



My name is William Wilkins, and I am the Director of Industrial Development for the Local Development Corporation of East New York (LDCENY). For the last six years I have been working in this capacity and oversee parts of; East New York, Canarsie, East Flatbush and Brownsville. My catch man area encompasses over 1200 acres or primarily M1 to M3 zoned land. More importantly, the East Brooklyn Empire Zone was the first designated "zone" in the zones program.

The zones program has gone through major transformations in the last several years and the burden has been absorbed by the local administrators. We have consistently been called on to do more with less. Three years ago administrative funding was cut from 3.3 million to 2.3 million which in turn each zone's administrative funding was reduced by 35% across the board. When I started six years ago the LDCENY's Administrative funding was over \$63,000 and now we only receive \$29,300.

Currently, we are in 2007/2008 program year and to date we do not know what the value of our contract, which is typical. Even if we knew the value of the contract we would not receive the first drawdown until six months into the contract year.

Recently, we had to create a Development Policy to govern our actions that has evolved into a Development Plan which to date is over 25 pages. Last year we were required to do a Boundary Amendment because the Empire State Development required a majority of each zone's acreage be committed. This action once again required a significant amount of time, analysis and resources to change local and state law.

Presently, it is difficult to achieve certification for a company operating in an Empire Zone. In order to become certified a company has to reach a benchmark of 10 to 1 for manufactures or 15 to 1 for commercial concerns. This means wages and benefits plus capital investment is divided by the dollar amount a company receives in state taxes, and they must reach or exceed the ratios mentioned. If not we must develop an intelligent and comprehensive "Justification Statement" as to why the businesses should become certified. Furthermore, the state has started decertifying companies who do not reach or exceed projected investment and employment growth.

The program has turned into a complex matrix of administrative functions which leaves little time for economic development. However, we are hopeful with the change in the administration there is more of an emphasis and a sensitivity to micro projects and CBO's instead of mega projects and venues to showcase professional sports.



Good Morning members of the Committee on Economic Development. My name is Janet Henriquez and I am the Empire Zone Coordinator for the Rockaway Peninsula, located in Southeast Queens, NY. We began certifying businesses in December of 2006 and have a very unique Empire Zone in that the Rockaway Peninsula does not have many manufacturing sites but does have many vacant lots that over the past few years have received much attention.

We are also tailoring our empire zone to target more educational and retail businesses which have become an increasing need in the Rockaways due to major developments occurring on the Peninsula. Two such developments are "Arverne By The Sea" and "Arverne East," which are developing residential housing for over 10,000 families. These developments both have retail components. "Arverne By The Sea" also is building a recreational [YMCA] facility and an elementary school.

Another project is the Stark Mall, located on Mott Avenue in the Downtown Far Rockaway Shopping District. With over 300,000 sq. ft of retail development space this area, which is being developed by 'Shop-Co' will provide employment to many in the community and incentives for retail businesses looking to establish on the Peninsula.

With all the new development and revitalization projects coming into the Rockaway Peninsula we have been very diligent in preserving not only the small businesses but also monitoring the benefits given to businesses that apply for Empire Zone Certification. One such manner in which we are doing this is by administering a Cost Benefit Analysis (CBA) to all businesses that apply.

We have also customized our "Rockaway Empire Zone Development Plan" to fit our unique situation. It is advantageous that every Empire Zone was able to design their own plan since not every zone operates in the same way. The populations and industries in each borough allow each zone coordinator to work with the different applications to see how they are contributing to each zone.

As a zone coordinator it is my responsibility to scrutinize every detail and to make sure that certification is not given simply because a project is large, but because the entity is creating high quality jobs and generating significant levels of private investment. We will not support developers if they are not creating full time jobs in tandem with their investments. And if the developer is not bringing in the jobs it is my responsibility to work with the individual businesses, retail and industrial alike, to make sure that they are aware of the benefits that may be available to them through the Empire Zone program.

I thank you for the opportunity to testify before you today, and I welcome any questions you may have.

TESTIMONY OF
THE MAYOR'S OFFICE OF INDUSTRIAL AND MANUFACTURING
BUSINESSES
BEFORE
THE COMMITTEE ON ECONOMIC DEVELOPMENT
OF
THE NEW YORK CITY COUNCIL

SEPTEMBER 26, 2007

Good morning Chairman White and members of the Committee on Economic Development. My name is Larry Scott Blackmon, and I am the Deputy Commissioner for Intergovernmental Affairs and the Chief of Staff for the Department of Small Business Services. I am joined with Lee Miller, who oversees the New York City Empire Zones Program with the Mayor's Office of Industrial and Manufacturing Businesses. I am pleased to testify before you today in regard to the status of the Empire Zones Program.

