

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

of the

COMMITTEE ON ECONOMIC DEVELOPMENT

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November 24, 2009

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HELD AT: Hearing Room
250 Broadway, 16th Fl.

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

COUNCIL MEMBERS:
Thomas White, Jr.
Letitia James
Kenneth Mitchell
Annabel Palma
Diana Reyna
Albert Vann
David I. Weprin
Melissa Mark-Viverito

A P P E A R A N C E S

Don Giampietro
Assistant Commissioner for Business Incentives
NYC Department of Small Business Services

Jared Walkowitz
Director of NYC Empire Zones Program
NYC Department of Small Business Services

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Leah Archibald
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Richard Werber
Director
Greater Jamaica Development Corporation

Hally Chu
Asian Americans for Equality

John Petro
Urban Policy Analyst
Drum Major Institute for Public Policy

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COUNCIL MEMBER JAMES: Good

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afternoon. I'm Letitia James and I'm a member of

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this committee. I believe in exercising my

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executive privilege, along with Council Member

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Mitchell and we are going to begin this committee.

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Is that right Council Member Mitchell?

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COUNCIL MEMBER MITCHELL: Yes,

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ma'am.

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COUNCIL MEMBER JAMES: Thank you.

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I welcome you to the oversight hearing on the

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future of the state's Empire Zone Program. The

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Empire Zone Program was created in 1986. As the

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Statement of Legislative Findings and Declaration

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said, there were areas in the state that could be

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characterized by persistent and pervasive poverty,

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high unemployment, limited new job creation and

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dependence on public assistance income,

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dilapidated and abandoned industrial and

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commercial facilities and shrinking tax bases.

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This new program had as its goal to identify those

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areas of the state that suffered from those

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problems and stimulate public investment, private

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business development and job creation.

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Over the years, the Empire Zone

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2 Program has undergone many changes to the
3 eligibility criteria, benefits available, and
4 administration processes. Over the years there
5 have been many critics who have expressed with
6 different degrees of vehemence the view that
7 substantial financial benefits are going to
8 businesses that do not need them and that the
9 promised jobs and expected economic benefits to
10 the community did not always materialize. Others
11 commenting believed that there are flaws in the
12 program.

13 Communities where the zones are
14 located are the better for it, however, the Empire
15 Zone Program, fully a creature of the state law is
16 set to expire on June 30th, 2010. This hearing is
17 intended to explore with today's witnesses the
18 fundamental questions of whether the program
19 should continue to exist as it is, the extent to
20 which it should be reformed or supplanted by other
21 programs, or whether the program should be allowed
22 to die a natural death. Amen.

23 To this end, we have solicited
24 testimony from a broad array of people who we
25 believe represent many positions on the spectrum.

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I and my colleagues on this committee and on the Council believe that whatever the merits or deficiencies of the program it is too important not to undergo serious public discussion.

In addition, I appreciate your time and believe that we should begin this hearing and that is why I have stepped up. Accordingly, I wish to call on our first witness. Donald Giampietro, I apologize, we do not have your sign-in card representing Small Business Services. You will introduce yourself. I'm sorry; it's Donald Giampietro from Small Business Services. You are joined by?

JARED WALKOWITZ: Jared Walkowitz from the Department of Small Business Services.

COUNCIL MEMBER JAMES: You may begin.

DONALD GIAMPIETRO: Thank you. Good afternoon Council Member James and members of the Committee on Economic Development. My name is Donald Giampietro and I am the Assistant Commissioner for Business Incentives at the New York City Department of Small Business Services. I am joined by Jared Walkowitz, Director of the

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2 New York City Empire Zones Program.

3 I am pleased to testimony before
4 you today regarding the future of the New York
5 State Empire Zones Program. As you know, the
6 Empire Zones Program was created by the New York
7 State Legislature in 1986 to stimulate private
8 investment and job creation through a variety of
9 state incentives.

10 New York City has 11 zones
11 throughout the five boroughs which are specific
12 geographic areas targeted. Zones provide for a
13 portfolio of valuable of tax credits to eligible
14 businesses. Some of the incentives include a wage
15 tax, an investment tax and a real property tax
16 credit.

17 Before a business can take these
18 credits against their state taxes, a business must
19 first apply and be approved for certification by
20 the city and state, a process which at times has
21 been extensive and lengthy. This is for most of
22 the incentives.

23 In April of this year, 2009, Empire
24 State Development Corporation representing the
25 state, amended the regulations governing the

1
2 Empire Zones Program, resulting in a change to the
3 certification process, new de-certification
4 criteria and moved the sunset day of the program
5 up to June 2010 from the original sunset date of
6 June 30th, 2011. When these changes were enacted,
7 the state announced that it would contemplate
8 developing a successor development program.

9 Although we feel the Empire Zones
10 Program has had its successes, any program must be
11 easier to administer, monitor and be more directly
12 accessible to businesses. Any modified program
13 should continue to be used as a vehicle to help
14 aid businesses operate and expand in New York
15 City. Compared to the current program, it should
16 have a more streamlined, less complex process to
17 qualify, calculate and receive credits.

18 We would like to see the state
19 build upon the successful elements of the program,
20 remove intricate formulas and establish credits
21 that reduce state taxes and operating costs. The
22 desired result is helping businesses grow
23 operations and make viable business decisions and
24 expansions decisions.

25 Historically, the Empire Zones

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2 Program has gone through several revisions since
3 its establishment. With each change and addition
4 of new credits, the program became more complex.
5 Benefits and criteria should be easy to understand
6 and the process of receiving them should be
7 streamlined. Credits need to be more
8 straightforward to have the greatest impact.
9 Again, by modifying how businesses qualify in
10 addition to how credits are calculated, the state
11 could eliminate or tighten up what is now a lengthy
12 certification process for the most part.

13 Expanding the scope of businesses
14 which can qualify for tax credits would also be an
15 important aspect to any modification. Currently
16 the program is designed in a way that select
17 credits are available to specific industries of
18 some tax credits and not to others. We hope that
19 a successor program would accommodate different
20 types of businesses and growth industries as they
21 emerge to allow the program to more responsive to
22 the needs of municipalities like New York City and
23 specific borough needs and changing local economic
24 conditions.

25 Additional aspects of the Empire

1
2 Zones Program exist, which we would like to see
3 enhanced or continued such as the regionally
4 significant project designation which allows some
5 flexibility. This designation allow those
6 businesses located currently outside the Empire
7 Zones as targeted and geographic but still adding
8 jobs and capital investments to receive these
9 state tax credits. A new modified program could
10 build upon this flexibility and we feel that local
11 input that this actually has is crucial. We would
12 want, again, the flexibility to provide benefits
13 to significant projects across all boroughs using,
14 again, the local input of course of the Council.

15 We look forward to working with you
16 to encourage the state to create an economic
17 development program, a successor program that will
18 complement the city's efforts. Thank you for the
19 opportunity to appear before you today. We are
20 willing to answer any questions you may have.

21 COUNCIL MEMBER JAMES: So your
22 position is to amend it, do not end it? Is that
23 fair to say?

24 DONALD GIAMPIETRO: Basically
25 actually to really tighten it up and have an

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2 extensive amendment to the program and to look at
3 the portfolio of benefits which are about 12, see
4 what works, see what are not working and build
5 upon them. And make it a little easier because
6 now there's a certification process before you can
7 even take most of the credits. If we can tighten
8 that up and make it shorter and then have most of
9 the credits as they are now against the state tax
10 forms I feel it'll be easier. It's a little
11 formulaic as well.

12 COUNCIL MEMBER JAMES: Has the
13 Administration put a bill to the State
14 Legislature?

15 DONALD GIAMPIETRO: There has been
16 no bill but we are requested to provide comments.
17 These were basically the comments, to be very
18 succinct, which we were.

19 COUNCIL MEMBER JAMES: Has the
20 comment period ended?

21 DONALD GIAMPIETRO: The comment
22 period had ended. It was in September. We were
23 given a few weeks for general suggestions
24 throughout the state.

25 COUNCIL MEMBER JAMES: In terms of

2 jobs, how many jobs have been created as a result
3 of this?

4 DONALD GIAMPIETRO: Jared will be
5 able to answer that. Just to let you know,
6 Councilwoman James, there are certain lags and,
7 again, tax forms being submitted and extensions
8 filed. So Jared has the most recent information
9 provided by the state.

10 COUNCIL MEMBER JAMES: Jared?

11 JARED WALKOWITZ: As of right now,
12 there are 45,630 full time equivalent employees in
13 the 11 Empire Zones. So these are Empire Zone
14 certified businesses that have these employees.

