

CITY COUNCIL  
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

of the

COMMITTEE ON ECONOMIC DEVELOPMENT

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June 25, 2009  
Start: 1:44pm  
Recess: 2:57pm

HELD AT: Council Chambers  
City Hall

B E F O R E: THOMAS WHITE, JR.  
Chairperson

COUNCIL MEMBERS:  
Letitia James  
Annabel Palma  
Kenneth Mitchell  
Diana Reyna  
Albert Vann  
David I. Weprin  
David Yassky

## A P P E A R A N C E S (CONTINUED)

Jared Walkowitz  
Coordinator  
Empire Zones

Leslie Ramos  
Executive Director  
Mayor's Office of Industrial Manufacturing Businesses

David Cotton  
Chief Financial Officer  
Flying Food Group

Justin Rogers  
Director of Economic Development  
Greater Jamaica Development Corporation

Alison Lack  
Research Analyst  
Good Job New York

1

[background noise]

2

3

CHAIRPERSON WHITE: Good afternoon.

4

My name is Councilman Thomas White, Chairman of

5

the Economic Development Committee. Let me first

6

start off by introducing my colleagues. [off mic]

7

Okay. Our new addition to the Committee,

8

Councilman Mitchell, Councilwoman Palma,

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Councilwoman James, Councilman Al Vann, and

10

Council Member David Weprin. And let me just

11

first start off by saying, I want to apologize for

12

starting this meeting late, but I, we have a

13

deadline on getting our budget documents printed,

14

so it could be sent to our constituent, and I want

15

to make sure that I get that out, and I had a lot

16

of graduations this morning, which is a nice thing

17

to have. Okay. How many people we have here?

18

These are people? Okay, these are [off mic].

19

Who's sitting there now? [off mic] No, no, he's

20

over there. [off mic] Okay. We have two members

21

from the Administration. Okay, would you identify

22

yourself? Pull, pull the microphone closer to

23

you, please.

24

JARED WALKOWITZ: My name's Jared

25

Walkowitz.

2 CHAIRPERSON WHITE: You can pull it  
3 a little closer. Right. Okay.

4 JARED WALKOWITZ: There we go. I'm  
5 Jared Walkowitz, and I'm the Empire Zones  
6 Coordinator.

7 LESLIE RAMOS: I'm Leslie Ramos,  
8 I'm the Executive Director of the Mayor's Office  
9 of Industrial Manufacturing Businesses.

10 CHAIRPERSON WHITE: Continue.

11 LESLIE RAMOS: Thank you. Good  
12 afternoon, Chairman White, and members of the  
13 Committee on Economic Development. I am pleased,  
14 I'm pleased to testify before you today, regarding  
15 Intro 890, which will authorize the designation of  
16 Flying Food Group as a regional significant  
17 project. The Empire Zone Program was created by  
18 the New York State Legislature in 1986, to  
19 stimulate private investment and job creation in  
20 disadvantaged communities. Through a number of  
21 state tax incentives, including waste tax credits,  
22 investment tax credits, and real property tax  
23 credit, the program allows municipalities to  
24 retain, attract, and grow businesses that create  
25 jobs and sustain the local economy. In April

1  
2 2005, the State Legislature adopted legislation  
3 which created a provision allowing for regional  
4 significant projects designation. These  
5 designations allows local businesses outside of  
6 the distinct geographic boundaries of an Empire  
7 Zone to tap into valuable state tax credits.  
8 Often, manufacturing companies have facilities  
9 needs that can not be met by the system building  
10 stack within our Empire Zone boundaries. A  
11 regional significant project designation give us  
12 the ability to attract and retain businesses that  
13 otherwise will locate outside of the City. To  
14 ensure that the original significant project  
15 designation is used prudently, the state  
16 legislature has created an authorization process  
17 that involves the state, the local legislature,  
18 some administrative boards, and an environmental  
19 review process. Moreover, to qualify for this  
20 designation, the business must either be a  
21 manufacturer creating 50 or more fulltime jobs; an  
22 agribusiness, high-tech or biotech company,  
23 creating 20 jobs and making an investment of \$10  
24 million; a financial, insurance or distribution  
25 entity creating 300 or more jobs; or a clean

1 energy research and development enterprise.  
2  
3 Recent program changes require jobs to be created  
4 within three years. The Flying Food Group growth  
5 plan exceeds the program's minimum requirement.  
6 It would create 160 net new jobs over the next  
7 three years. In addition, it will retain and  
8 reallocate assistant jobs for a total of 596 jobs  
9 in the new facility. The added positions will  
10 include production, transportation, and  
11 sanitation workers. This is a union facility and  
12 all jobs will meet the union salary and benefit  
13 requirements. The company's ability to expand its  
14 production of prepared food for the airline and  
15 on-the-go markets was limited by a 30 percent  
16 space in efficiency. Production work has been  
17 conducted in six distinct facilities, forcing the  
18 company to rethink its future in the City. The  
19 benefits offered through the Empire Zone Program  
20 will help offset the costs of renovating and  
21 retrofitting the new facility, Building 146 at the  
22 John F.K. International Airport Complex. The  
23 company will invest \$50 million in capital  
24 improvements, and additional \$10 million in  
25 equipment. This is a magnificent project, and an

1  
2 example of how we can leverage the Empire Zone  
3 Program to preserve and create manufacturing jobs  
4 in the New York City. Thank you again for the  
5 opportunity to appear before you today, and for  
6 your support in helping preserve and grow  
7 manufacturing jobs in the City. I will be happy  
8 to address any questions that you might have.

9 [pause]

10 CHAIRPERSON WHITE: Okay. It is  
11 our understanding that on August 25<sup>th</sup>, Empire State  
12 Development made a preliminary determination of  
13 eligibility of Flying Food Group as a regional  
14 significant project. And that they would require  
15 to, they were required to create 50 new or the  
16 fulltime equivalent of 50 new jobs by the end of  
17 2011.

18 LESLIE RAMOS: Correct.

19 CHAIRPERSON WHITE: In order to  
20 retain this designation as a regional significant  
21 project. Well, how long must these new jobs--when  
22 are these new jobs to be created?

23 LESLIE RAMOS: The new jobs will be  
24 created over the next three years. I believe the  
25 plan is 80, for Fiscal year '09, '10 and '11.

1  
2 They will create in Fiscal Year '10, I'm sorry  
3 calendar year 2010, 80 jobs; in calendar year '11  
4 they will create another additional 80 jobs. In  
5 addition to that, in calendar year 2012, they're  
6 going to create an additional 30 jobs, because the  
7 program has only a three years requirement, those  
8 30 jobs will not be counted.

9 CHAIRPERSON WHITE: Okay. So what  
10 kind of documentation do you have or do you  
11 require to ensure that?

12 LESLIE RAMOS: At this moment,  
13 first what, the first thing that we require for  
14 the company to submit, is a plan of those hires  
15 and the positions and the salaries that they will  
16 be paid. Once they get accepted into the program,  
17 which if I could clarify, after the regional  
18 significant designation is approved, the company  
19 will have to come back and apply to become a  
20 Empire Zone certified company. Then after that,  
21 they will to submit an annual report identifying  
22 the number of jobs that they have created in  
23 investments.

24 CHAIRPERSON WHITE: Okay, what  
25 happens if in the future, the number of new jobs



1  
2 that were created drops below the statutory  
3 minimum?

4           LESLIE RAMOS: Well, first they  
5 will not get any benefits for the jobs that they  
6 were not created, and they would not be able to  
7 claim any benefits for jobs that are not in place.  
8 If they do not meet the program's requirement in  
9 the long run, they can be decertified, either by  
10 recommended by the local board, or by the state's  
11 recommendation.

12           CHAIRPERSON WHITE: Okay. Huh?  
13 From the submission of their original application  
14 to ESDC, to date, the number of employees of  
15 Flying Food Group has declined, as has the number  
16 of new jobs they project will be created.

