

New York Opportunities for Offshore Wind Businesses

A. The Advantages of New York

There are many reasons to establish an offshore wind business in New York, including strategic location, well-developed ports, world-class workforce development organizations and technology transfer offices, industrial development agencies, economic incentive programs, and potential offshore resources off both the Atlantic Coast and the Great Lakes shore.

Empire State Development (ESD) serves as a clearinghouse for a wide range of statewide development programs and presents opportunities for new and expanding businesses. In 2012, the state budget merged other economic development activities into ESD and created a new Division of Science, Technology, and Innovation (NYSTAR), strengthening the research and development capabilities within New York and recognizing the important contribution innovation plays in economic growth. In addition, the New York State Economic Development Council brings together public and private players (e.g., banks, industrial development agencies, local development corporations) and manages state-funded economic incentive programs.

The New York State Energy Research and Development Authority (NYSERDA) is a public benefit corporation that focuses on reducing energy consumption and promoting the use of renewable energy sources. Its broad-ranging approach, combining research and business development with administration of renewable energy incentive programs, especially the renewable portfolio standard, puts it a good position to think holistically about offshore wind development. In addition, NYSERDA offers special programs to help meet specific industry needs and spur technology innovation. Its renewable energy programs provide funds to emerging businesses for product and business development, product marketing assistance, manufacturing efficiencies, and business incubators.

Of particular interest to the offshore wind industry, New York and New Jersey jointly operate the Port Authority of New York and New Jersey—the largest port complex on the Atlantic seaboard, handling the third largest shipping business of all U.S. ports. Four container terminals lie within a 25-mile port district and tie directly into the region’s trade and transportation network. Each terminal offers shipping, rail, and trucking services. The port regularly receives large freight transport vessels and has deep water drafts.¹

New York is also home to one of the largest municipal electric utilities in the nation (in terms of electric revenue, customer base, and electricity delivered). The Long Island Power Authority

¹ In November 2010, AWS TruePower prepared an economic impact assessment for NY Power Authority for the proposed Long Island-NYC Offshore Wind Project. A review of NY’s ports is contained in the assessment, available at:
<http://www.linycoffshorewind.com/PDF/Economic%20Benefits%20of%20LI%20NYC%20OSW.PDF>

(LIPA) is a non-profit municipal electricity provider whose mission includes providing leadership in the advancement of efficiency and renewable energy. LIPA recently installed a 32 MW solar farm with two large-scale solar arrays, a laboratory-dedicated array of up to 2 MW, and a solar research facility. The array is the largest in the eastern U.S. and represents the partnership efforts of the U.S. DOE/Brookhaven National Lab, BP Solar, and MET Life. LIPA is also a member of the Long Island-New York City Offshore Wind Collaborative, which has proposed an offshore wind project 13 miles off the coast of the Rockaway Peninsula (see below for more information). The project would help LIPA meet its RPS goals.

B. Government Policies Pertaining to Offshore Wind Power

Renewable Resource Portfolio Standard

New York has set an aggressive renewable portfolio standard (RPS) goal of obtaining 30% of its electricity from renewables by 2015. Nine percent of this target is expected to be derived from new sources. Ninety-four percent of this new generation is to come from the Main Tier, which includes wind as an eligible resource.

Offshore Wind Planning

New York Power Authority (NYPA) is exploring the development of an offshore wind farm off the Long Island coast. The proposed project, the Long Island-New York City Offshore Wind project, would generate 350 MW with the expansion potential of 700 MW. The public-private collaborative includes NYPA, LIPA, and Con Edison. Con Edison and LIPA have completed a feasibility study, which determined that an interconnection of up to 700 MW would be feasible with transmission system upgrades. Once further feasibility assessments and pre-development activities have been completed, the Collaborative will begin seeking proposals from developers. The project's commercial operation is expected to begin no earlier than 2017.

C. Government Policies Pertaining to Manufacturing and Service Activities Related to Offshore Wind

Empire State Development is New York's chief economic development agency, offering an array of incentives and other forms of financial assistance to new and expanding businesses. Its Business First program lists all the statewide economic development programs in New York and is searchable by industry, business size, type of incentive, etc. Information about ESD's various programs is available at: <http://www.esd.ny.gov/index.html>.

Business Incentive Loans and Bonds

The **Job Development Authority Direct Loan Program** provides direct loans to manufacturing and other businesses that acquire, renovate, or construct buildings or for the purchasing of machinery and equipment. Funds for the loans are derived from the sale of state-guaranteed bonds.

The **Regional Revolving Loan Trust Fund** offers working capital loans of up to \$75,000 (or 50% of total project costs) to business employing fewer than 100 people. Priority is given to projects which create or retain jobs. The **Revolving Loan Trust Fund for Minorities and Women** provides women-owned and minority-owned businesses with capital for machinery and equipment or the acquisition or improvement of real property. Up to \$35,000 is available in working capital loans.

The **New York Business Development Corporation Loan** is available to small businesses that are entering into a new export market or expanding in an existing export market. The loans range from \$25,000 to \$500,000 and are available to businesses, including manufacturers, who meet SBA requirements. This loan is processed and approved by the Small Business Administration Export Express Program.