15 COUNCIL MEMBER JAMES: 45,000?

16 JARED WALKOWITZ: 45,630.

17 COUNCIL MEMBER JAMES: These 45,000
18 some odd jobs, was there a preference for New York
19 City residents, a preference for people who were
20 on public assistance or was this ever used as a
21 way to address some of the social issues that we
22 have in the City New York and/or state?

23 JARED WALKOWITZ: There is no
24 actual preference, but the wage tax credit is
25 actually doubled for any employees that are on

2 public assistance.

3 COUNCIL MEMBER JAMES: What about
4 individuals who were chronically unemployed? I
5 think that's the term.

6 JARED WALKOWITZ: Yes.

7 COUNCIL MEMBER JAMES: Yes,
8 individuals who were formerly incarcerated?

9 JARED WALKOWITZ: Yes.

10 COUNCIL MEMBER JAMES: Yes, you get
11 double taxation?

12 JARED WALKOWITZ: Yes.

13 DONALD GIAMPIETRO: It's a more
14 lucrative deeper credit.

15 COUNCIL MEMBER JAMES: Are there
16 any other categories that I'm leaving out?
17 Veterans?

18 JARED WALKOWITZ: Yes.

19 DONALD GIAMPIETRO: Veterans,
20 public assistance, those who had--

21 COUNCIL MEMBER JAMES:
22 [interposing] Veterans, public assistance, and
23 what else?

24 DONALD GIAMPIETRO: Disabled.

25 COUNCIL MEMBER JAMES: Disabled.

2 JARED WALKOWITZ: It's all under
3 the umbrella calling the targeted employees in the
4 program.

5 COUNCIL MEMBER JAMES: In your
6 comments to the State Legislature, do you expand
7 this list at all?

8 DONALD GIAMPIETRO: Actually we
9 haven't even given the exhaustive list, but to
10 underscore, this is one of the benefits that we
11 would like to see in any successor program.

12 COUNCIL MEMBER JAMES: What is the
13 current cost of this program and how does that
14 compare to prior years?

15 DONALD GIAMPIETRO: We have 2006
16 and 2007 I believe.

17 JARED WALKOWITZ: In 2006 there
18 were about \$50 million in tax credits to the
19 businesses and there were about 1,180 businesses
20 at that time. Then in 2007, about \$70 million in
21 tax credits.

22 DONALD GIAMPIETRO: And for this
23 particular benefit Jared.

24 JARED WALKOWITZ: For that specific
25 benefit in 2006 it was a little over \$10 million.

2 COUNCIL MEMBER JAMES: I represent
3 part of the Navy Yard. I work very closely with
4 the Navy Yard, obviously focusing on high tech and
5 light manufacturing and industrial jobs which has
6 been a boost to the local economy in downtown
7 Brooklyn and in addition has provided me an
8 opportunity to fill the disconnect between the
9 Navy Yard and the residents of public housing.
10 We've don't a really good job. Are you focusing
11 on manufacturing, high tech industries or is there
12 a particular industry that you're focusing on?

13 JARED WALKOWITZ: This program does
14 specifically target manufacturing high tech
15 industries.

16 COUNCIL MEMBER JAMES: And less to
17 manufacturing?

18 JARED WALKOWITZ: No, an equal
19 amount. Because manufacturers can see benefit in
20 all of the benefits that are offered in the
21 program.

22 COUNCIL MEMBER JAMES: Is the
23 program zone based or would the program be
24 strictly applicant based irrespective of where the
25 applicant's business was located?

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2 JARED WALKOWITZ: Right how we're
3 working with the state to have some flexibility to
4 incentivize businesses that may be outside of what
5 the zones are right now but can still contribute
6 to the local economy.

7 DONALD GIAMPIETRO: So it would be
8 a hybrid approach actually to allow more for that
9 flexibility. That there would be perhaps targeted
10 areas. Perhaps they wouldn't be designated for
11 the entire period, that there would be an easier
12 mechanism to amend boundaries if they needed to be
13 revised. Again, as we spoke about this regionally
14 significant project that there'd be the ability if
15 indeed we received input from your offices, if
16 indeed we received it from the local community or
17 groups that we could assist a specific business.
18 We do want more of a hybrid.

19 COUNCIL MEMBER JAMES: Could you
20 just walk me through how there would be more
21 community input? What would be the process?

22 JARED WALKOWITZ: Right now we have
23 local boards. The way we see it now is that the
24 process just takes too long and businesses don't
25 know about their certification from the state

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2 until a much later date. We just want to see a
3 more streamlined approach. So we're working in
4 our office, meeting on this issue to see how we
5 can make the approach faster so the business knows
6 their future so they can make any investment
7 plans.

8 DONALD GIAMPIETRO: Also, we'd want
9 to use actually in the sense like two reservoirs
10 that we have at SBS for the city. We have NYC
11 Business Solution centers that are throughout the
12 city. And also our local providers and our local
13 groups, this octopus that extends throughout the
14 city we can really capture more businesses. I
15 think that what we're doing is we're getting on
16 the ground more. Then we also have our electronic
17 tools that we're rolling out at SBS that basically
18 are pushing the information out to more
19 businesses.

20 Then, to ensure that there is the
21 cross promotion which I think we're building past
22 a deficit that we may have had where a company may
23 come in and receive benefits for one particular
24 incentive the city may offer and not notified of
25 the portfolio the state may offer, perhaps may

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2 qualify for MWBE, may qualify for a federal
3 benefit. Now because it's done in one room, we're
4 able to more efficiently cross promote. Then
5 similarly, perhaps there's a business that's
6 receiving one benefit and could qualify for the
7 Empire Zones Program and doesn't know. So now
8 that's being pushed forward.

9 COUNCIL MEMBER JAMES: The MWBE
10 aspect of this bill, I mean I do know that there
11 was mention of it, but I haven't seen it in
12 reality.

13 DONALD GIAMPIETRO: Again, because
14 it's a state program, I'm not privy to an MWBE
15 mechanism within the Empire Zones Program itself.
16 Fortunately, because the Empire Zones Program is
17 managed by Jared at SBS that happens, as you know,
18 to house the MWBE. It's a very efficient way
19 because we can immediate vet if indeed a business
20 may qualify for MWBE. We contact our
21 representatives in the building, our own
22 colleagues to work with the firm.

23 COUNCIL MEMBER JAMES: Would there
24 be language in the bill to reflect that process
25 that you just described?

2 DONALD GIAMPIETRO: Again, it's
3 state. I'm not privy to any language. But the
4 mechanism, the protocol at SBS exists.

5 COUNCIL MEMBER JAMES: Was it
6 included in your comments?

7 DONALD GIAMPIETRO: Not these
8 comments, no.

9 COUNCIL MEMBER JAMES: Is there any
10 provision with respect to living wage and/or
11 benefits, health benefits let's say?

12 DONALD GIAMPIETRO: Not that I'm
13 privy to, no. Not on living wage and health
14 benefits. Again, the focus of the Empire Zones
15 Program is that we want to reduce the criteria.
16 Most of these businesses are very small, as you
17 know, small manufacturing. So to encourage them
18 to invest and hire as many employees, so that was
19 the focus at the base.

20 COUNCIL MEMBER JAMES: But none of
21 the corollary benefits that come with a job like,
22 for instance, a living wage or health benefits or
23 sick leave or any of that?

24 DONALD GIAMPIETRO: One of the
25 mechanisms in the wage tax credit is that there

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2 are certain provisions for actually deeper
3 benefits if indeed the salary is higher. So in a
4 sense, because it's a state program and we really
5 don't own the program or control and we're
6 actually trying to obtain clarification and to
7 provide more direction to the state. Those
8 aspects of the program that do reward higher
9 wages, we want to see continued and we mentioned
10 that.

11 COUNCIL MEMBER JAMES: Is this
12 program fully funded by the state or is there any
13 city tax levy dollars?

14 DONALD GIAMPIETRO: It's fully
15 funded by the state.

16 COUNCIL MEMBER JAMES: Is this an
17 RFP process? No.

18 DONALD GIAMPIETRO: It's a standard
19 legislative process in the state. Like I said,
20 they pulled the program back a year early.

21 COUNCIL MEMBER JAMES: So the
22 regionally significant projects concept would be
23 retained in some fashion?

24 DONALD GIAMPIETRO: We would like
25 to see that because that actually provides

1 flexibility. Again, I would like to see it a
 2 little bit more facile and easier.

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 4 COUNCIL MEMBER JAMES: Should a
 5 regionally significant project be eligible for and
 6 should there be some geographic criteria for
 7 designation other than merely being within the
 8 same municipality as the host empire zone?

9 DONALD GIAMPIETRO: Job criteria
 10 and the flexibility to look at each project within
 11 set parameters. So there probably would need to
 12 be a geographic component. It would probably be
 13 affiliated or guided by a group or a provider in
 14 the borough. But again, I believe as long as it
 15 met the investment and job growth criteria and was
 16 to benefit New York City and particularly that
 17 specific borough, it could be provided the like
 18 benefits.

