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Commercial development issues in New York

In the last several weeks much emphasis has been placed on the commercial credit crisis, both at the state and federal levels.

In Washington, D.C., Federal Reserve Chairman Ben Bernanke has been questioned repeatedly on the state of the commercial real estate financial markets and the negative impact of increasing defaults on the banking system. On July 21, Bernanke appeared before U.S. House Financial Services Committee Chairman Barney Frank, D-Mass., and said "we're seeing increased vacancies, declining rents, falling prices and more pressure on commercial real estate."

Bernanke also said the Federal Reserve was "concerned about that sector and was paying very close attention to it," adding that the Fed is taking all the steps possible through the banking system and the securitization markets to address the ongoing problems.

At a July 22 Senate hearing, Banking Committee Chairman Christopher Dodd, D-Conn., told Bernanke the problems the commercial market now faces "may even dwarf the residential mortgage problems." When asked whether the Federal Reserve plans to extend the duration of the Term Asset-Backed Securities Loan Facility, created to address the problems of frozen credit markets and which will expire at the end of this year, Bernanke said the Fed will be "monitoring the situation, and if the markets continue to need support, we will be extending the final date of the program."

TALF, created to lend investors money to purchase securities backed by consumer and business loans, began accepting commercial mortgage-backed securities as collateral just last month.

At the state level, the stalemate in Albany finally ended when Sen. Pedro Espada, D-Bronx, returned to the Democratic conference, reestablishing his party's 32-30 seat majority. The major issues that will effect commercial development in Western New

York are the passage of Empire Zone amendments, as outlined in S. 5598-a with a companion bill and related amendments introduced by Assemblymen Schimminger with Morelle. Both emphasize that a veto-proof vote is needed to prevent the bill from being held up for months and a possible veto by the governor.

Dozens of businesses in Western New York are receiving notices that they are about to lose the tax breaks provided under the states Empire Zone program. The Buffalo News recently opined "that it is both unscrupulous and self-destructive for Albany to yank them away after companies have structured business plans on their availability." The paper also argues Albany's action inevitably will damage the state's reputation. What business would comfortably accept incentives to come to the state knowing its leaders could easily revoke them after they move.

Another state issue that could prove a disincentive to commercial development in our region is proposed IDA reform. In its current form, the bill is a job-killer. In addition to the necessary job of reform, the legislation also seeks to impose wage mandates that could drive up business costs. As one New York county already experienced, it also could drive away prospects. In January, Ulster County suspended its prevailing wage mandate on IDAs because the agency was unable to attract new businesses for two years. Since then, three projects moved forward. The lesson should be clear and let's hope our legislators can learn from it.

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