As many of you know, the Empire Zones program was created by the New York State Legislature in 1986 to benefit targeted areas that face sustained unemployment and poverty. The program is designed to stimulate private investment and job creation through a variety of State tax incentives including wage tax credits, investment tax credits and real property tax credits. Our NYC businesses have benefited greatly from this program, collecting on average 50 million dollars in State tax benefits each year.

Since the Empire Zone program was reauthorized in November 2006 with the support of the City Council, we have certified 109 companies. Over the next five years, these companies are projecting more than 487 million dollars in private investment and the creation of more than 3000 jobs for New Yorkers.

The purpose of the re-authorization of the Empire Zones was to comply with legislation passed by the State legislature in April of 2005. This legislation extended the program until June 30, 2011, and required that our Empire Zones were reconfigured to be comprised of no more than three distinct areas. As mandated in Article 18B, section 958 of the General Municipal Law, the City's zone boundaries are linked to the location of eligible census tracts, which have a poverty rate of at least twenty percent, and unemployment rates of at least 1.25 times the statewide unemployment rate.

When reconfiguring the boundaries in 2006, the City took the opportunity to leverage existing economic development programs such as the Industrial Business Zones. This helped the City to maximize our acreage to include new areas such as Greenpoint-Williamsburg and Flatlands/Fairfield in Brooklyn; Zerega and Bathgate in the Bronx; and the JFK Industrial Corridor in Queens. The reconfiguration of the Empire Zones means that hundreds of new businesses will be able to benefit from this program going forward.

In order for a business to be certified for Empire Zone benefits, it must obtain a joint approval from both the City and the State. The City's business certification process is now conducted by local Zone Administrative Boards. Each of the City's 11 boards is comprised of representatives from City agencies, the respective Borough President's office, the City Council, and Mayoral appointees from the local community. The Mayor's Office of Industrial and Manufacturing Businesses conduct quarterly Zone Administrative Board meetings, as well as educational workshops for the board on various features of the program.

Empire Zone Development Plans are the guiding documents for reviewing applications for zone certification. These development plans were revised after the reauthorization of the zones. They were approved by the local zone administrative boards, and submitted to

the State for approval this past quarter. These plans detail the types of businesses that are targeted by the zone, as well as what would be deemed inefficient uses of zone benefits. They set out a cost-benefit analysis threshold of 15:1.

In cases where businesses do not meet these thresholds, they must provide to the Zone Administrative Board that reflects their positive contribution to the zone. This can be demonstrated to the board in a number of ways, such as documented plans to hire locally, the remediation of a Brownfield site, or a commitment to paying a living wage as defined by New York City's Living Wage Law. Additionally, businesses that are creating 50 or more jobs are required to report back to the board on their hiring practices. Businesses that are approved locally are then sent to both the Empire State Development Corporation and the New York State Department of Labor for certification.

In the past few months there has been some attention focused on the businesses that were certified under the New York State Empire Zones Program. While there are instances where certified firms do not meet their job and investment targets, the Empire Zone Program has proved to be an important economic development tool for New York City's businesses. For the most part, the businesses that are certified are small businesses—such as Ice Stone, a manufacturer of eco-friendly countertops in the Brooklyn Navy Yard section of the North Brooklyn Empire Zone, BioSignal Group LLC a high-tech manufacturer of neuroscience equipment in East Brooklyn, to nearly 20 businesses at the new Hunts Point Fish Market in the Bronx.

One additional feature of the Empire Zones Program worth mentioning is Zone Capital Credits. Each zone has an allocation of State tax credits. These credits spur private investment in Empire Zones by lowering the State tax liability for those individuals or companies that contribute to not-for-profit organizations or certified businesses. Since November, our local Zone Administrative Boards have designated four separate Zone Capital Credit-eligible projects. This is one aspect of the program that we are working to utilize more aggressively, and we look forward to working with the Council in identifying not-for-profits to allocate Zone Capital Credits to throughout New York City.

Thank you again for the opportunity to appear before you today. We are happy to answer any questions you may have.

NYC Council
Economic Development Committee Hearing
Sept 26, 2007

Testimony by the Hunts Point Economic Development Corporation

Good morning, my name is Jeremie Sautter, Empire Zone Coordinator for both the Hunts Point and Zerega industrial zones in the Bronx, and Director of Economic Development Programs at the Hunts Point Economic Development Corporation (HPEDC) for the last 5 years. Josephine Infante, HPEDC Executive Director has asked me to elaborate on the success of our Empire Zone program.