19 COUNCIL MEMBER JAMES: Would all
 20 the functions be state functions and/or would
 21 there be any role for the local government?

22 DONALD GIAMPIETRO: Definitely a
 23 role for the local government and that's what
 24 emphasize and underscore.

25 COUNCIL MEMBER JAMES: What role do

1
2 you see for the local government?

3 DONALD GIAMPIETRO: We see perhaps
4 kind of a bifurcated role in a sense in that there
5 would be a variety of local groups that would
6 provide the hands-on guidance promotion as well as
7 assistance to the specific businesses to access
8 and apply for the benefits and to ensure that
9 they're doing it correctly. Hopefully it's more
10 simplified. Then the actual City of New York
11 through SBS would provide a kind of more macro
12 view to ensure that companies are being provided
13 the benefit as necessary, that there is aggregate
14 data so that we can analyze and make wise business
15 decisions as to the success or not of the program.
16 And to ensure that if direction with the City
17 Council with local community groups needs to be
18 done that we can actually ensure that that is
19 being done. In a sense it's similar to the way we
20 work now.

21 COUNCIL MEMBER JAMES: Would there
22 be reporting requirements?

23 DONALD GIAMPIETRO: Actually we'd
24 want those tightened. Jared can speak to this as
25 well. As the program becomes simpler, monitoring

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probably would be easier.

JARED WALKOWITZ: Right now, the program it's self-reported data and businesses sometimes go back a few years to collect these credits. So the information we receive isn't always as accurate as we would like it to be and it's because of that.

COUNCIL MEMBER JAMES: I just want to go back. We've had previous hearings in regards to this subject and there were some think tanks who believe that the Administration should take a position or be in the forefront of urging that these businesses provide living wages. I really want to go back to that because there are some businesses who pay barely minimum wage or pay minimum wage and that's not sufficient to sustain families in the City of New York. Why is the Administration not taking a position with regards to requiring a living wage?

DONALD GIAMPIETRO: Again, because it's a state program specifically and truly Empire State Development owns this program, and because we are emphasizing a continuation of specific benefits. One of them is, although the term is

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2 not prevailing wage as it's used within the Empire
3 Zone, the wage tax credit, as I stated, does try
4 to capture these targeted groups and provides for
5 a deeper benefit. Because it's an incentive
6 program, it's incentivizing a deeper benefit for a
7 higher wage. So that's how that particular
8 program works. It's one of the most popular
9 programs. I believe currently it's \$40,000 a year
10 it's a deeper benefit.

11 COUNCIL MEMBER JAMES: There has
12 been criticism of the program in that there has
13 not been any monitoring and there's no penalty if
14 the jobs are not created or do not materialize.

15 JARED WALKOWITZ: About jobs not
16 being created, you don't receive credits unless
17 you actually create that job. The reason that
18 this comes up is because at the time of
19 certification a business shows their projected
20 hiring and investment projections. Sometimes
21 that's compared back to what they've actually
22 done. As we all know, economic environment can
23 change and these projections can change at any
24 time. So if a business doesn't create the job,
25 they do not receive the credit. So it's not

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2 actually costing the state any more money.

3 DONALD GIAMPIETRO: So what
4 happened is you had a firm five years ago saying,
5 and oftentimes small firms they may have five
6 employees and said we were going to grow by four
7 but the grew by two. They only receive benefits
8 for those two. However, they're being compared
9 when the program was criticized, to the four or
10 five that they said they were going to grow five
11 or six years ago.

12 COUNCIL MEMBER JAMES: So in your
13 experience as far as you know, has there ever been
14 a business that took the benefit and said they
15 were going to create x amount of jobs and they did
16 not materialize? If so, has anything happened to
17 that? Has there been any penalty as a result, any
18 forfeiture?

19 JARED WALKOWITZ: You can't
20 actually take the benefit unless you create that
21 job.

22 COUNCIL MEMBER JAMES: I see.

23 DONALD GIAMPIETRO: That year.

24 COUNCIL MEMBER JAMES: So it has to
25 be an affirmative step before?

2 JARED WALKOWITZ: Right.

3 COUNCIL MEMBER JAMES: Is the chair
4 ready? I now turn it over to the chair and thank
5 you for allowing me this opportunity.

6 CHAIRPERSON WHITE: Thank you very
7 much. I really appreciate you sitting in my
8 stead. I would just like to say we're entering
9 the season for Thanksgiving. I would like to say
10 I was fortunate enough to have 150 turkeys that we
11 were distributing this morning to families who
12 will enjoy a good Thanksgiving and I'm quite sure
13 none of you would mind my tardiness. Since I have
14 a good colleague here, the show goes on. So I
15 just wanted to apologize to you why I was delayed
16 upon my arrival.

17 COUNCIL MEMBER JAMES: And my
18 turkey is outside?

19 CHAIRPERSON WHITE: That would be a
20 conflict of interest. We've had these meetings
21 before and I just left you at Flying Foods I
22 believe with the 600 jobs that we managed to
23 secure in building 146; I believe a \$25 million
24 renovation. So we retained those 600 jobs are the
25 jobs that came from New Jersey I believe.

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2 The question has been asked before,
3 and we keep talking about jobs. Everybody wants
4 benefits and they promise jobs. That seems to be
5 from the community level on up to the City Council
6 probably to the state and to the federal
7 government. In order to get benefits that they
8 qualify for. When we do the evaluation of how
9 well those who qualify for the benefits, they make
10 sure they get all of their benefits except when it
11 gets to the jobs, the job creation. That always
12 concerns me. There is never a definite answer as
13 to is there a concern about the jobs that are part
14 of giving these credits. How is that monitored?

15 JARED WALKOWITZ: A business cannot
16 collect the wage tax credit unless they actually
17 create that job. So it's monitored by New York
18 State Department of Tax and Finance and that
19 information is submitted to them and then the
20 credits are then given down to the business at
21 that point.

22 CHAIRPERSON WHITE: Well let's put
23 it this way, I'm a businessman and I own a
24 business and I apply for the credit and I say I'm
25 going to create 25 jobs. I fall short. I create

15. Do I get a portion of that credit?

JARED WALKOWITZ: You would receive credit for those 15 jobs. When you say apply for 25 jobs, a lot of times that gets confused because at the time of certification the business is saying they're projecting say in your case 25 jobs in three years. They only reach 15 of those jobs, so you only receive credit for those 15 jobs. And you have to work half of the taxable year.

CHAIRPERSON WHITE: We have colleagues that are part of this committee that are over in General Welfare. I'm on that committee and I have to be here so I'll ask the kind of questions that I think they've related to me. Why should a business get a portion of a credit if when they applied everything is a projection? I mean every year, Council Member James; we sit down and do a budget, that's a projection. Somewhere down the line we're called back and say we have to do another cut.

I understand what a projection is, but why should we fall that short in a business of a projection? If you're putting the proposal together to apply for these credits and you say

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2 you're going to create 25 jobs, the expectation is
3 that you create 25 jobs. Now, if you're not going
4 to create 25 jobs, there should be some kind of
5 administrative overview or tracking to see that
6 you're not going to reach that projection, let's
7 say six months into moving ahead and there should
8 be some modification on those credits, not after
9 the whole credit ends but during the period you
10 say you were going to create x amount of jobs.

11 JARED WALKOWITZ: Right. And the
12 position the state has taken on this is that they
13 understand that since it's a projection and
14 projections can change and the economic climate
15 can change, they understand that not all
16 businesses will reach those projections.

17 In the past there has been a de-
18 certification process that a business had to reach
19 60% of their projections in order to stay
20 certified. And then businesses could go through
21 the appeals process to remain in the program. But
22 now the de-certification process is just that they
23 don't have that anymore, understanding that times
24 have changed and that you must reach for every \$1
25 of investment and wages that you pay, you have to

1
2 receive \$1 of credits. That's the de-
3 certification criteria at this moment.

4 CHAIRPERSON WHITE: I understand
5 that. Are any of the businesses that are seeking
6 these credits, are they unionized?

7 JARED WALKOWITZ: They don't
8 necessarily have to be, but some are.

9 CHAIRPERSON WHITE: Some are?

10 JARED WALKOWITZ: Yes.

11 CHAIRPERSON WHITE: I raise that
12 question due to experience. You have
13 administrators that do an evaluation of the
14 businesses that are getting credits. Is that
15 correct?

16 JARED WALKOWITZ: Yes.

17 CHAIRPERSON WHITE: From the
18 hearings that we've had in the past, there seem to
19 have been a lack of a reporting on the part of the
20 administrators because they didn't have enough
21 revenue to do the job. I believe at that time,
22 Controller Hevesi issued a report that did not
23 speak too well of these Empire Zones.