17           LESLIE RAMOS: That is correct.  
18 And I think this is exactly the reason why we need  
19 to help these business move to an adequate  
20 facility. The old facility that they had, or  
21 they've been using, is existing business, so they  
22 were not able to bring the production to the  
23 standard required, to sustain some contracts.  
24 Once they move to the new facility, they will be  
25 able to bring the operation to those standards,

1  
2 and also expand their ability to produce  
3 additional goods.

4 [off mic]

5 CHAIRPERSON WHITE: Okay. What  
6 will be the baseline number of jobs created?  
7 They're at 400 plus now.

8 LESLIE RAMOS: They are 496. The  
9 baseline--

10 CHAIRPERSON WHITE: What number are  
11 we using here? The 500?

12 LESLIE RAMOS: 526 is going to be  
13 the number after three years. Right now, the--

14 CHAIRPERSON WHITE: After three  
15 years.

16 LESLIE RAMOS: Three years. Right  
17 now, the baseline is 436 jobs.

18 CHAIRPERSON WHITE: When, when they  
19 submitted the application, they said they were at  
20 515.

21 LESLIE RAMOS: And that's correct,  
22 and the way that the State would calculate the  
23 base, they take the average for the last three  
24 years. So basically they have to come to 510,  
25 like bring up to the average of the last three

1  
2 years, in order to be, start tapping, those jobs  
3 start counting. When we discount the number of  
4 jobs that they lost, and they will be rehiring, it  
5 will be about 90 new net jobs.

6 CHAIRPERSON WHITE: That would  
7 include the jobs that they lost.

8 LESLIE RAMOS: That, excluding the  
9 jobs that they lost, and they will bring. So they  
10 will still, will meet their minimum requirement  
11 for original significant project.

12 CHAIRPERSON WHITE: So the jobs  
13 that they lost--

14 LESLIE RAMOS: Mhm.

15 CHAIRPERSON WHITE: When they get  
16 those jobs back, you're going to add that to new  
17 created jobs?

18 LESLIE RAMOS: It would, it's the  
19 new jobs that would be created according to the  
20 program, but they have to come to 510, I believe  
21 that's the average of the last three years. We  
22 don't take the baseline of the most recent year,  
23 or when they certify, it's the jobs over the last  
24 three years, which will include the peak. So when  
25 we look at their peak employment, they're still

1  
2 going to be adding about 90 jobs, about that peak  
3 that they had recently.

4 CHAIRPERSON WHITE: So the bottom  
5 line is you're going to wind up with 600 jobs?

6 LESLIE RAMOS: We will be ending up  
7 with 526 jobs, and after four years, if you want  
8 to add an extra year in long view, we will have  
9 626 jobs.

10 CHAIRPERSON WHITE: I don't want to  
11 add another year.

12 LESLIE RAMOS: No, but the program,  
13 they meet within the, three program, I mean, three  
14 years that the program looks at, they will be  
15 adding, they want to go to 526 jobs. - - [off  
16 mic] I'm sorry, 596. After three years, they're  
17 going to be 596 jobs.

18 MALE VOICE: Not 526, 596.

19 LESLIE RAMOS: 596. Sorry. 626  
20 will be after four years.

21 CHAIRPERSON WHITE: Okay. [pause]  
22 Can you explain about the South Jamaica Empire  
23 Zones business plan, and how Flying Food Group  
24 fits into that plan?

25 LESLIE RAMOS: One of the

1  
2 highlights of the Empire, the Greater Jamaica  
3 Empire Zones Plan, it is to attract and retain  
4 industrial manufacturing businesses. This  
5 business is definitely considered a manufacturing  
6 of food, so they would need the criteria set in  
7 that zone. And also airline and transportation,  
8 it is part of the zone development plan.

9 CHAIRPERSON WHITE: Okay. Council  
10 Member Vann?

11 COUNCIL MEMBER VANN: Yeah, good  
12 afternoon. Excuse me. I'm wondering, a--does a  
13 regionally significant project have any geographic  
14 proximity to the Empire Zone?

15 LESLIE RAMOS: Within the closest  
16 Empire Zone to this facility is in the JFK area,  
17 in the Jamaica Empiring Zone. So, it is, it is  
18 the closer, it's, we see the Jamaica area an  
19 integral part of the JFK. And most of the jobs  
20 will be coming from the area.

21 COUNCIL MEMBER VANN: How many  
22 regionally specific projects are there in New York  
23 City?

24 LESLIE RAMOS: Right now, we have  
25 one? Three, three, but that had been approved by

1  
2 the State.

3 COUNCIL MEMBER VANN: Okay. And  
4 what Empire Zone are they associated with?

5 LESLIE RAMOS: We had one in The  
6 Bronx associated with the Hunts Point Empire Zone.  
7 We have another South Jamaica, and this will be  
8 their second. I'm sorry, and remains lighting  
9 [phonetic] that is associated with a North  
10 Brooklyn Empire Zone.

11 COUNCIL MEMBER VANN: How many  
12 Empire Zones are there in New York City?

13 LESLIE RAMOS: We have a total of  
14 eleven.

15 COUNCIL MEMBER VANN: And there's,  
16 and so far there are three regionally significant  
17 projects that have been approved?

18 LESLIE RAMOS: Correct.

19 COUNCIL MEMBER VANN: Are there any  
20 proposals before the State now? The State  
21 approves them, right?

22 LESLIE RAMOS: We do have one  
23 pending pre-approval from the State.

24 COUNCIL MEMBER VANN: Right. And  
25 once you are pre-approved, once you're approved

1  
2 and you become a regionally significant project,  
3 you enjoy the same benefits as if you were in the  
4 Empire Zone?

5 LESLIE RAMOS: If the business, the  
6 business has to come back and get approved by the  
7 Board and the State as an Empire Zone certified,  
8 and yes, they will have the same benefits.

9 COUNCIL MEMBER VANN: Is any, are  
10 there any MWB requirements for certification?

11 LESLIE RAMOS: No, there's not, but  
12 this business is a minority woman owned business.

13 COUNCIL MEMBER VANN: Say that  
14 again, which one is?

15 LESLIE RAMOS: The one that is in  
16 front of you, the Flying Food Group.

17 COUNCIL MEMBER VANN: Oh, the one  
18 that is, okay.

19 LESLIE RAMOS: Correct.

20 COUNCIL MEMBER VANN: But generally  
21 speaking, there are no WMB requirements.

22 LESLIE RAMOS: Correct.

23 COUNCIL MEMBER VANN: As long as  
24 you meet the other certification.

25 LESLIE RAMOS: Yes. But we do have

1  
2 targeted workers, that which allows a company to  
3 tap into additional benefits, if they hire people  
4 within certain economic group, they were in the  
5 military, they were previously confined. So, it  
6 does, there's an advantage for people to hire  
7 people of different categories.

8 COUNCIL MEMBER VANN: And the  
9 minimum salary is--?

10 LESLIE RAMOS: There's not a--well  
11 the businesses had to comply with State regula--  
12 minimum requirements. This company is a union  
13 shop, and they have a agreement, in a bargain, a  
14 bargaining agreement with a union, so they will be  
15 paying union salaries and benefits, correct.

16 COUNCIL MEMBER VANN: And if a  
17 project is not unionized, what determines the wage  
18 level, the salary level?

19 LESLIE RAMOS: I'm sorry. Yeah,  
20 there's not a union requirements. Usually, when  
21 they come to the board, we do ask very tough  
22 questions, and when they're not union in  
23 particular, we want to know what kind of benefits  
24 they're providing to the employees. So we want to  
25 make sure that we certify and approve businesses



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that are good for the community.

COUNCIL MEMBER VANN: Yeah, yeah, well 'cause minimum--we assume minimum wage is required, right?