HPEDC has been locally administering the Empire Zone program since 1994, and I have been myself Zone Coordinator for 5 years. We would like to state that the Empire Zone program has been instrumental in turning around the Hunts Point economy, from a neglected area to a regional economic engine. Since 1994 when Hunts Point became an Empire Zone, Hunts Point has been experiencing a dramatic economic growth. Since 2000 when Hunts Point became the designated site for the relocation of the Fulton Fish Market, the growth accelerated. Hunts Point now has more than 200 companies certified in the Zone program. Hunts Point is the largest food distribution center in the United States, and the Hunts Point Food Distribution Center services on a daily basis more than 20 million customers of the NY metropolitan area, delivering groceries, dairy products, meat, produce and fish to thousands of restaurants, bodegas, supermarkets, schools and hospitals.

The Hunts Point food industry is a very powerful catalyst for the creation of jobs. In fact, more than 10,000 jobs exist in Hunts Point at the more than 250 businesses distributing or manufacturing food. And these jobs in turn create thousands of additional jobs in industries that depend from the food distribution and manufacturing industry: restaurant workers, truck drivers, pallet suppliers, equipment manufacturers, etc. The Hunts Point food industry also allows millions of New Yorkers originating from all parts of the world to enjoy a multitude of food suiting their varied ethnic tastes.

Hunts Point is also a sanctuary for manufacturing businesses, such as wood, plastics, metals manufacturers. Oftentimes, these jobs offer wages superior to \$20/hour, allowing workers to fully support their families. And jobs such as truck drivers for example give a worker a lifelong job security.

The Empire Zone program has been and is a pillar of the growth of Hunts Point. From the time Hunts Point became designated as an Empire Zone in 1994, more than 200 businesses representing approx. 10,000 workers have taken advantage of the program, leveraging the creation of more than 3,000 net new jobs and the infusion of more than 200 million dollars into the local economy. There are numerous examples of businesses that have used the tax incentives to dramatically expand their employment, creating thousands of job opportunities for low-income, minority New Yorkers. In fact, Baldor Specialty Foods, a gourmet specialty foods distributor, went from 270 jobs in 2001 to 508 in 2005. Just Bagels, a bagel manufacturer, grew from 44 employees in 2001 to 90 in 2006. In 2006, the Hunts Point Empire Zone was the #1 Empire Zone in NYC for the number of newly Zone-certified companies, with close to 30 businesses joining the program. And in 2005, Hunts Point was one of the leading zones statewide with regard to new job creation, with more than 500 net new jobs created. Lastly, Hunts Point companies are responsive to the State's requests, with more than 95% of Zone-certified companies meeting their reporting requirements in 2006.

Some have accused the Empire Zone program of failing to create jobs, but looking at our Zone we can safely say that the opposite is true. New companies coming to Hunts Point seek the assistance of the Empire Zone program, as it gives them the necessary extra push to make their job creation projections a reality. Some have also accused the Zone program of financially rewarding companies, even if they do not create jobs. But the program has reformed itself extensively in the last several years, so that tax incentives can only be accessed if jobs are created, not just projected. The Program has also recently introduced a Benefit-Cost Analysis, which prevents businesses that do not generate a minimum return on the dollar to the State from becoming certified. In most

instances, this minimum is of \$15 of benefits (in terms of job wages and investments) vs. \$1 of cost to the State (in terms of tax benefits). Lastly, of all the economic incentives I administer at the city, state and federal level, the Empire Zone program has been the most powerful in terms of encouraging job creation.

The Empire Zone program in Hunts Point is also fulfilling its promise to create substantial job opportunities for local residents. From 2005 to 2007, the Hunts Point Economic Development Corporation successfully administered the Hunts Point Works pilot program, resulting in the placement of more than 1,300 job seekers. A substantial number of these placements were made at Empire Zone-certified companies, and more than 80% of placed job seekers were Bronx residents!

In summary, we would like to ask the Economic Development Committee of the NYC Council to support the Empire Zone Program, which is critical to the retention and attraction of thousands of industrial and manufacturing businesses, which are the backbone of blue collar employment for hundreds of thousands of New Yorkers. The blue collar industry is an employment sanctuary for countless low-income, minority, immigrant New Yorkers, and must be protected as such.

Thank you for your attention.



**Economic Development Public Hearing
September 26, 2007
Public Testimony on Empire Zones Program
By East Williamsburg Valley Industrial Development Corporation**

My name is Leah Archibald and I am the Associate Director of EWVIDCO, the administrator of the North Brooklyn/Brooklyn Navy Yard Empire Zone. The NYS Empire Zone program stimulates economic growth by providing a variety of tax incentives to certified firms to partially offset the cost of making investments, such as hiring new employees, buying real estate or purchasing new equipment. In recent months the program has been criticized for a variety of reasons. I'd like to take this opportunity to debunk a couple of these criticisms and discuss the ways that we and the other NYC Empire Zones work to address these issues.