24 JARED WALKOWITZ: I'm aware of the
25 report.

2 CHAIRPERSON WHITE: Have you looked
3 at that?

4 JARED WALKOWITZ: I've looked at
5 it, but the reporting process right now is that
6 each certified business in all the 11 Empire Zones
7 fills out a business annual report, which is a
8 survey that reports on the credits received,
9 actual hiring data, actual investment data and
10 then that information is then compiled by the
11 local zone and then sent to the Empire State
12 Development Corporation and then it's brought
13 together there. Then a zone annual report is made
14 for each individual zone. That reports on credits
15 received, and also jobs and investment data.

16 CHAIRPERSON WHITE: We had the ICIP
17 program at one time which gave credits to
18 businesses and they had a standard that they had
19 to hire x amount of people from the community. It
20 would appear at that time that every time a person
21 reached the point of let's say being six months on
22 the job, which would qualify them to be in the
23 union, that they were terminated and a new person
24 was hired from the community. So you never had a
25 permanent job but you always had the criteria of

1
2 having someone from the community to meet the
3 criteria of the credits that were given. That's
4 why I'm asking you about these new zones and
5 credits and whether or not some of them are
6 unionized and the permanency of people who are
7 hired. Do you have any information to state that
8 in some of these jobs not only do they reach the
9 50 or 25 mark that they project but that they
10 become permanent employees and if they're union
11 jobs that they become unionized?

12 JARED WALKOWITZ: I don't have any
13 information specifically on union jobs. But to
14 receive the wage tax credit you must work at least
15 half the taxable year. So say that they were to
16 terminate the employment of someone who had worked
17 half the year, they would receive it for that year
18 but they wouldn't receive any more, even though
19 that position is still there. So the position has
20 to have an employee in that spot in order to
21 receive the credit.

22 CHAIRPERSON WHITE: The spots or
23 the employment, does have benefits?

24 JARED WALKOWITZ: Could you clarify
25 that?

2 CHAIRPERSON WHITE: In other words,
3 you hire somebody in the community or the criteria
4 for your credits, when they hire they get full
5 benefits, whatever that company has, am I correct
6 or am I not correct?

7 JARED WALKOWITZ: You mean benefits
8 from the business like health benefits?

9 CHAIRPERSON WHITE: Health
10 benefits, yeah, FICA.

11 JARED WALKOWITZ: If that business
12 offers it, yes.

13 CHAIRPERSON WHITE: What do you
14 mean if the business offers it?

15 JARED WALKOWITZ: The Empire Zones
16 Program itself does not require health benefits
17 for employees. But they will offer more credits
18 if an employee is paid more, which puts in wages
19 and benefits.

20 DONALD GIAMPIETRO: For the wage
21 tax credit, again, because the program is based
22 all on incentives, so it's basically rewarding as
23 you do more, either put more money, as you know
24 like for Flying Food Group or hire and then if you
25 pay them more and you can include benefits within

1
2 that, you can receive a deeper benefit. So it's
3 built into the structure for this wage tax credit.

4 CHAIRPERSON WHITE: My concern
5 would be then that since benefits is not a
6 criteria, in terms of health benefits, depending
7 on the business that is seeking the designation
8 that we possibly could have people being hired
9 with no health benefits around produce or whatever
10 and not know what their medical conditions are.

11 JARED WALKOWITZ: It's really very
12 business-specific, so the program doesn't monitor
13 for that specifically.

14 CHAIRPERSON WHITE: I think we
15 should. I was with Congressman Meeks yesterday at
16 breakfast and he had someone from HHC dealing with
17 the H1N1 and various issues that we could help as
18 elected officials in terms of who has to get the
19 shots, who should get the shots. They left out
20 the teachers. You know, and the teachers get all
21 the kids. And when you look at the criteria for
22 who's more susceptible to getting this and the age
23 range, a lot of them are school age. The
24 Administration took a position that they're not
25 going to close schools.

1
2 So I think that in areas where
3 people are employed, and I had a couple in my
4 office a week and a half ago. People that work in
5 delis. We order our sandwiches from around here.
6 And they can't take off if they're sick. They
7 have to come to work if they're sick. And I just
8 ordered my sandwich from them. So food and things
9 of that nature are being prepared and we are not,
10 wherever we can, putting criterion on businesses,
11 especially in the area of like food service and
12 things like that. We're not putting or writing in
13 certain things that we can write in. Before we
14 give a credit, can the credits be modified to
15 include certain things that we see as a pandemic?
16 That's what this is, a worldwide issue and then
17 we're treating it as though, okay you're just
18 going to get the credits and the person that's
19 being hired, especially around let's say Flying
20 Foods, which is not the case, I'm just using it,
21 because they do give benefits to their employees.
22 People will be eating food and be around people
23 and we're giving them credits. We don't know how
24 many people they're hiring. I understand we're
25 doing the projection. So I don't understand why

1
2 we don't tighten up these credits and what
3 companies have to do in order to apply for these
4 credits.

5 JARED WALKOWITZ: Any successor
6 program, that's something we can work on with the
7 state to tighten up these credits and make it
8 better for the community as a whole, especially in
9 food services.

10 DONALD GIAMPIETRO: We wanted the
11 flexibility in our proposal that if there's
12 something like the regional significant projects
13 like for Flying Food Group that in any successor
14 program there's the ability to provide the
15 municipality the ability to look at the project
16 specifically and that's what we're proposing.

17 CHAIRPERSON WHITE: I want to
18 acknowledge the presence of my colleague,
19 Councilwoman Palma and Council Member Vann. Do
20 you have any questions?

21 COUNCIL MEMBER JAMES: Back to your
22 testimony Assistant Commissioner Giampietro, with
23 regards to making the process more straightforward
24 and less burdensome and timely, what
25 recommendations do you have to the state?

2 DONALD GIAMPIETRO: It would be
3 two-fold. First would be regarding the
4 certification process itself which could actually
5 happen years before the actual tax credits are
6 taken against the tax forms.

7 COUNCIL MEMBER JAMES: On average,
8 how long does the certification take now?

9 DONALD GIAMPIETRO: Jared would be
10 able to explain, but several months.

11 COUNCIL MEMBER JAMES: Several
12 months?

13 JARED WALKOWITZ: It could take up
14 to a year in some cases.

15 COUNCIL MEMBER JAMES: Really?

16 JARED WALKOWITZ: Yes.

17 COUNCIL MEMBER JAMES: Okay. I'm
18 sorry.

19 DONALD GIAMPIETRO: There are
20 boards involved. You have to present a case
21 that's based on projection. At times the company
22 may not actually be in the location because it's a
23 relocation initiative. So to revisit the
24 certification process, to streamline it, again,
25 some of the information may be available

1 electronically, to create best practices, to
2 standardize protocol across the various boroughs
3 and zones so that there is a very efficient due
4 diligence checklist that could be provided. So
5 that would be for the certification process if
6 indeed certification is necessary. Because,
7 again, part two, you take the credits against your
8 actual tax forms.
9

10 So by way of an example, a small
11 business of five people say in the Navy Yard or a
12 furniture upholsterer and the like, they have five
13 employees. They want to grow by six. They have
14 to go through a certification process to say we're
15 going to grow by six, we're a viable company.
16 We're in the Navy Yard here. We are here's my
17 lease. Then they don't grow, perhaps the economy
18 falls short and then year three they grow by one
19 or two employees. There, that process is where we
20 would like to see many of the credits because it's
21 against the tax form.

22 But also some of it, and I'm not
23 going go into because I can bore people here,
24 there are so many formulas. And as the credits
25 reward you for doing more, the formulas become

1
2 more detailed. You have ratios and you have to
3 compare past performance to current performance or
4 your prior location to current location. I think
5 this could be tightened up so the tax form is
6 easier.

7 COUNCIL MEMBER JAMES: So
8 streamlining the process. Would it be fair to say
9 that your comments are primarily focused on
10 streamlining the process to the state?

11 DONALD GIAMPIETRO: As a statement,
12 again it was very succinct. So yes, removing
13 certain duplication of effort and then formulas
14 where they're not necessary.

15 COUNCIL MEMBER JAMES: Does one
16 have to be certified by the city and state or is
17 it different certification processes for different
18 programs?

19 JARED WALKOWITZ: First you need
20 approval by the zone, which is the city and then
21 the state and then it comes back.

22 COUNCIL MEMBER JAMES: So
23 cumulative it takes a year. How long does it take
24 for the city?

25 JARED WALKOWITZ: It could take a

1
2 year altogether. Usually it's around six months
3 if everything is running smoothly.