LESLIE RAMOS: Yes, minimum is, wage is required; otherwise, we would not even consider them. We do do a background check on the business to make sure they're legitimate, and that, you know, they don't owe any money to the State or the City. So we do do, and we make sure, I mean, part of the Board is composed of community members, so we also demand that there be good community members and participants.

COUNCIL MEMBER VANN: Do you have a limit or number that is being proposed in terms of the number specific, significant specific projects that could be approved? Is there--or is it unended?

LESLIE RAMOS: It's unending, but we're trying to set up some guidelines, in which we will allow a maximum of two regional significant projects, by Empire Zone.

COUNCIL MEMBER VANN: Two per Empire Zone?

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2                   LESLIE RAMOS: Yes, per year, that  
3 we will consider.

4                   COUNCIL MEMBER VANN: Totally.

5                   LESLIE RAMOS: Not a total, it will  
6 be, you know, we will assess on an individual  
7 basis.

8                   COUNCIL MEMBER VANN: Let me ask  
9 you this way: An Empire Zone can have how many  
10 significant projects associated with it? Over  
11 time. Is there a number?

12                   LESLIE RAMOS: There's no number  
13 set, or limit set.

14                   COUNCIL MEMBER VANN: I guess it  
15 depends on the amount of resources that are  
16 available for them to take advantage of.

17                   LESLIE RAMOS: Correct, and it's  
18 predominately based on what that company is going  
19 to bring to the local economy. There is a  
20 requirement that they invest a minimum of \$20 for  
21 each dollar that the State invests, for non-  
22 manufacturing companies; and for manufacturing  
23 company, it's a ten-to-one ratio.

24                   COUNCIL MEMBER VANN: At what time  
25 do you make that assessment that you have gotten

1  
2 back that ratio? After a year's time, two year's  
3 time, six month's time?

4 LESLIE RAMOS: It's usually within  
5 the year.

6 COUNCIL MEMBER VANN: Within a  
7 year?

8 LESLIE RAMOS: Mhm. Because it's  
9 when they, the benefits are based on what they're  
10 claiming on their taxes. So, at that point, it is  
11 calculated what, the benefits they receive, and  
12 you compare to the amount total value of the  
13 salaries that were received by the community, as  
14 well as capital investments and equipment  
15 purchases.

16 COUNCIL MEMBER VANN: Okay.  
17 [pause] Yeah, thank you, Mr. Chairman.

18 COUNCIL MEMBER PALMA: The existing  
19 facility. It's going to be shut down to be  
20 expanded?

21 LESLIE RAMOS: They will be moving  
22 out of the existing facility.

23 COUNCIL MEMBER PALMA: So they can  
24 expand that facility.

25 LESLIE RAMOS: No.

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COUNCIL MEMBER PALMA: No.

LESLIE RAMOS: They're moving to a completely new facility that is owned by the Port Authority, and they will be leasing.

COUNCIL MEMBER PALMA: So, the workers that are already there are not going to have an interruption in--there's not going to be an interruption in workforce.

LESLIE RAMOS: Correct, they will be moved to the new facility.

COUNCIL MEMBER PALMA: And for the creation of the new facility, is that, is it going to be, because it, because it's an expansion of an existing building, existing business, is that--is it going to be, is it considered a sole source? Or would, thus an RFP need to be put out?

LESLIE RAMOS: No. This is, we are providing the benefits to the building, I mean, to the company to encourage them to stay here, and to create additional jobs. They've identified a facility that is actually, luckily it is within New York City, it is close to their current location, and the facility's owned by the Port Authority. So they are remaining the external

1  
2 infrastructure of the facility, and they're just  
3 doing a retrofit. Actually, the owner, I'm sorry,  
4 a representative from the facility is here, and he  
5 probably would be better to answer the details of  
6 the renovation that they doing, to accommodate  
7 their expansion.

8 COUNCIL MEMBER PALMA: Okay.

9 LESLIE RAMOS: Thanks.

10 COUNCIL MEMBER PALMA: Thank you.

11 CHAIRPERSON WHITE: In terms of the  
12 Empire Zone, and the recently, the regional  
13 significant project, what is the distance? How  
14 far must one be from the Empire Zone?

15 LESLIE RAMOS: It's, I don't think-  
16 -No, there's none that is specified. There's no,  
17 we don't have any guideline in terms of how many  
18 miles, or acres from the actual zone needs to be.

19 CHAIRPERSON WHITE: Does it have to  
20 be in the same county?

21 LESLIE RAMOS: Yes, they have to be  
22 within the same county.

23 CHAIRPERSON WHITE: Is there a  
24 reason why there is no measurement in terms of how  
25 far a business has to be from the Empire Zone?

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2                   LESLIE RAMOS: They have to, I  
3 mean, at the end of the day the most important  
4 thing is that they meet the goals of the  
5 development plan. And the reason that there's no  
6 social requirement is that we understand that many  
7 companies cannot locate within the Empire Zone.  
8 We know that in New York City we have a limited  
9 amount of industrial manufacturing businesses,  
10 especially with businesses of this size. The  
11 Empire Zone program, and especially the regional  
12 significant project, allows to retain those  
13 valuable jobs to the local municipality, and most  
14 of the time, they draw jobs from, and people from  
15 the local area.

16                   CHAIRPERSON WHITE: Well, that's  
17 why I asked you that, because if there is no  
18 specific guideline in terms of distance, then one  
19 of the benefits of the specially significant  
20 project in an Empire Zone, is to create employment  
21 for people within the zone. Now, if it moves, it  
22 may move beyond the current access of the people  
23 who are getting the benefit of having those jobs,  
24 and it's also opening up opportunity for people  
25 who do not live in the zone, to get employment.

1  
2           LESLIE RAMOS: Well, if they move,  
3 they would not receive the benefits, either  
4 benefits and the--

5           CHAIRPERSON WHITE: No, no, no, no.

6           LESLIE RAMOS: I'm sorry.

7           CHAIRPERSON WHITE: I'm saying,  
8 part of the benefits is, that it would create jobs  
9 for people in the Empire Zone, am I right?

10          LESLIE RAMOS: Correct.

11          CHAIRPERSON WHITE: But if we have  
12 no way of saying that a reasonably significant  
13 project cannot exist or should exist, no more than  
14 ten miles or whatever, from the Empire Zone, then  
15 when it does move, that significant other project  
16 does come up, the people in the Empire Zone will  
17 not be able to get as much of a benefit as they  
18 would if it was much closer.

19          LESLIE RAMOS: When we evaluate the  
20 companies, and they come in front of the, some  
21 administrative board, we look at the number of  
22 jobs that come from the local communities. And  
23 when we see that there is not a link, a strong  
24 link between the business and the local community,  
25 we would bring, and either connect them through

1  
2 our workforce centers, or to various local  
3 organizations that bring employment opportunity.  
4 So we do encourage businesses to hire. And I just  
5 want to point out that when they are in the Empire  
6 Zone, sometimes employers, I mean, employees, come  
7 from different areas, depending on the need of the  
8 company. I think our main goal is to stimulate  
9 the economy of the area, and we are confident that  
10 in this case, a lot of the jobs come from the  
11 South Queens area, and most of them are minority  
12 employees.

13 CHAIRPERSON WHITE: How do you  
14 monitor that?

15 LESLIE RAMOS: I'm sorry?

16 CHAIRPERSON WHITE: How would you  
17 monitor that?

18 LESLIE RAMOS: Well, they have to  
19 report in terms of the employees, and at any time,  
20 the Zone Administrative Board can call back the  
21 business to informed what is the number of  
22 employees, and where are they located? Where do  
23 they hire them from?

24 CHAIRPERSON WHITE: Councilman  
25 Vann?



1  
2 COUNCIL MEMBER VANN: Yeah, further  
3 on your point, Mr. Chairman, in the Empire Zone,  
4 what is your requirement now for a business that's  
5 located there, in terms of local, in terms of  
6 hiring local people? That's the first priority,  
7 or something?