Job Creation—A Worthy Goal

The NYC Empire Zones were carefully drawn around manufacturing zoned land in order to encourage growth of high quality industrial jobs in the City. Manufacturing provides a wide variety of social and economic benefits. Jobs in the industrial sector have fewer barriers to entry (such as English literacy and formal education requirements) and are generally of high quality. The average production wage for a manufacturing job is over \$10,000 more than the average wage in retailing and restaurants. Further, these jobs are better quality—over half of manufacturing jobs have health coverage compared to 18% in the food service industry and 38% in retailing.

Many North Brooklyn residents already work in the neighborhood. Nearly 40% of North Brooklyn residents work in industrial jobs, and many of the firms they work for are local, as over 15% of local residents indicate that they walk to work each day (double the borough-wide average). Poverty in Williamsburg and Greenpoint is quite high; 36% of local residents live at or below the poverty line. English is a foreign language to many residents; in these neighborhoods nearly 20% of the residents do not speak English well, or at all, and over 30% are foreign born. Finally, education levels are quite low, with nearly 70 % of working-age individuals possessing a high school equivalency or less.

In North Brooklyn local industrial jobs pay an average of 73% more than retail, with industrial average wages of \$52,842 compared with \$30,620 in local retailing. Although the Empire Zones program has been criticized for favoring creation of new jobs over creation of high quality jobs, the NYC Zones have enacted policies to ensure that Empire Zone benefits are trained at a sector providing quality employment for working class New Yorkers.

Empire Zone Administration

In recent years, the Empire Zone program has been extended throughout the state, increasing to over 80 zones at present. Sadly, administrative funding has not been increased to match this growth, resulting in less administrative funding for each Zone with every program expansion. Administrative funding is the compensation organizations like ours receives for marketing the program to local businesses, assisting them through the application process, ensuring that quality applications are approved and conducting annual follow up work to ensure the firms comply with program regulations.



Concurrently, administrative requirements for the Empire Zone program have grown. Zone administrators must conduct more analysis and prepare much more paperwork than ever before. We understand that these improvements are necessary to maintain the integrity of the program, but the end result is much less compensation for a great deal more work, creating a tremendous strain on resources of small non-profit organizations like ours. Fortunately, the Mayor's Office of Industrial and Manufacturing Businesses recognized this and have committed additional funds to compensate NYC Zones for the actual work that Empire Zone administration requires.

Empire Zone detractors criticize the program for allowing benefits to flow to retail and other "non-traded" industries. The majority of the New York City Empire Zones have avoided this criticism by prohibiting the certification of retail businesses in each Zone's Zone Development Plan.

This summer the program attracted much attention for sending letters to hundreds of NYS businesses that failed to meet the projections they set forth in their original Empire Zone applications. Newspaper articles and radio shows throughout NYS criticized the program for "giving away tax breaks" to firms that "failed to make good on their promises". This was particularly upsetting to me, as these criticisms demonstrated an elementary lack of understanding of the Empire Zone program.

Each year, Zone-certified firms report the previous year's investment on their tax return, and claim appropriate credits that correspond to the investment. If there is no investment or new jobs created, firms are not entitled to any tax credit. If a firm projects that they will add 10 jobs, but then only adds 5, the firm can only claim credit for the 5 that were actually added. Tax credits distributed to firms have nothing to do with the projections made when the firm is certified, as implied by local and statewide media coverage.

Conclusion

EWVIDCO has administered the Empire Zones program in North Brooklyn since 1994, helping nearly 200 businesses expand and create new jobs. In 2004, Empire Zone certified businesses in our area employed over 8000 residents, and invested over \$24.7 million in their facilities. Last year our boundaries were revised to concentrate more thoroughly on industrial and manufacturing businesses. In the past 12 months an additional 14 firms project investment of \$27,445,000 creation of 372 new jobs.

Although the Empire Zone program could be improved, it is sound economic development policy, as benefits are not realized until investments or new hires are made. Despite the fact that the AT Kearney report found that the program was not a recommended component of their proposed "Innovation Economy", NYC firms that receive Empire Zone benefits frequently do supply goods and services to NYC's export industries known for their innovation such as arts, tourism and finance and real estate. Further, Empire Zone benefits are important to help retain footloose businesses that can easily (and more profitably) defect to other nearby states. We support efforts to foster an innovation-based economy throughout NYS, and believe that the Empire Zone program can be an important component if managed effectively.