8</sup> The average retail price represents the cost per unit of electricity sold and is calculated by dividing retail electric revenue by the corresponding sales of electricity. The electric revenue used to calculate the average retail price is the operating revenue reported by the utility companies. Electric utilities operating revenues include energy charges, demand charges, consumer service charges, environmental surcharges, and fuel adjustments, as well as state and federal taxes.



### **Commercial and Industrial Real Estate**

Real estate costs in Broome County are very competitive (less than \$50,000 per acre for developed industrial sites). As reflected in the Real Estate Assessment, as of Q4 2012 the average asking price for industrial space in the Binghamton area was \$4.90/SF, according to Cushman & Wakefield; for office space, it was \$12.24/SF. In comparison, asking prices for industrial space averaged about \$4.50/SF in the Lehigh Valley and \$5.50/SF in the Capital Region. The average asking price for office space was about \$14+/SF in the Lehigh Valley and \$15+/SF in the Capital Region.



## Summary Observations

Generally speaking, local, regional, and state incentives seem to be adequate for most types of businesses, and major employers in Broome County are taking advantage of them. Financial resources for the purchase of fixed assets, inventory, and working capital are offered by multiple agencies, typically at competitive rates.

The extent to which incentives can attract companies from outside Broome County, however, may be limited. New York is perceived by many companies and site selectors as a high-cost state, effectively eliminating it from consideration.<sup>9</sup> Although corporate tax rates are in fact higher in Pennsylvania,<sup>10</sup> the Allentown (Lehigh Valley) and Scranton areas are considered strong competitors. These areas have large inventories of sites and buildings suitable for various industrial and commercial uses, and can offer aggressive leasing packages. As a result, Allentown and Scranton have landed numerous production, distribution, and back-office projects over the last decade. Most recently, Flowserve – a Texas-based manufacturer and supplier of pumps, valves, seals, automation, and services to the oil and gas industries – announced plans to relocate a portion of its pump division operations to the Lehigh Valley.<sup>11</sup>

On the plus side, Broome County does have advantages in terms of both labor and land costs. It has access to interstate highway networks, and the quality of skilled labor resources is considered very good. Broome County is far less competitive in terms of energy costs and property taxes (absent incentives). This can be a problem in attracting businesses and recruiting talent to the area, especially from other technology centers in the southern United States. However, property taxes may not be an issue for a company that leases space; similarly, businesses that do not consume large amounts of energy may not be concerned about high utility rates.

For energy intensive businesses, the state's Recharge NY Power Program can provide competitive, stable electric power prices. However, the program does have a competitive application process, so access to this incentive is not guaranteed. Companies may also be able to obtain rate reductions with NYSEG, though the amount and duration of any discounts are subject to negotiation. Some companies, like Frito-Lay, purchase their electricity off the grid from NYSEG, resulting in cheaper rates.

It appears that there are programs in place in Broome County to help young, entrepreneurial companies access working capital and to assist large, often mature employers reduce operating costs (i.e., through property tax abatements). Small and mid-sized companies of up to 200 employees that are no longer eligible for start-up assistance but cannot meet the job creation requirements of programs accessible to major employers are probably most at-risk. This could include the "next generation" companies that

---

<sup>9</sup> Location selection is a process of elimination. Usually it starts with a relatively large number of candidates and proceeds through a series of steps designed to screen locations based on defined criteria: e.g., geography, access to labor, costs, available real estate options, or other resource requirements. Incentives typically do not come into play until later in the process, *after* the top candidates have been selected and companies are comparing specific sites. If New York or Broome County are eliminated from consideration early in the process, the availability of incentives is essentially a moot point.

<sup>10</sup> Pennsylvania Governor Tom Corbett has called on the General Assembly to reduce Pennsylvania's corporate income tax from 9.99% to 6.99% by 2025.

<sup>11</sup> "Governor Corbett: Out-of-State Manufacturer to Relocate to the Lehigh Valley; Create 124 Jobs," *Herald Online*, June 12, 2013. [www.heraldonline.com/2013/06/12/4940472/governor-corbett-out-of-state.html](http://www.heraldonline.com/2013/06/12/4940472/governor-corbett-out-of-state.html)





emerge from BU's new high-tech incubator. Often the leaders of such companies are not aware of incentive programs, including training grants, for which they can qualify. The establishment of a formal business outreach program with regularly scheduled visits to identify needs and determine how economic development officials can assist would be helpful.



## Appendix – Incentive Evaluation

**Table 5B** below compares Broome County to other counties in the Southern Tier with regard to median property taxes paid on owner-occupied housing, based on an analysis by the Tax Foundation. Because information was not available for several counties due to insufficient sample sizes, **Table 5C** provides a similar comparison using five-year averages for 2005-2009.

**Table 5B: Property Taxes on Owner-Occupied Housing – Ranked by Total Tax Paid, 2010**

County	Median Property Taxes Paid on Homes		Taxes as a Percent of Median Home Value		Taxes as a Percent of Median Household Income	
	Rank	Amt.	Amt.	Rank	Amt.	Rank
<b>Broome, NY</b>	<b>230</b>	<b>2.36%</b>	<b>26</b>	<b>4.59%</b>	<b>109</b>	
Chemung, NY	264	2.54%	15	3.99%	194	
Chenango, NY	NA	NA	NA	NA	NA	
Delaware, NY	NA	NA	NA	NA	NA	
Schuyler, NY	NA	NA	NA	NA	NA	
Steuben, NY	272	2.69%	10	4.19%	168	
Tioga, NY	NA	NA	NA	NA	NA	
Tompkins, NY	81	2.30%	34	5.51%	55	
<b>U.S. Average</b>	<b>-</b>	<b>1.14%</b>	<b>-</b>	<b>3.25%</b>	<b>-</b>	

Source: Tax Foundation. Note: In this table, a rank of 1 is *least* favorable – i.e., the total tax paid is highest in the county ranked #1. A total of 806 U.S. counties was included in the analysis.

**Table 5C: Property Taxes on Owner-Occupied Housing – Ranked by Total Tax Paid, 2005-2009 Five-Year Averages**

County	Median Property Taxes Paid on Homes		Taxes as a Percent of Median Home Value		Taxes as a Percent of Median Household Income	
	Rank	Amt.	Amt.	Rank	Amt.	Rank
<b>Broome, NY</b>	<b>314</b>	<b>2.29%</b>	<b>27</b>	<b>3.88%</b>	<b>212</b>	
Chemung, NY	385	2.36%	20	3.68%	262	
Chenango, NY	468	2.15%	40	3.59%	289	
Delaware, NY	471	1.44%	466	3.64%	273	
Schuyler, NY	516	2.03%	54	3.48%	319	
Steuben, NY	437	2.37%	19	3.68%	263	
Tioga, NY	343	2.19%	35	3.64%	274	
Tompkins, NY	103	2.17%	37	4.71%	80	
<b>U.S. Average</b>	<b>-</b>	<b>1.14%</b>	<b>-</b>	<b>3.25%</b>	<b>-</b>	

Source: Tax Foundation. Note: In this table, a rank of 1 is *least* favorable – i.e., the total tax paid is highest in the county ranked #1. A total of 2,922 U.S. counties was included in the analysis.