4 COUNCIL MEMBER JAMES: That's the
5 average?

6 JARED WALKOWITZ: Yes, I would say
7 that's about it.

8 COUNCIL MEMBER JAMES: So I have a
9 form in front of me and it talks about the Empire
10 Zones, the regions. What caught my eye was for
11 instance in South Jamaica which I believe is the
12 12th region, primary reason for decertification,
13 failure to meet INV, and I don't know what INV
14 stands for, to benefit ratio of one. What does
15 that mean? Why was this business decertified?

16 JARED WALKOWITZ: That would be, I
17 think we're talking about the one to one ratio.
18 In this most recent decertification process, the
19 state went back and looked at all certified
20 businesses that have been certified for at least
21 three years and made sure that they weren't
22 collecting more credits than they were paying out
23 in wages and investment.

24 COUNCIL MEMBER JAMES: I see. What
25 is shirt changing?

2 JARED WALKOWITZ: Shirt changing is
3 when a business say changes their employment
4 identification number and then they can actually
5 reset on the credits. So for example wage tax
6 credit is five years. You take your five years;
7 get a new EIN number, another five years. So
8 these are businesses that saw the loophole in the
9 program and the program has closed that loophole.

10 COUNCIL MEMBER JAMES: They've
11 closed both of the loopholes, shirt changing and
12 the one to one ratio?

13 JARED WALKOWITZ: Right.

14 COUNCIL MEMBER JAMES: What about
15 not submitting bar forms? Is there any way that
16 we can address that at this time?

17 JARED WALKOWITZ: That's just the
18 follow up with businesses. They have to submit
19 this form and for one reason or another some
20 businesses just don't give the form back. That
21 actually talks to the idea that the program needs
22 to be more streamlined. Just because the business
23 is certified it doesn't actually mean they're
24 collecting any credits. There's a whole other
25 process to then submit your tax forms. Maybe the

2 business doesn't have the man hours or the
3 capacity to collect these credits. So they got
4 certified but collect zero credits. In that case
5 they sometimes just don't submit their forms.

6 COUNCIL MEMBER JAMES: My last
7 question, as I review this form, the general
8 nature of the business, it runs the gamut from
9 majority wholesale to finance real estate to
10 professional services to commercial services, is
11 there any other industry that we do believe that
12 the state should focus on and/or the city?

13 JARED WALKOWITZ: Technology,
14 research and development.

15 COUNCIL MEMBER JAMES: High tech?

16 JARED WALKOWITZ: High tech.

17 COUNCIL MEMBER JAMES: Is there any
18 possibility of doing an EDZ zone in downtown
19 Brooklyn?

20 DONALD GIAMPIETRO: It's funny,
21 what we've proposed would be that it would be much
22 easier to provide benefits that are in that area.
23 So we would not be limited to certain zones if
24 necessary.

25 COUNCIL MEMBER JAMES: So there's a

1
2 possibility. So what you're telling me is that
3 you're going to be looking at my district perhaps
4 soon?

5 JARED WALKOWITZ: We just want the
6 flexibility to be able to incentivize businesses
7 that might right now be outside of what the Empire
8 Zones are.

9 COUNCIL MEMBER JAMES: So the
10 answer is yes?

11 DONALD GIAMPIETRO: We would look
12 at businesses in yours.

13 COUNCIL MEMBER JAMES: Thank you.

14 CHAIRPERSON WHITE: Thank you
15 gentlemen very much. May I see the sergeant-at-
16 arms please?

17 [Pause]

18 CHAIRPERSON WHITE: I understand
19 that Kathy Wylde will not be here but testifying
20 in her stead was Eric Trojan and Kenneth Adams.

21 KENNETH ADAMS: We're flipping a
22 coin here to see who should go first unless you
23 have a preference Mr. Chairman.

24 CHAIRPERSON WHITE: No.

25 KENNETH ADAMS: I'm not Kathy

2 Wylde. I want to make that evident.

3 CHAIRPERSON WHITE: I'm quite sure.
4 I know her.

5 KENNETH ADAMS: Eric, who's here on
6 her behalf, asked me to go first, so I'll do that,
7 and I will introduce myself. I'm Kenneth Adams.
8 I'm President and CEO of the Business Council of
9 New York State. It's nice to see you this
10 afternoon. Thank you for the opportunity to
11 testimony about this important economic
12 development tool in New York State.

13 As I was greeting my friend from
14 Brooklyn, Councilwoman James, I was reminding her
15 that she does in fact through the Brooklyn Navy
16 Yard have a zone very close to her district. It's
17 played an important role there.

18 We appreciate this opportunity to
19 talk with you about the New York State and the New
20 York City economies and more specifically about
21 the need for effective economic development
22 programs in the future, specifically of the Empire
23 Zones Program.

24 The Business Council is New York's
25 largest statewide employer organization. We

1
2 represent about 3,000 businesses in all types of
3 industries and all across the state, including in
4 zones here in the city. Today I'll provide you
5 with an overview of our economic development
6 priorities as well as specific recommendations for
7 new and revised incentive programs for the state
8 to consider in the 2010 legislative session.

9 Given current economic conditions
10 and the expiration of both the Empire Zone and
11 Power for Jobs Programs next year, we believe it
12 is essential that we make timely decisions on our
13 economic development priorities and the means to
14 achieve them.

15 While we recognize that the
16 majority of the actions and proposals we are about
17 to share with you are actually within the purview
18 of the State Legislature rather than the New York
19 City Council, as you have so appropriately
20 demonstrated through your scheduling of this
21 oversight hearing, the Empire Zone Program has
22 impacts all across New York City and is very much
23 a New York City issue.

24 In terms of the overall big
25 picture, is there any doubt that New York State's

1
2 economic climate is becoming noncompetitive? To
3 us there is an obvious answer there. We are in a
4 very uncompetitive position. Again, these
5 economic development tools are critical to staying
6 competitive.

7 A few quick facts, over a ten-year
8 period from 1997 to 2007, the state's job growth
9 was 34th of the 50 states in the nation, and about
10 40% below the national job growth rate. So we
11 clearly haven't been doing enough to create new
12 jobs in the state or keep up with the rest of the
13 nation. Interestingly, the state's climate for
14 new facilities was relatively good over that same
15 period. In 2005, Site Selection magazine found
16 that New York was 4th among states in new and
17 expanded corporate facilities and we were 6th in
18 2008, but have sadly fallen back to 16th with the
19 recession and all, now in 2009. So we're falling
20 backwards in our ability to attract new
21 businesses.

22 What do these seemingly data tell
23 us? We think they show that despite the overall
24 economic or uncompetitive economic climate in New
25 York, before the recession the state had actually

1
2 done reasonable well in attracting new
3 investments. We believe that this points directly
4 to the impact of the Empire Zones Program and
5 other incentive efforts in the state.

6 We believe that the most effective
7 economic development strategy for New York is to
8 create a more competitive business climate. New
9 York needs to reduce its business tax burden,
10 especially real property taxes, reduce energy
11 costs and bring the cost of employer-provide
12 health care under control. We need to make hard
13 choices to rein in spending at both the state and
14 local government levels. No new taxes, a state
15 spending cap, a cap on real property tax growth
16 would be invaluable first steps in positioning New
17 York for an economic recovery.

18 However, real progress toward
19 restoring our business climate will certain take
20 time. So in the meantime, give the significant
21 ongoing competition we face from other states and
22 nations, we believe that New York State also needs
23 to continue to offer economic incentive programs.
24 Let's face it; we desperately need more jobs in
25 New York State. With unemployment at 10.2%

1
2 nationally, over 10% here in the city, and that
3 means there are at least 850,000 New Yorkers
4 across the state out of work, we have to do
5 everything we can to encourage private sector job
6 growth, including realigning and strengthening
7 economic development programs such as the Empire
8 Zone Program.

9 The Empire Zone Program has been
10 the basis for some of the largest capital
11 investments in New York State in recent years. In
12 many cases, its significant tax credits were
13 essential by offsetting uncompetitive high
14 business costs in New York, particularly real
15 property taxes. They provide a business cost
16 framework that encourages significant new in-state
17 investments. Because of its significant
18 incentives, the Empire Zones Program has become
19 the state's de facto principle economic
20 development tool.

21 I'll add a statistic here from a
22 colleague of mine who works at New York State
23 Empire State Development, the organization that
24 runs the program. There are over 7,500 companies
25 across the state in the program right now. It had

1
2 been up to about 9,000 at its peak. But this is
3 employing thousands and thousands of people across
4 the state.

5 As such, because it's such an
6 important program, the Empire Zones Program has
7 been amended, extended and administered to address
8 a wide range of development objectives beyond its
9 initial focus on redevelopment of distressed
10 areas. There has been some mission creep here.
11 We would certainly agree with that judgment. By
12 now, most of the program's initial loopholes, and
13 this was cited in some of the testimony before me,
14 have been closed.