8 LESLIE RAMOS: The State  
9 unfortunately does not impose any requirement,  
10 because we consider also any eco--like flow of  
11 staff and people into the community, as  
12 stimulating, stimulate economic growth. However,  
13 when we know that a business is, have job  
14 opportunities, what we do is we try to link them  
15 through other programs within the City, either in  
16 the City of New York, or local development  
17 corporations, like Greater Jamaica, to make sure  
18 that the company is hiring locally.

19 COUNCIL MEMBER VANN: But they  
20 don't, but they don't have to hire locally.

21 LESLIE RAMOS: You're correct, and  
22 that's why we relied and our expertise in the  
23 field, and our knowledge that these jobs are  
24 coming, to let people in the community know, and  
25 to encourage the business owner to work with the

1  
2 community. And most of the time, they want to  
3 hire locally, because they want the employees to  
4 be, to come from the area, I mean, in terms of  
5 transportation. Many of our manufacturing worker,  
6 they bike or walk to work. So, it makes sense.  
7 And where this business is located, the natural  
8 place where the employees will come is from the  
9 Jamaica area.

10 COUNCIL MEMBER VANN: Right, just  
11 so I'm clear, so when the State authorize these  
12 Empire Zones, they did not impose any priority for  
13 local--it may be a preference, but there's no  
14 requirement. So I could come into it--Well, I  
15 thought the purpose of the Empire Zone was to  
16 locate them in areas where there were high  
17 unemployment, so so and so forth. Is that--?

18 LESLIE RAMOS: It's, it is to  
19 create economic growth.

20 COUNCIL MEMBER VANN: Right.

21 LESLIE RAMOS: And the way usually  
22 economic development programs I've seen is hiring  
23 locally, but also bringing in people into the  
24 community so they can buy locally. So the idea  
25 that in any business moving to the community, that

1  
2 means that those employees will shop in the area.  
3 So that is a different way of measuring, but is a  
4 legitimate way of, you know, stimulating community  
5 economic growth in the area.

6 COUNCIL MEMBER VANN: Okay. Yeah,  
7 I--

8 CHAIRPERSON WHITE: One of the big  
9 criticisms of the Empire Zone is exactly that,  
10 there is no real guidelines to measure the  
11 effectiveness. I mean, the dialogue sounds good,  
12 but it would appear that only the businesses get  
13 the benefit. And the, the reason for creating  
14 employment opportunities is, it's considered, but  
15 it's not mandatory that you even go out and have  
16 that, as long as you create X amount of jobs, over  
17 - - period of time. I happen to have visited  
18 Flying Foods. I spoke to the employees, I spoke  
19 to the management. Well run organization. But I  
20 paid attention to where people lived. And we go  
21 as far as, I believe it's Astoria, they have a  
22 place over in Newark Airport, I think they had  
23 planned to move some people from Newark to JFK.

24 LESLIE RAMOS: Correct.

25 CHAIRPERSON WHITE: Am I correct?

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LESLIE RAMOS: Correct.

CHAIRPERSON WHITE: I like to do my homework. Alright? And there'll be a loss of jobs with that move, because of the distance. Am I making sense?

LESLIE RAMOS: Well, I mean, the jobs are going to be moved from Newark to the JFK area.

CHAIRPERSON WHITE: Right, and with the combination of the region, regional significant area of Flying Foods moving to Building 146.

LESLIE RAMOS: Mhm, yeah.

CHAIRPERSON WHITE: There's going to be a loss of jobs.

LESLIE RAMOS: No, there will not be. We are, the way we're seeing this, we are attracting and creating more jobs in New York City.

CHAIRPERSON WHITE: Okay, then let me ask this question. Without the benefits, and with an agreement between the Port Authority and Flying Foods, would they build it anyway?

LESLIE RAMOS: You know, finding a

1 facility of this size and that is ready to go, and  
2 doesn't need a significant amount of capital  
3 employment is quite difficult in New York City.  
4 So my feeling and you can, we can ask that  
5 question to the company representative, my feeling  
6 is that, and the Board feeling, is that they were  
7 going to move. When we approach a company and we  
8 are having discussions, they were looking to other  
9 facilities, as well. And our job here is to  
10 persuade companies to stay, and we feel that we  
11 have been successful in doing that, not only to  
12 stay but to bring jobs to New York.

14 CHAIRPERSON WHITE: Mhm. [pause]  
15 Well, you're saying that, that they're ready, but  
16 in the leasehold improvement and construction,  
17 they plan to spend \$12,585,000.

18 LESLIE RAMOS: No, I didn't say  
19 they're ready, I said that it's difficult to find  
20 in New York City a facility that would not require  
21 a significant investment. And most facilities  
22 across the river, unfortunately, are newer, and  
23 they are ready to go. And because they would do,  
24 most of the time, the owner, would be willing to  
25 put a lot more money than, than the company would

1  
2 have to in New York City. [pause] And I just  
3 want, when I, that figure has, the most recent  
4 capital improvement numbers will be \$15 million.

5 CHAIRPERSON WHITE: Okay. Have an  
6 agreement been reached between the Port Authority  
7 and Flying Foods?

8 LESLIE RAMOS: Finally, yes.

9 CHAIRPERSON WHITE: They have  
10 signed the lease?

11 LESLIE RAMOS: I believe that the  
12 lease has been signed already.

13 CHAIRPERSON WHITE: How long is the  
14 lease for?

15 LESLIE RAMOS: That, we can, if we  
16 can ask that question to the company  
17 representative, I appreciate it.

18 CHAIRPERSON WHITE: But the lease  
19 has been signed, you said.

20 LESLIE RAMOS: Correct, correct.

21 CHAIRPERSON WHITE: Okay. Okay.  
22 Any more questions? Thank you very much.

23 LESLIE RAMOS: Thank you.

24 CHAIRPERSON WHITE: Mr. David  
25 Cotton? Flying Foods. [pause] Why don't you be

1  
2 joined by Justin Rogers, and Aron Kurlander.

3 [pause] Mr. Cotton, welcome.

4                   DAVID COTTON: Good afternoon, Mr.  
5 Chairman, Committee members, and the Council  
6 staff. I am David Cotton. I am the Chief  
7 Financial Officer of Flying Food Group. We very  
8 much appreciate the opportunity to speak with you  
9 this afternoon about our application for  
10 designation as a regionally significant project  
11 under the New York State Empire Zone Program.  
12 Flying Food Group is an international airline  
13 catering company and fresh food processing and  
14 packaging company, serving over 80 international  
15 airlines and retail food customers. We are a  
16 privately owned company, based in Chicago, owned  
17 principally by a Chinese-American woman, Ms. Sue  
18 Ling Gin. Our company was started by Ms. Gin in  
19 1983 with our first fresh food production plant  
20 and airline catering operation near Chicago's  
21 Midway Airport. We expanded to O'Hare  
22 International Airport in 1989 with Air France as  
23 our first major international airline customer.  
24 Our revenues have grown from \$10 million in 1986  
25 to \$30 million in 1996, and to over \$300 million

1  
2 in 2008. We now have 17 production facilities in  
3 the United States, and a joint venture production  
4 facility in Shanghai, China. We have one in  
5 Shanghai, China. We initially acquired our  
6 business at JFK Airport from Alpha Flight Services  
7 in 1996, and we have doubled our business to JFK  
8 over the past decade. Even though we're based in  
9 Chicago, JFK is now our largest business, with  
10 over \$40 million of annual revenues and  
11 approximately 450 employees. Our company is  
12 relocating its business and operations this month  
13 to a newly renovated Building 146 at JFK Airport,  
14 from some old, inefficient off-airport facilities,  
15 which we have been leasing since 1996 when we  
16 acquired this business from Alpha. Flying Food  
17 Group has spent over \$25 million to rebuild,  
18 renovate and equip Building 146 for a state-of-  
19 the-art, world class, fresh food production  
20 facility to serve its international airline  
21 customers. Our production capacity will increase  
22 30 percent with this new facility, allowing us to  
23 continue to aggressively grow and expand our  
24 business as international airline traffic  
25 hopefully resumes its growth from the depressed