Tax Credits

Empire State Development's **Excelsior Jobs Program** makes tax credits available to eligible businesses in strategic industries including clean-tech, green tech, and manufacturing. The businesses must be located in or planning to locate in New York and must either make significant capital investments or create and retain jobs. Four new, fully refundable tax credits are available and can be claimed over a ten-year period. The Jobs Tax Credit covers a percent of wages per new job; the Investment Tax Credit is valued at 2% of qualified investments. The R&D Tax Credit provides a credit of 50% of the federal R&D credit up to 3% of research expenditures. The Real Property Tax Credit is available to firms which locate in designated Investment Zones and to firms in targeted industries meeting higher employment and investment thresholds.²

ESD's **Economic Transformation Program** offers a tax credit and capital funds to companies who locate in communities affected by closures of state correctional facilities.

ESD also offers interest-only loans at below market rates for businesses that make capital expenditures or develop industrial or commercial properties in low-income communities. Some portion of the loan may be forgiven upon maturity. Priority is given to projects that are likely to create new jobs.

The New York State Department of Taxation and Finance offers an **Investment Tax Credit** (ITC) equal to 5% of the investment (up to \$350 million) in buildings and tangible property used in manufacturing and production or research and development (tax credit is 7% for R&D). Unused credits can be carried forward for 15 years. The **Employment Incentive Credit** is based on the same qualifying investment for the ITC, but the credit is equal to 1.5% to 2.5% of investment based on increased employment over the year prior to investment. The unused credit may also be carried forward for 15 years.

Qualified emerging technology companies are eligible for a variety of credits including the **Qualified Emerging Technology Company Capital Credit** and the **Qualified Emerging**

² http://www.esd.ny.gov/BusinessPrograms/Data/Excelsior/101411_ExcelsiorJobsProgramOverview.pdf

Technology Company Facilities, Operations and Training Credit. Credits are equal to 10% of qualified investments in emerging technology companies, 18% of the cost of R&D property, and 100% of the cost of qualified high technology training expenditures.

The **Research and Development Tax Credit** is a 9% corporate tax credit for investments in R&D facilities. Additional credits are available to encourage the creation and expansion of emerging technology businesses, including a three-year job creation credit of \$1,000 per employee and a capital credit for investments in emerging technologies.

In addition to these tax credit programs, New York offers **Sales Tax Exemptions for Manufacturing.** The purchase of production machinery, equipment, R&D property, and fuel and electricity is eligible for a sales tax exemption.

Programs for Small Businesses

The ESD offers other financial services and various grant programs to small businesses:

The **Small Business Technology Investment Fund** provides early-stage high-tech companies with a potential source of venture capital to promote job creation and economic growth. The fund makes venture capital investments, taking an equity position in companies with innovative technology products and market acceptance.

The **Global Export Market Services Program** is a matching grant program that helps small and medium-sized businesses expand their export activity. Grant monies (up to \$25,000) may be used for technical assistance services or to hire consultants.

The **Industrial Effectiveness Program** through ESD provides technical and financial assistance to manufacturing firms to help increase productivity, efficiency, and market share. The maximum award size is \$50,000. Firms are chosen upon completion of a preliminary assessment.

The ESD maintains a **Manufacturing Assistance Program**, which assists manufacturers by investing in capital projects that improve productivity, production, and competitiveness. Assistance is capped at \$1 million and awards are based on the size of improvements and the economic impact of the manufacturer within its regional economy. The capital may be used for machinery, equipment, and related costs.

ESD's **Regional Revolving Loan Trust Fund Program** is operated in six regions by nonprofit organizations and provides working capital loans (up to \$75,000 or 50% of the total project cost) and loan guarantees (up to 80% or not to exceed \$80,000) to small businesses.

In addition, NYSERDA offers incentive programs for emerging technology companies:

NYSERDA's **Innovation in the Manufacturing of Clean Energy Technologies** supports RD&D and commercialization of energy efficient technologies that improve the manufacturing process for renewable technologies produced or developed within state. The program seeks to

enhance the viability of the renewables market through more efficient and affordable clean energy technology manufacturing. The **Proof-of-Concept Initiative** provides early-stage investments and services to promising clean energy start-up companies by matching emerging technologies with commercialization potential to the investment community, and establishing sustainable regional innovation networks of potential investors, entrepreneurs, and research institutions. The maximum award amount is \$5 million.

Long Island Power Authority offers several incentive programs to attract businesses to Long Island and to assist existing businesses with growth and expansion. LIPA offers electric rate discounts to companies via the following channels:

Business Attraction/Expansion Rate Discounts are available to companies significantly expanding in or relocating to Long Island. Companies must meet increased electric load or job creation/retention guidelines. **Business Incubator Rate Discounts** are available to start-up companies that graduate from a New York-sponsored incubator program. The **Load Shifting Option** permanently lowers electric rates for new program participants who shift their power use to off-peak periods. Manufacturers who participate in the state's Industrial Effectiveness Program may take advantage of LIPA's **Manufacturing Competitiveness Rate Discounts**.

D. Additional Relevant Policies

Although NYPA ended its proposed Great Lakes Offshore Wind Project, the potential for offshore wind development in the Great Lakes continues. The federal government has signed a Memorandum of Understanding with several Great Lakes states, including New York, to accelerate the review process for potential offshore wind projects. The U.S. Department of Energy will be working in partnership with state and local partners to develop an evaluation process for offshore review over the next five years. New York joins Illinois, Michigan, Minnesota, Pennsylvania, and ten U.S. agencies in the Great Lakes Offshore Wind Energy Consortium. The collaborative effort aims to address the cost barriers to offshore deployment. Federal and state agencies will be working together to develop an action plan for achieving efficient and responsible evaluation of offshore wind projects.³

³ A fact sheet on the Great Lakes Offshore Wind Energy Consortium is available here: http://www1.eere.energy.gov/wind/pdfs/gl_mou_fact_sheet.pdf