15 There was a reform bill passed by
16 the Legislature, and Councilman Vann may recall
17 this a couple of years ago up in Albany, that in
18 2008 actually closed a lot of the loopholes and
19 responded to the problem of mission creep where
20 the program was being too many things all over the
21 state and it was getting sloppy. Again, most of
22 that has been corrected.

23 We agree the state needs to rethink
24 its economic development efforts. We need to
25 assure that development incentives are focused on

1
2 strategic development objectives and that
3 incentive programs are economically efficient.
4 Going forward, the state should consider multiple
5 programs. Again, we believe it's not a one size
6 fits all situation. That won't work. We need
7 multiple programs, each designed to address
8 specifically development objectives.

9 Based on input from our Business
10 Council members, a third of whom are manufacturers
11 and many of whom are in the zones, we believe
12 these objectives and incentives include four basic
13 areas. I'll just give you the headlines first:
14 major investment and retention projects, keeping
15 important employers in the state and encouraging
16 them to do capital investments so they can stay
17 competitive and be successful, technology and
18 innovation, urban and distressed areas.

19 Let me just give you some details
20 on these three themes. In terms of major
21 investment and retention projects we believe the
22 state needs to have a flagship economic
23 development program that focuses on major
24 reinvestment in existing businesses to help retain
25 valuable employers and high paying jobs and to

1
2 promote major new investments in New York State.
3 We've got to help our companies stay competitive
4 in a global economy.

5 An effective program could be based
6 on the incentive structure currently provided
7 under the Empire Zones Program, but with
8 eligibility based on targeted industries rather
9 than geographic location. This was mentioned in
10 the questioning by Councilwoman James. That it
11 isn't so much the geography of where you are, it's
12 what you're doing and the type of industry that
13 you're in. So we would support that sort of
14 change, and with modified incentives that provide
15 more upfront benefits.

16 This new Empire program would, for
17 example, target businesses in strategic high wage
18 sectors including manufacturing, financial
19 services, life sciences and clean tech and
20 projects with significant regional impacts.
21 Provide an enhanced and fully refundable
22 investment tax credit of 12% for tangible property
23 investments and 15% for research and development
24 activities. Provide a real property tax credit
25 based on the increased assessed value of property

1
2 due to new investment. This credit would be
3 refundable for all eligible businesses. Again,
4 this is not geographically specific. It's if you
5 meet the criteria no matter where you are. Equal
6 treatment for RPT payments as well as for pilot
7 payments. Eligibility criteria for this credit
8 would include significant capital investment and
9 job retention, job creation, value of jobs based
10 on wages and benefits.

11 To some of the earlier points
12 raised, we can tailor these, target these
13 incentive programs to really aim at the jobs that
14 we want, including the wages and benefits that are
15 appropriate.

16 Technology and innovation. The
17 state needs to support emerging technology sectors
18 with support for business growth, R&D and
19 commercialization of new products. The Business
20 Council will be issuing a comprehensive innovation
21 incentive proposal next month in December. Our
22 recommendations will include, number one,
23 expansion and extension of the Qualified Emerging
24 Technology Company credit, the QETC credit, by
25 increasing the company income based eligibility

1
2 threshold to \$40 million and by increasing the
3 credit for tangible property investments from 18
4 to 30%, and by increasing the credit for other
5 research investments from 8% to 15%. Again, have
6 an expansion of that QETC credit to drive home the
7 importance of technology industries in our state.

8 Adopt credits for pharmacological,
9 cellulosic ethanol production, alternative energy
10 storage and distribution and deployment of
11 commercial alternative energy. This is about
12 promoting green tech, green energy, renewables
13 here in New York State, looking at that energy
14 policy as economic development policy and
15 providing incentives to make it happen.

16 And finally, adoption of a state
17 sales tax exemption for academic incubators. This
18 is a very specific incentive to help take what's
19 done in our research universities and turn it into
20 businesses by providing a targeted tax benefit
21 there.

22 Urban and distressed areas, a
23 separate program targeting reinvestment in
24 distressed urban areas should be adopted.
25 Components could include three things: improved

1
2 implementation of the state's brownfield cleanup
3 and incentive programs, including an expedited
4 application. Don Giampietro from SBS pointed to
5 the need to expedite the paperwork process here
6 and make it easier for companies. Project review
7 and approval process by the Department of Economic
8 Develop. Also, extend the eligibility to include
9 state super fund sites, and elimination of the
10 tangible property credit cap for manufacturers and
11 high tech firms. So again, this is really to
12 facilitate high tech development in brownfield
13 contaminated areas. Get those sites cleaned up.
14 Provide specific incentives to make that happen.

15 Enhance job wage incentive for job
16 creation in distressed communities. Again, that
17 was mentioned by the previous speaker. The base
18 line grants of up to 80% of personal income tax
19 withholdings related to increased employment with
20 grants up to ten years duration. So, making the
21 incentive deeper and more significant, if in a
22 qualifying urban distressed area, you're creating
23 new jobs and getting that wage tax credit. Allow
24 transferability of the New York State historic
25 rehabilitation tax credits for distressed

1 communities, allowing them to be purchased by
2 investors or allocated to investors separate from
3 the federal credit.
4

5 At the same time as we hopefully
6 work towards some of these economic development
7 reforms in the EZ Program for next year, we must
8 also focus on two other key programs that will be
9 considered by the State Legislature and I suspect
10 by this committee moving forward. Both of them
11 have long-term impacts, very important economic
12 development tools, the economic development Power
13 Program which is the Power for Jobs Program and
14 economic Power Issues which is a way to get low-
15 cost power, much of it hydroelectric power from
16 the North Country to targeted industries to keep
17 their energy costs under control. That needs to
18 be renewed next year.

19 And also the Industrial Development
20 Agencies, the IDA financing authority has to be
21 restored so we can use IDA financing, critical
22 here in the city but all across the state. Some
23 \$41 billion of IDA financed projects over the
24 years and many, many jobs created as a result of
25 that. And as you all know, that legislation is

1 stalled in Albany as well.

2
3 Two other things I just wanted to
4 close with because Empire Zones are critical.
5 They expire. Economic Development Power Programs
6 set to expire. And IDA financing frankly at the
7 civic facilities already did expire, so that
8 program is no longer active either. In this tough
9 economic, where again we need frankly at least a
10 million jobs in New York State, these tools are
11 critical to making that happen. Thank you for
12 your time and attention.

13 ERIC TROJAN: My name is Eric
14 Trojan. Kathy Wylde sends her regrets that she is
15 unable to attend. She had hoped to be able to be
16 here. Thank you, Chairman White and members of
17 the committee for the opportunity to testify today
18 regarding New York State Empire Zones Program.

19 The Partnership is an organization
20 of business leaders who are committed to
21 maintaining New York's status as a world capital
22 of business and finance. The Partnerships' member
23 companies employ over 770,000 people in the five
24 boroughs and contribute \$141 billion a year to the
25 gross city product.

1
2 In 2007, The Partnership
3 collaborated with A.T. Kearney, a global
4 management consulting firm to conduct an analysis
5 of the state's economic development programs for
6 the Empire State Development Corporation. This
7 study involved interviews with hundreds of
8 business executives, regional economic development
9 experts and real estate professionals. Its
10 conclusion was that the Empire Zone Program which
11 costs the state more than half a billion dollars a
12 year has given the taxpayers a very poor return on
13 their investment.

14 Empire Zones originated in the
15 1980s with the goal of spurring revitalization of
16 a handful of economically distressed communities
17 where investors would get large tax benefits.
18 Over the past 20 years, New York has expanded the
19 program by creating zones and modifications of
20 zones in virtually every county in the state.
21 Massive tax subsidies have gone to develop retail
22 stores, parking lots, real estate ventures,
23 electrical utility plants and professional
24 services firms, none of which are significant
25 generators of strategic economic growth.

1
2 Meanwhile, competitor states honed their economic
3 development tools to build industry clusters and
4 promote advanced manufacturing technology clusters
5 and research and development hubs.

6 A.T. Kearney recommended that
7 Empire Zones be terminated and replaced with a
8 more targeted and objectively measured program.
9 Last year, the governor and state legislature
10 acted to sunset the program in 2010, one year
11 ahead of schedule, and to impose more stringent
12 requirements and enforcements on current
13 beneficiaries of the zones.

14 The Partnership supported these
15 actions. Already the changes enacted resulted in
16 540 companies that failed to meet minimum program
17 obligations have been removed, saving the state an
18 estimated \$90 million per year. Unfortunately, it
19 will take a while to wind down the existing Empire
20 Zone commitments. Money will be flowing to zone
21 projects for more than ten years. During this
22 time, the state's financial crisis will make it
23 hard to fund a replacement program. Funding a new
24 program should, however, be a top priority as we
25 seek to catch up with other states that are

1
2 aggressively recruiting business operations in
3 industries that have a natural base in New York.