1 levels of the past few months. Over the next  
2 five years, we project to increase our annual  
3 revenues at JFK by 60 percent, and to add over 200  
4 new jobs over a five year period. We have great  
5 relationships with our employees, and Local 1102  
6 at JFK, paying good union wages and providing  
7 medical insurance and other benefits to all of our  
8 employees. 95 percent of our employees are  
9 minority, including Hispanic, African-American,  
10 Asian and Indian. Flying Food Group first applied  
11 for Empire Zone certification and its attendant  
12 New York State tax credits in 2008. These tax  
13 credits are an essential part of our financing and  
14 capital plan to retain as much of our earnings as  
15 possible in the business, to reduce our leverage  
16 and provide cash flow to service the significant  
17 debt we have incurred for the expansion of our  
18 business at JFK. Our JFK expansion is the single  
19 largest acquisition or expansion project that  
20 Flying Food Group has experienced in its history,  
21 requiring total expenditure of \$30 million,  
22 including all expenses and capital requirements  
23 associated with planning the new facility, and the  
24 move from our old facilities. We will need  
25

1  
2 additional working capital to finance the  
3 significant growth we are projecting for our  
4 business, and local employment over the next five  
5 years. Flying Food Group respectfully requests  
6 the members of the Council to approve Introduction  
7 890, which will grant Flying Food Group LLC status  
8 as a regionally significant project. Empire Zone  
9 certification will help make our company's  
10 expansion at its new facility economically viable  
11 for our banks and investors, allowing us to  
12 continue our growth and job expansion in the  
13 greater Jamaica area of New York City. Thank you  
14 for the opportunity to speak with you this  
15 afternoon. I would be happy to try and answer any  
16 questions you may have.

17 CHAIRPERSON WHITE: Any of you  
18 gentlemen like to speak?

19 JUSTIN ROGERS: Yes, I would like  
20 to speak.

21 CHAIRPERSON WHITE: Identify  
22 yourself, please.

23 JUSTIN ROGERS: My name is Justin  
24 Rogers, I'm the Director of Economic Development  
25 for the Greater Jamaica Development Corporation.

1  
2 Good day, Mr. Chairman, Committee members and  
3 Council staff. I am Justin Rogers, Director of  
4 Economic Development at the Greater Jamaica  
5 Development Corporation. Thank you for this  
6 opportunity to speak with you about Flying Food  
7 Group LLC's application for designation as a  
8 regionally significant project under the New York  
9 State Empire Zone program. GJDC is the local  
10 administer for the Jamaica Empire Zone, and as  
11 such helped them complete the application,  
12 collected and confirmed presented the facts  
13 regarding the application to the Jamaica Empire  
14 Zone Administrative Board. And we have provided  
15 an administrative board with an opinion regarding  
16 their approval. We recommend to the Jamaica Zone  
17 Administrative Board that Flying Food Group LLC be  
18 deemed eligible as a regionally significant  
19 project. We are pleased and, that the board  
20 supported the designation per their resolution  
21 dated on June 30<sup>th</sup> 2008. New York State Department  
22 of Economic Development concurred with the  
23 resolution by issuing a letter for preliminary  
24 approval. We are here today to respectfully ask  
25 the Council to take the next step, important step,

1  
2 that is, in the process. Flying Food Group is a  
3 food processing and packaging company serving over  
4 80 airlines and nationally known retail food  
5 chains. First and foremost, the company has a  
6 track record of growth and a solid plan for  
7 continued growth into the future. However, there  
8 is no denying that Flying Food Group has affected,  
9 has been affected, by the current economic  
10 uncertainty. Total jobs of the company's current  
11 location are about 425, approximately 90 fewer  
12 than they were working with over a year ago. But  
13 with their relocation to a more efficient and  
14 attractive space, and a return to a more stable  
15 global economy, they expect to create up to 160  
16 new jobs over the next three years. This would be  
17 a net increase of over 70 jobs from their peak  
18 employment over a year ago. This level of job  
19 growth far surpasses the State mandate minimum  
20 requirement of a regionally significant project  
21 shall meet a manufacture projecting for certain  
22 job creation over three years, which is 50 jobs.  
23 The company is relocating to Building 146 at JFK  
24 from an off-airport, inefficient space. Building  
25 146 has been vacant and Flying Food Group

1  
2 estimates it has spent, or will spend, over \$15  
3 million in capital leasehold improvements and \$10  
4 million for equipment. This is excluding  
5 furniture and computer equipment, for a total of  
6 at least \$25 million. Of particular interest to  
7 the City and Council, Flying Food Group is a  
8 company that is aligned with purpose of the  
9 Jamaica Empire Zone, and the economic development  
10 needs of Southeast Queens. As stated in our  
11 development plan for the Jamaica Empire Zone, the  
12 Zone administrative board will target the  
13 following industries: clean, light labor  
14 intensive manufacturing activities, such as food  
15 and food related industries. The policy also  
16 targets air travel and specializes in business  
17 that support airport infrastructure. Clearly,  
18 Flying Food Group meets both of these important  
19 criteria. Flying Food Group is a minority woman  
20 owned firm founded by the current chairman and  
21 CEO, Sue Ling Gin, in 1983. The firm is a union  
22 shop paying good wages and providing benefits to  
23 their employees. Current employment data shows  
24 that 93 percent of the workforce resides in New  
25 York City; 70 percent resides in Queens; and 47

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2 percent, which equals 200 jobs, are people held,  
3 by people living in Southeast Queens. The company  
4 is committed to continuing their policy of hiring  
5 locally. Flying Food Group first applied for  
6 Empire Zone certification, and its attendant New  
7 York State tax credits, in 2008. These credits  
8 were needed to help retain the capital and  
9 required to pursue its aggressive growth strategy  
10 while making the necessary capital investments in  
11 building renovation and equipment, to move its New  
12 York City operations up to the next level.

13 Clearly, that need for working capital has only  
14 increased. Therefore, Greater Jamaica Development  
15 Corporation, as the local Empire Zone  
16 administrator, respectfully asks for members of  
17 the Council to approve Introduction 890, which  
18 will grant Flying Food Group LLC status as a  
19 regionally significant project. Empire Zone  
20 certification will only make the company's  
21 expansion in its present location economically  
22 viable. The company's growth will continue to  
23 support the economic development of Queens, of the  
24 City of New York, and Empire State. Thank you for  
25 your time and attention. We'll be glad to answer

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any questions to the best of our ability.

CHAIRPERSON WHITE: Thank you.

You, kind sir, would you like to make a statement?

ARON KURLANDER: No. I'm with Justin, Greater Jamaica.

CHAIRPERSON WHITE: You with him.

ARON KURLANDER: Yeah.

JUSTIN ROGERS: Aron is a consultant in our business service group at Greater Jamaica Development Corporation.

CHAIRPERSON WHITE: Okay. Let me ask Mr. Cotton from Flying Foods a question. Did you look for property that would be suitable for the operation of your business within the boundaries of South Jamaica Empire Zone, or any other Empire Zone within the City?

DAVID COTTON: Yes, we looked initially in the Greater Jamaica area, in the enterprise zone that you just currently referenced.

CHAIRPERSON WHITE: No place else?

DAVID COTTON: The other place, the only other place that we looked was actually in New Jersey, because we knew from our customers'

1  
2 point of view that we had to move from our current  
3 facility, and we had to be, had to have at least  
4 some operation either close or on the JFK Airport.  
5 So, if we could not find sufficient production  
6 capacity at the JFK Airport, then the alternative  
7 would've been to shift our production to New  
8 Jersey. That would've required, though, that we  
9 then transport for the airline customers at JFK,  
10 to transport that food over to JFK, which would've  
11 required a much smaller facility at JFK than the  
12 one that we have at Building 146. So, the two  
13 places we looked were in, were just outside the  
14 airport, but around the airport, and in the, in  
15 New Jersey, reasonably close to Newark Airport.

16 CHAIRPERSON WHITE: Okay, well,  
17 we've had, and I ask the question from the City,  
18 in terms of geographics. That you really don't  
19 have to be in the Empire Zone to be a significant  
20 of that, that's what they said. So, we have had a  
21 reas--another business move from Manhattan to Long  
22 Island City, Bimini [phonetic], which is the same  
23 business that you're in. And they're not close to  
24 an airport. So the question is, do you have to be  
25 near the airport?



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2           DAVID COTTON: We have to have, in  
3 our opinion, well for our customers, we have to  
4 have at least a dispatch facility either at or on  
5 the airport. And with the City requirements we  
6 have with our international airlines, we don't  
7 believe that we can do that at JFK without having  
8 some kind of facility on the airport. So, our  
9 choice was not whether to be on the airport, it  
10 was whether we would have a much smaller facility  
11 that we would use as a point to distribute the  
12 food to the airlines, producing it off the  
13 airport; of if we wanted to have a combined  
14 production and distribution facility on the  
15 airport where we do both the production and the  
16 delivery from the same facility.

17           CHAIRPERSON WHITE: How many other  
18 properties did you look at in the, in the Jamaica  
19 area, before you made a decision about looking at  
20 Building 146?

21           DAVID COTTON: Three.

22           CHAIRPERSON WHITE: Which were,  
23 what were they?

24           DAVID COTTON: Well, one was our  
25 existing facilities, 'cause the landlords that we

1  
2 have there would've liked for us to stay, but we  
3 could not, we could not meet the security  
4 requirements of the airlines, because of the  
5 location of the current facilities. The other one  
6 was a facility that's on the airport, but it's on  
7 the other side of the airport, but it's a lot  
8 further from the terminals than Building 146, and  
9 also the cost, it would've been, we'd have been  
10 taking a piece of a facility that's, I believe  
11 currently either owned or operated by AMB, it's a  
12 big complex; but it would've taken us a long time  
13 to get in there, and the, and the cost at the time  
14 we looked at it, we thought would have been even  
15 more than what it cost us at Building 146. And  
16 then the other property we looked at was one that  
17 was, was further away from the airport than our  
18 current facility, but we could not find a  
19 contiguous space with parking large enough for our  
20 needs that was close enough to the airport that we  
21 could take care of the distribution.

22 CHAIRPERSON WHITE: In terms of the  
23 lease that you signed, how long ago did you sign  
24 the lease?

25 DAVID COTTON: That lease was

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signed in the, I believe the second week of April.

CHAIRPERSON WHITE: For how long?

DAVID COTTON: Ten years.

CHAIRPERSON WHITE: And options?

DAVID COTTON: No. Port Authority wouldn't give us any options.

CHAIRPERSON WHITE: Ten straight years.

DAVID COTTON: Ten years.

CHAIRPERSON WHITE: With an investment of how much?

DAVID COTTON: Direct investment will be in the facility, and equipment, will be a little more than \$25 million. Total investment is about \$30 million, but that includes soft costs and moving and a whole bunch of other things, planning. The hard costs are \$25 million.

CHAIRPERSON WHITE: Okay. And based on the ten years, what do you expect your profit to be, based on your investment?

DAVID COTTON: The profit, the profit margin that we project in this business, if we can achieve the growth plans that we have, is only about three percent due in, due in part to

1  
2 the fact that we're going to have to depreciate  
3 the full \$25 million over the ten year term of the  
4 lease.

5 CHAIRPERSON WHITE: Council Member.  
6 [pause] With a, such a successful business, \$300  
7 million? Why would you want to, you know, take  
8 these kind of benefits? [pause] Do you need it?

9 DAVID COTTON: Well, yes, the, the  
10 reason, the most compelling reason for the  
11 benefits that we seek here, is because of the,  
12 frankly the exceptionally low margins that we've  
13 had in this business at JFK, and that we expect to  
14 have going forward. JFK has a very important  
15 strategic point for our company, but it has never  
16 given us anything close to a market return on the  
17 investment. So, our efforts on the tax credit  
18 side, if we can achieve the growth objectives that  
19 we have in the plans that we've submitted, is to  
20 try to allow us to make, on an after tax basis,  
21 what I would describe as a quite nominal return on  
22 a very large investment for our company.

23 CHAIRPERSON WHITE: Mhm. Now what  
24 role do you play, Greater Jamaica Development  
25 Corporation?

1  
2 JUSTIN ROGERS: We are the  
3 administer of the Empire Zone program in South  
4 Jamaica, Queens.

5 CHAIRPERSON WHITE: And what role  
6 will you play once they get established in  
7 Building 146?

8 JUSTIN ROGERS: Well, they have to  
9 be certified as a Empire Zone company once the  
10 Council actually approves them. And once they do  
11 that, we would be in charge of analyzing their  
12 annual, business annual report. Which actually  
13 will show the actual jobs that were created.

14 CHAIRPERSON WHITE: Okay. So,  
15 would that reflect any increase in jobs that you  
16 would create? And having an additional client?  
17 And did you make a area? You're the  
18 administrators, right?

19 JUSTIN ROGERS: Correct. Currently  
20 we have approximately 87 companies certified in  
21 South Jamaica right now. So, Flying Food Group  
22 would be number 88.

23 CHAIRPERSON WHITE: [phone  
24 ringtone] Oh, forgive me. [pause] Well, one of  
25 the things that we would like to do is, we have

1  
2 had a number of the eleven Empires Zones, and some  
3 of the, I believe there was a report that was put  
4 out by the State Controller some years ago about  
5 the Empire Zones and their ability or inability to  
6 keep track of what the mission was, the purpose of  
7 the Empire Zones, the number of jobs that were  
8 created. And I believe, if my memory serves me  
9 correctly, that one of the reasons they gave was  
10 that there was not enough money for the  
11 administrators to keep track of whether or not  
12 companies fulfilled its mandates in terms of what  
13 it was supposed to do. And this economic  
14 downturn, we need to retain jobs and we need to  
15 create jobs, and we need the accountability,  
16 administrators to be able to report accurately  
17 whether people are living up to their mandates, if  
18 they're getting these credits. So, I would just  
19 like to go on record to say that we want to see  
20 that happen. I mean, you have how many  
21 businesses.

22 JUSTIN ROGERS: Currently around  
23 approximately 87.

24 CHAIRPERSON WHITE: 87. And we  
25 have some in The Bronx and Manhattan, and we were

1  
2 giving out these benefits, but we're not getting  
3 the reports that we are supposed to get in terms  
4 of the accountability. We're pro for this, we  
5 want people to work, we want the businesses to  
6 relocate and to stay, but we also want them to  
7 make sure that they're living up to their  
8 mandates. So--

9 JUSTIN ROGERS: I understand.  
10 There are actually 87 businesses in only South  
11 Jamaica that are certified. But there are  
12 actually two reports. There is the business  
13 annual report which is actually compiled by, for  
14 South Jamaica's - - is compiled by Greater Jamaica  
15 Development Corporation; and then you have a zone  
16 annual report, which is basically a compilation of  
17 all of the certified companies and their  
18 employment numbers.

19 CHAIRPERSON WHITE: Okay. When are  
20 they usually due? Those two reports.

21 JUSTIN ROGERS: The business annual  
22 reports are usually due in the summer,  
23 approximately, around August.

24 CHAIRPERSON WHITE: Uh-huh.

25 JUSTIN ROGERS: The zone annual

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2 report I'm pretty sure is due around November.