4 The Empire State Development
5 Corporation is well along in a consultative
6 process with business and regional economic
7 development groups to design a more targeted and
8 proactive economic development program.

9 Indications are that it will focus resources on
10 building regional and statewide clusters of
11 economic activity in global growth sectors where
12 New York has a competitive advantage because of
13 its diverse talent pool, imminent research and
14 educational institutions and industry leadership.

15 The Partnership recommends that New
16 York adopt programs that are competitive with
17 those offered by our neighboring states. New
18 Jersey's program targets high paying jobs. Under
19 its Business Employee Incentive Program, BEEP, New
20 Jersey effectively rebates to employers up to 80%
21 of the income taxes they generate from new jobs
22 over a ten-year period. According to the
23 program's annual report, between 1996 and 2006,
24 the BEEP program created 67,395 new jobs at an
25 average cost of less than \$1,400 per job per year.

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2 A Rutgers study claims New Jersey has received a
3 10 to 1 return on tax dollars invested in BEEP.

4 Connecticut offers a deep research
5 and development tax credit that goes in proportion
6 to the number of high paying research jobs a
7 company creates in the state.

8 Over the past year, the New York
9 City Economic Development Corporation has pursued
10 a cluster development strategy that builds on New
11 York City's particular strengths in financial
12 services, media, retail and entertainment, health
13 and technology. Given the financial challenges
14 facing the city and state, it is particularly
15 important that the Council work with EDC and the
16 business community to advocate for flexible and
17 predictable state funding that EDC can apply to
18 its industry initiatives. Thank you for the
19 opportunity to testimony today. We look forward
20 to collaborating with New York City Council, the
21 City Administration, the Governor and the
22 Legislature to create the kinds of incentives that
23 New York needs to foster business development and
24 job creation in the 21st century innovation
25 economy.

2 CHAIRPERSON WHITE: Thank you. I'd
3 like to acknowledge my colleagues, Council Member
4 Reyna and Council Member Viverito. Mr. Adams,
5 under the category of financial services, as you
6 said they generally do well despite getting or not
7 getting credits. So why do they need the credits?

8 KENNETH ADAMS: Two things. One is
9 from a statewide perspective which is the role we
10 have in Albany at the Business Council, we see
11 opportunities as the economy improves for New York
12 City-based financial services companies with their
13 headquarters here to consider support back office
14 operations in places like downtown Buffalo or
15 Syracuse or Rochester and places upstate instead
16 of taking those functions to Ohio or to New Jersey
17 or out of state. In some situations, downtown
18 Buffalo for example, there are Empire Zones
19 because of formerly contaminated industrial sites,
20 old steel mills that have been abandoned. Those
21 sites, for example, could be prepared for that
22 type of operation.

23 But again, I talked about the
24 possibly of these credits, not the wage tax credit
25 but for example a brownfield cleanup program

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2 creating incentives for that investment to happen.
3 So I'm not talking about a Wall Street firm
4 getting a credit for expanding on Wall Street, but
5 the industry as a whole, it is the leading
6 industry of the state. As we know until recently
7 it provided 20% of state revenues. It is our
8 leading industry and we would rather see it expand
9 around the state than move out to other states.
10 So there could be some cases where parts of the
11 Empire Zone Program could enable that to happen.

12 CHAIRPERSON WHITE: What benefits
13 do you believe are appropriate to offer and what
14 should be the appropriate levels of these
15 benefits?

16 KENNETH ADAMS: That's a critical
17 question obviously. We would say it's going to
18 depend on the program. The old program which was
19 subject to some abuse, as my colleague Eric
20 pointed out, became too big, too expansive and all
21 sorts of different businesses were kind of getting
22 in under the umbrella and getting in on the
23 program. So what we're saying is now let's break
24 that apart and have a series of different programs
25 that are much more focused and tightly controlled.

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2 Mr. Chairman, there would be
3 different benefits for different industries. In
4 other words, certain wage and tax credits for
5 those technology firms we were looking to recruit.
6 Or maybe it's the real estate tax credit which is
7 so important to large users of space like
8 manufacturers that have big blocks of space and
9 have a large property tax bill. So there would be
10 different credits or incentives structured in this
11 highly focused program that wouldn't be based
12 anymore on geography. You wouldn't have to be in
13 a zone, be within a border. You would be
14 investing in job and in industry and in economic
15 activity that again through the program was judged
16 to be in the long terms state's interest.

17 Eric pointed out; we've got to do
18 more to attract industries that are competitive in
19 the global economy. New industries, life
20 sciences, biotech, I mentioned alternative energy,
21 green energy, which is going to go to other
22 states. We have a chance to develop solar energy
23 technology in the Hudson Valley but other states
24 are getting there faster than we are. We have a
25 chance to use upstate agriculture for cellulosic,

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2 in other words non corn-based ethanol fuel. Other
3 states are getting there faster.

4 So it's a much more focused series
5 of different programs. You need different tools
6 for inner city economic development than you need
7 for rural agricultural development. So I guess I
8 don't have one short answer for you other than to
9 say let's do something that's targeted to those
10 growth industries. Let's be very specific. Let's
11 have the oversight to make sure the taxpayer; the
12 citizens get the return on the investment.

13 CHAIRPERSON WHITE: Have you
14 developed or do you have recommendations on the
15 various levels and scales that businesses should
16 apply for, should receive based on the diversity
17 of the investments?

18 KENNETH ADAMS: Mr. Chairman, we've
19 done some of that and we've presented it at
20 hearings to the State Assembly. They've been
21 holding hearings upstate and we've presented some
22 of that. We're going to release some more in
23 December because we're done a special study just
24 on the innovation economy and just on the needs,
25 for example certain tax credits for technology

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2 companies such as biotech and life sciences. So
3 we haven't finished the work but we'd be pleased
4 to share it with you.

5 ERIC TROJAN: If I may, with the
6 BEEP program as a concept to use, focus on the
7 wages and the higher the wage that's being offered
8 to the employee, including benefits and things
9 like that, the greater the benefit that the person
10 would receive because it would be a proportion of
11 the state income tax. The concept that The
12 Partnership was looking towards was one that would
13 provide a 50% benefit in New York City. In the
14 outer areas around a 65% benefit, all the way up
15 to 80% in the greater part of New York State. So
16 that way it would encourage people to move the
17 back office upstate and maybe have the
18 headquarters here where there's high wages in New
19 York City and then it would be proportionately
20 where upstate the wages are slightly less but the
21 benefit is better, so it's a good balance between
22 the two.

23 Our concern that occurred with the
24 Empire Zone Program was the ease of obtaining the
25 full benefit, the full real property tax benefit

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2 through a slight investment and a limited number
3 of jobs created. Just that action alone entitled
4 you to a full benefit, because the mathematical
5 formulas that were used in the tax law were where
6 you could easily obtain that full benefit. This
7 instead would be focused directly on the amount
8 that you pay out is the amount that you receive as
9 a percentage back.

10 The other caveat to all of this is
11 the state would have to approve a company's
12 participation in the program because of our very
13 limited dollars that we right now. Empire Zones
14 never had a cap on how many people could be in the
15 program. You needed regional approval and then
16 the state would approve it but then you were in
17 the program. It went from originally being around
18 a \$60 million program in 1999 when the additional
19 benefits were thought of to now being over half a
20 billion because the cat got out of the bag and it
21 just ran away.

22 A more precise targeted program
23 that focuses on specific industries, high tech
24 industries, finance industries, innovation
25 economies, are ones that will get good returns

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2 with good jobs and I think is the best way to
3 utilize our limited state dollars that we have
4 right now.

5 CHAIRPERSON WHITE: Council Member
6 Reyna.

7 COUNCIL MEMBER REYNA: I'm sorry if
8 I missed this portion of the question and answer
9 segment. I just wanted to make sure that if it
10 wasn't asked that I get the opportunity. First of
11 all, good to see you again, it's nice to see you
12 before us again. I just wanted to understand as
13 far as the Empire Zone credits are concerned, you
14 also have a loss to the administering of this
15 program within our nonprofits that manage or try
16 to manage these particular zones. Wouldn't you
17 see failure in not producing a certain percentage
18 for administering the program for the success of
19 the program?

20 KENNETH ADAMS: First of all, thank
21 you for the welcome. I appreciate the opportunity
22 to speak before you this afternoon. The
23 administration issue is correct; I mean to point
24 that out, if you went to a program that wasn't
25 geographically specific, the role of the zone

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2 administrator. That's something we would discuss
3 with ESD, with the agency that administers the
4 program the program to see what would work best.
5 Remember a couple of years, there were as many as
6 9,000 companies in the program statewide. It's
7 been cut back to about 7,500 because of closing of
8 those loopholes and getting some of the bad apples
9 out of the program. But that's still 7,500
10 businesses and all of their many, many thousands
11 of employees. You can't not have the
12 administration of the program. Structurally, I'm
13 not sure myself how to do that. I think that's an
14 important conversation. We need to make sure,
15 again, with limited resources that it's done in
16 the most efficient way.