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CHAIRPERSON WHITE: Okay. Do you  
4 have last year's?

4

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JUSTIN ROGERS: Yes, we do.

6

CHAIRPERSON WHITE: Could you  
7 submit last year's, those two reports to us?

7

8

JUSTIN ROGERS: Definitely.

9

CHAIRPERSON WHITE: And then, I  
10 would like to respectfully request that this  
11 year's August and, what'd you say, November?

10

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12

JUSTIN ROGERS: Yes.

13

CHAIRPERSON WHITE: That those  
14 reports come to the Chair, so I could disseminate  
15 it to my colleagues and to the staff, the legal  
16 staff, to--'cause we want to tighten up and make  
17 sure that, that people get the benefits, people  
18 who are responsible for the administration of  
19 these programs are fulfilling their mandates, that  
20 people in the community are getting jobs. And  
21 everybody should flourish.

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JUSTIN ROGERS: Right.

23

CHAIRPERSON WHITE: And we want to  
24 see businesses flourish, we want to see them  
25 locate. Okay? And my, I guess my bias is that

24

25



1  
2 since I represent the 28<sup>th</sup> and Jamaica Queens, I'd  
3 like all of them to be into [laughs] in the 28<sup>th</sup>,  
4 but that's not possible. But as Chairman of  
5 Economic Development, I would like to see  
6 businesses flourish in New York City, and I'd like  
7 to see one of the things I enjoy reading, and  
8 that's why I want to see it is, the administration  
9 testified that Flying Foods had met the criteria,  
10 it paid benefits, and the prevailing wage at least  
11 as a minimum, had medical insurance and things of  
12 that nature. Those are the things that I'm  
13 looking for and I'd like to see, and my colleagues  
14 would like to see, because, you know, the cost of  
15 living is going up, and we want to make sure that  
16 the people who are working to help business, big  
17 business, or small business, reap some of the  
18 benefits in terms of a prevailing wage and medical  
19 benefits, and all those things that we all enjoy  
20 for our own families. So, if there are no other,  
21 further questions, I'd like to thank you. I'd  
22 like for you to remain behind because I have  
23 Alison Lack from Good Jobs New York, and I always  
24 like for her to give her presentations because  
25 maybe she says certain things that you in business

1  
2 don't know, and I look forward to her, in those  
3 areas where there's gaps. Maybe you could work  
4 with her to fill those gaps. So would you remain  
5 behind just for a few moments, please.

6 DAVID COTTON: Certainly,  
7 certainly.

8 CHAIRPERSON WHITE: Ms. Lack? Will  
9 you kindly come forward, please? Gentlemen, thank  
10 you.

11 ALISON LACK: Thank you for that  
12 wonderful introduction. Good afternoon, Chairman  
13 White, and Councilwoman Palma. My name is Alison  
14 Lack and I'm a research analyst with Good Job New  
15 York. We're a project of Good Jobs First and the  
16 Fiscal Policy Institute. FPI focuses on tax and  
17 budget and economic policy issues in New York  
18 State. Good Jobs First, based in Washington, D.C.  
19 is a national resource center promoting  
20 accountability and economic development. Thank  
21 you for inviting me to testify regarding the  
22 proposal to designate Flying Food Group a  
23 regionally significant project, so it may be  
24 eligible for Empire Zone benefits under the South  
25 Jamaica Empires Zone. This would be the fourth

1 RSP in New York City, as we've heard, and as we at  
2 Good Jobs New York have previously testified  
3 before this Committee, regarding other RSPs, we  
4 are concerned about the continued growth of RSPs,  
5 and the expansion of the frequently criticized  
6 Empire Zone program. To designate this project an  
7 RSP would reinforce these criticisms that the  
8 Empire Zone program has gone far astray from one  
9 created to target benefits in areas of extreme  
10 poverty and high unemployment. The program has  
11 been found by former New York Comptroller Hevesi,  
12 as you had mentioned, New York State Assembly  
13 Member Richard Brodsky, the Fiscal Policy  
14 Institute, and numerous others to be a flawed one  
15 that unnecessarily subsidizes businesses and  
16 rewards firms in the absence of job creation. In  
17 2007, a report prepared by management consultant  
18 firm A.T. Kearney for the Empire State Development  
19 Corporation itself, claimed Empire Zones are  
20 perhaps the best example of good economic  
21 development intentions gone wrong. Its original  
22 mission has been morphed by political patronage,  
23 legislative revision and commercial manipulation,  
24 effectively repositioning it from a program  
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1 primarily helping distressed communities to one  
2 routinely offering tax relief for ongoing  
3 businesses. In New York City, as around the  
4 State, a number of projects demonstrate the Empire  
5 Zone's dysfunction, by investing in firms that  
6 create fewer new jobs and make minimal capital  
7 investments. According to the Syracuse Post  
8 Standard for the year 2007, New York City examples  
9 include--And I just want to point out here that  
10 these are based on company filings, because while  
11 there are reports as we heard, these are not very  
12 readily accessible to the public--so the examples  
13 from the Syracuse Post Standard's database include  
14 Blonner's LLC [phonetic], a real estate investment  
15 company in the Hunts Point Section of The Bronx,  
16 which expected to claim about \$1.2 million, \$1.26  
17 million, for only three jobs with an average wage  
18 of \$8 an hour. That's about \$42,000 per job,  
19 though the company only invested a little more  
20 than \$230,000 in developing the site; FC Goanis  
21 [phonetic] Associates, which expected a smaller  
22 tax credit of only about \$174,000 but at the time  
23 had no jobs and no investment; and BNH Photo in  
24 North Brooklyn, which expected a claim and credit  
25

1  
2 of \$2.6 million for 190 jobs with an average wage  
3 of \$9 an hour, though investing only a little over  
4 \$900,000 in developing the site. This company,  
5 BNH, also provides an example of the potential for  
6 not such great employers to benefit from the  
7 Empire Zone program. In March of this year, the  
8 company settled an Equal Employment Opportunity  
9 Commission lawsuit by agreeing to provide \$4.3  
10 million to Hispanic workers who were denied  
11 promotions and paid less than their non-Hispanic  
12 counterparts. Due to the problems with the Empire  
13 Zone program, in March of this year State  
14 legislators agreed to some basic reforms,  
15 including ending the program one year ahead of  
16 schedule, on June 30<sup>th</sup> 2010. Additionally, along  
17 with some others, the State is seeking to  
18 decertify noncompliant companies, but as of now  
19 it's unclear how many decertifications there have  
20 actually been, and how effective this effort has  
21 been in making the program more cost effective,  
22 and encouraging genuine job creation for New  
23 Yorkers. Good Jobs New York urges you to consider  
24 the unintended consequences of expanding the  
25 Empire Zone program, as the State attempts to rein

1  
2 it in. Currently, regionally significant projects  
3 are not limited to benefiting and manufacturing,  
4 for like this one and the ones that have gone  
5 forward so far. And they can also be used for  
6 financial institutions and high tech or biotech  
7 firms. Earlier this month, we testified before  
8 this Committee regarding the proposal to amend the  
9 boundaries of the Chinatown Empire Zone, to  
10 include the East River Science Park on 30<sup>th</sup> Street  
11 in Manhattan, quite far from Chinatown. Before  
12 continuing to designate RSPs, City Council should  
13 take a leadership position to incorporate a  
14 thorough process of due diligence and create  
15 strong reporting requirements to ensure any new  
16 RSPs will only benefit the firms that truly need  
17 assistance. This would help restore the original  
18 intent in the Empire Zone program by creating an  
19 even keeled one that rewards manufacturing firms  
20 that are committed to creating job opportunities  
21 for unemployed and underemployed New Yorkers.  
22 Thank you for the consideration of this testimony.

23 CHAIRPERSON WHITE: Thank you. I  
24 happen to agree with you. And I think that the  
25 City Council should take a more active role as it

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2 relates to let's take something that possibly can  
3 be beneficial, to all those concerned, and make it  
4 beneficial; as opposed to these broad, undefined  
5 criteria and guidelines, which no one can really  
6 follow other than saying it's not working, people  
7 are not benefiting from it. So, just from your  
8 standpoint of view, and I know you've been  
9 involved with this a long time. Okay. And what's  
10 wrong with the Empire Zone benefit?

11 ALISON LACK: Largely, there's been  
12 a huge lack of transparency and accountability.  
13 The State, it took a lawsuit for the State to even  
14 begin to release data statewide, and I know in New  
15 York City, New York City has been a bit better,  
16 but the information is not readily accessible to  
17 the public about what's going on, it's very hard  
18 to track what these companies are actually doing,  
19 and exposés have found that it's hard even for the  
20 people who are supposed to be tracking what's  
21 going on, as you had mentioned because of a lack  
22 of financial support internally, to know if the  
23 companies are complying with what they said that  
24 they've done. And then also there's just the  
25 broader geographic issue of the fact that the

1  
2 program was originally intended to target areas  
3 with extreme levels of poverty, and that was--  
4 there are a host of economic development programs  
5 in the City, and open to various different  
6 companies, and Empire Zones were specifically  
7 supposed to target certain areas, and they don't  
8 so much now anymore. And part of that is in  
9 regionally significant projects, is that they're  
10 not falling into the geographic areas.

11 CHAIRPERSON WHITE: Okay.

12 ALISON LACK: There are a lot of  
13 [laughs] issues with - -

14 CHAIRPERSON WHITE: Alright, well  
15 one of the things I'd like for you to do, you  
16 know, for the Committee, is I'd like to know what  
17 your recommendations are, and what the logjams  
18 that you think are, and perhaps one of the things  
19 we could do is look into what we in the City from  
20 a legal standpoint of view, can have some sort of  
21 input as relates to putting something in place,  
22 and relating to our colleagues in Albany, because  
23 we all want it to work. If I didn't think that  
24 they wanted, you know, it's always nice to knock  
25 something. Okay? But then when you ask the



1  
2 people who knock it what do you recommend, they  
3 have nothing to say. And I'd like to have  
4 something to say, and I'd like to, for people to  
5 sit down at a table and really do some real  
6 business, because, you know, I believe in  
7 business, I believe that if--if business doesn't  
8 make money, it can't employ people. And if people  
9 are not employed, you know, they can't take care  
10 of their families, the foreclosures, the banks,  
11 all the things that we're talking about now. So,  
12 it's not really pointing a finger, I'd rather say,  
13 "Okay, I hear your side, I hear business willing  
14 to come in, \$300 million, and administrators,  
15 etc., etc.," we have all that out there. And then  
16 we have an issue where there are no geographical  
17 boundaries in which a regional significant project  
18 has, if it's connected to an Empire Zone. I mean,  
19 all of it's like, like up in the air, and I think  
20 we need to put it on the ground, and I think we  
21 need to make it work for the benefit of what the  
22 intent was, to make the intent a reality, and have  
23 something that everybody can benefit from. So, I  
24 can't make you, I'm just asking you.

25 ALISON LACK: No, I can--

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2 CHAIRPERSON WHITE: With your  
3 knowledge and your constructive criticism, and the  
4 walls that Good Jobs New York has run against, if  
5 you could present some of that to the Committee,  
6 and I'll make it my business to contact my  
7 colleagues in the State, and we'll see what we can  
8 sit down and improve what the system really is.

9 ALISON LACK: Very--and thank you  
10 for that. And as you said, a lot of the  
11 criticisms are sort of a statewide task and  
12 they've ranged from scrap the program entirely,  
13 because it just doesn't work at all, to more basic  
14 reforms, like requiring certain investments to be  
15 made, but making sure that there's better tracking  
16 of them, that they are actually done. I'd say  
17 just in the City itself, overall, transparency is  
18 something that I think would greatly benefit all  
19 of us if these annual reports were made publicly  
20 available and explained maybe what part of the  
21 workers are actually in these communities, wages,  
22 benefits, how the tax credits that these companies  
23 are getting, some of this basic information that  
24 the State now does release, but it comes out years  
25 after the fact, and I think at a more local level,

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2 if we could see what's going on, there would just  
3 be a lot more accountability. That was one point.  
4 On RSPs, if the City is going to continue to grant  
5 them, then as I'd mentioned in my testimony, we  
6 would greatly like to see manufacturing firms  
7 being the other companies to get them, and not  
8 financial, definitely, absolutely, not financial  
9 firms. Also making sure that there's due  
10 diligence, that the company--and I'm not saying  
11 that this hasn't been done--but that companies  
12 truly needed these credits in order to do their  
13 business, which is always hard to prove, but to  
14 the best of anybody's extent. And also, just  
15 overall creating basic criteria, so that these  
16 aren't necessarily decided on a case-by-case  
17 basis, but overall criteria of the kinds of  
18 companies that should be benefiting from this.  
19 And just a more restrictive set of guidelines so  
20 this doesn't have to be considered as it's coming  
21 along. Those are some ideas.

22 CHAIRPERSON WHITE: Thank you.

23 Well taken. And we'll follow up on that.

24 ALISON LACK: Thank you.

25 CHAIRPERSON WHITE: And I'm quite

1  
2 sure that Flying Foods heard it, and Greater  
3 Jamaica heard, and--

4 ALISON LACK: And I just wanted to  
5 say I actually called Greater Jamaica to speak  
6 about the project, because I knew nothing about  
7 it, and from what they told me, everything sounded  
8 wonderful. And as I explained to them, this is  
9 nothing against Flying Food Group, this is just  
10 our issues with the Empire Zone program in  
11 general.

12 CHAIRPERSON WHITE: Right.

13 ALISON LACK: So, and Greater  
14 Jamaica was very cordial and nice to me and  
15 explained - - that--

16 CHAIRPERSON WHITE: And the Mayor's  
17 office heard it.

18 ALISON LACK: Well, I didn't  
19 contact them, but [laughs] I'm sure they would've  
20 been, so.

21 CHAIRPERSON WHITE: Okay. So, I'm  
22 just trying to set the tone in the direction in  
23 which we would like to go in. And, and I think we  
24 can achieve that, you know, with commitment and  
25 effort. We can get that done. Might take time,

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hard work, but you know what? We'll get it done.

ALISON LACK: And I'm happy to work with you on that, so thank you.

CHAIRPERSON WHITE: Okay. And you will. It's on the record.

ALISON LACK: It's [laughs]

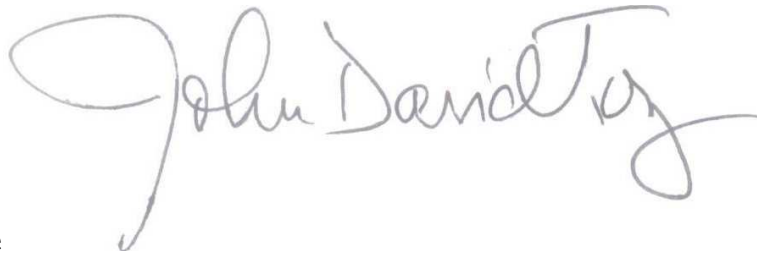
CHAIRPERSON WHITE: You volunteered. Okay, thank you very much.

ALISON LACK: Thank you.

CHAIRPERSON WHITE: The meeting is adjourned. [gavel]

C E R T I F I C A T E

I, JOHN DAVID TONG certify that the foregoing transcript is a true and accurate record of the proceedings. I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

A handwritten signature in cursive script that reads "John David Tong". The signature is written in a dark ink and is positioned to the right of the printed word "Signature".

Signature

Date July 22, 2009