17 There's another reason for getting
18 away from a geographically based program that
19 hasn't been mentioned by earlier speakers which is
20 that many other states have what are consider as-
21 of-right economic development benefits. I'll go
22 back to this idea of a company that wants to build
23 solar energy panels. Their people will be looking
24 at a variety of states with appropriate locations
25 where the workforce good and we have that in New

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2 York, where the locations are available. And then
3 they'll be putting together kind of proposals
4 comparing states based on the costs, energy costs,
5 land costs, taxes and things like that. Then
6 they'll look of course at what incentives all
7 these different states will provide.

8 If a state has basically as-of-
9 right incentives, in other words a lawyer can read
10 it an understand it, maybe I couldn't but they are
11 in law and they are clear, then it's a yes or no
12 answer. If I go to New York and I play by the
13 rules I get the benefit. If another state says
14 they're discretionary benefits, which is come have
15 a meeting and we'll talk, we'll see what we can do
16 for you, the business can't plan for that. It
17 puts you in a less competitive situation.

18 So another thing we're trying to do
19 in simplifying the program, I think Eric and I
20 agree here, is make it user friendly for
21 businesses from other states that are considering
22 New York on a list of states and remember that
23 we're not in a competitive position, as I said at
24 the outset of my testimony, to begin with.

25 Because, again, outside of New York

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2 State, the biggest benefit this program provides
3 is property tax relief. New York State has
4 property taxes 80% above the national average. So
5 again, when you're comparing us to Ohio or
6 Pennsylvania or Texas, we score terribly on
7 property taxes because they're so sky high. The
8 Empire Zone Program provides a direct offset in
9 many cases to that burden. But someone making
10 that decision, a location decision needs to know
11 what they get as-of-right, not what do I get
12 because of a handshake or I go have dinner or a
13 conversation, what's in the law and how clear is
14 it.

15 ERIC TROJAN: And I would add to
16 that by looking at other areas other tax law, not
17 just the job creation part but the R&D tax credit,
18 by clarifying and expanding them so that it's not
19 ambiguous at all. I would agree with that. All
20 of these programs are taken advantage of through
21 your taxes, you have to have it clear so that the
22 person can file the taxes appropriately and not
23 put something down that they mistook as being
24 correct. So just clear, precise--

25 COUNCIL MEMBER REYNA:

1 [interposing] Language.

2 ERIC TROJAN: --language so that
3 the companies don't break the law because of
4 unintended consequences because they didn't
5 understand it. But it's clear and concise, I do
6 this and I get this.

7 COUNCIL MEMBER REYNA: I can
8 appreciate the technicality of language
9 complicating matters to not make it user friendly
10 for businesses to understand do I want to make a
11 sound decision to move into New York City. Forget
12 about New York State, just New York City, and the
13 benefits that come along with that, do they
14 outweigh the complications of moving to a city
15 with ambiguous language as New York City.
16 Obviously the municipality has no oversight over
17 the language, it's the state. So is there new
18 language being proposed, or has that been one of
19 the changes you see coming to fruition?
20

21 ERIC TROJAN: My thought is you
22 have to get rid of the Empire Zones altogether.
23 It's like trying to constantly redress something
24 that's completely failed. You can't make
25 something pretty out of something that's gone

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2 awry. It was every other year there was a new
3 amendment to the Empire Zones because there was a
4 loophole or we had to add another county. It was
5 constantly being changed. The program is getting
6 too expensive, let's change the formula.

7 The other thing was the reliability
8 of programs. Companies came in and said well last
9 week I got this benefit, this week they're
10 proposing this benefit. By the time I actually
11 get my benefit, what is it going to be, because
12 it's going to take me a year or a year and a half
13 to do a site location? Then as the Administration
14 had testified, it takes a while to get the
15 certification. Things will have changed by the
16 time you had gotten to the end.

17 So if you create an entirely new
18 program that's clear and concise, you don't have
19 to clean up the old language. Let it sunset on
20 June 30th and go from there and then create that
21 clear concise language which would be go through
22 an administrative process and then you're done.

23 COUNCIL MEMBER REYNA: Take for
24 instance a company like Pfizer. They qualified
25 under Empire Zone, right?

2 ERIC TROJAN: They first apply to
3 the local zone administrator to see if that zone
4 administrator wants them into that zone.

5 COUNCIL MEMBER REYNA: They're in
6 42nd Street.

7 ERIC TROJAN: But just because
8 you're in a physical zone does not mean you get
9 the benefits. You have to first apply for it with
10 the local zone administrator and then you go
11 through any local processes. Each municipality is
12 different. Then they bring that to the state, to
13 Empire State Development. Then it goes through
14 the Empire Zone Designation Board, it's approved,
15 then you become what they call a QEZE, a Qualified
16 Empire Zone Enterprise. Then you are eligible to
17 take a tax benefit if you met the qualifications
18 of obtaining that tax benefit. But just being in
19 a physical location does not give you that right.

20 COUNCIL MEMBER REYNA: Because you
21 have to produce?

22 ERIC TROJAN: Because first you
23 have to be certified and then you have to produce,
24 correct.

25 COUNCIL MEMBER REYNA: Would you

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2 say that it's better the reverse? You have to
3 produce and then qualify.

4 ERIC TROJAN: No. No company I
5 don't think will come to an area if they don't
6 know that they will qualify.

7 COUNCIL MEMBER REYNA: But they
8 haven't met the--

9 KENNETH ADAMS: [interposing] If I
10 may, Eric, it's different. An incentive that's
11 based on head count and job creation, right, will
12 they hire the people. That's one set of
13 questions. An incentive about will they come and
14 put up the factory is different because that's
15 really more on the capital side, on the spending
16 side. I think of a company we do a lot of work
17 with, Barilla Pasta. Probably everybody here has
18 seen boxes of blue Barilla Pasta. They're an
19 Illinois-based company. They were searching for
20 an East Coast plant to serve the New England
21 market.

22 COUNCIL MEMBER REYNA: You didn't
23 bring them to Brooklyn?

24 KENNETH ADAMS: Sorry. At least
25 it's New York State, right? So they opened up a

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2 plant because of the benefits that were given to
3 them, a very expensive plant which they've since
4 expanded in upstate New York. But what mattered
5 there was the predictability at least at the time,
6 a program that was clear and predictable and that
7 said if you go into this community that had very
8 high unemployment and had suffered a loss of
9 manufacturing jobs historically and you put up
10 this brand new factory that's going to cost you
11 hundreds of millions of dollars and you put all
12 this stuff in there that you need to make pasta
13 with, if you make that commitment you'll be
14 entitled to this property tax credit. Otherwise
15 they were looking at a huge property tax bill. So
16 they get this ten-year reduction on their property
17 taxes.

18 I agree with Eric that we can call
19 it what we will, if the Empire Zone name has a bad
20 history to it or a bad flavor, make up a new name,
21 but that the incentives recognize capital
22 investment, coming here and putting a shovel in
23 the ground and building that pasta factory as well
24 as the job creation. That, again, you can't say
25 to someone build the factory, spend the money and

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2 then maybe afterwards we will or we won't give you
3 the credits.

4 On the job site, as the information
5 provided by a previous witnesses, that can be
6 easily monitored through payroll tax records. So
7 that if you make a pledge on the job site for a
8 certain amount of employment, you don't get the
9 credit until every six months you file and you've
10 proven that you actually hired and paid the
11 people. So that you could monitor, but again I
12 would say you'd monitor that in a different way.

13 COUNCIL MEMBER REYNA: So every
14 layer has a separate oversight mechanism but each
15 have an ability to provide you an extra benefit.
16 So what's different now? Why do we need to call
17 it a different name or recreate it? The same
18 mechanism applies now.

19 ERIC TROJAN: Yes and no. I think
20 the one thing with Empire Zones is that the
21 ability to get the full benefits, as I had said
22 earlier, is fairly easy and especially in the
23 original version of the Empire Zones in 1999 when
24 it went from its predecessor from the 80s to this
25 whole new one that we have today. You put in an

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2 investment and create one job and that one job was
3 what triggered the huge investment and that's how
4 you got these companies that had little job
5 creation but big benefits from the state because
6 they put a heavy investment and little jobs.

7 COUNCIL MEMBER REYNA: Eric, I'm
8 sorry, heavy investment defined as shovel in the
9 ground or heavy investment as in the benefit
10 created from that one job?

11 ERIC TROJAN: No. The investment
12 in Empire Zones is the investment at that
13 particular geographic location. It has to be an
14 investment in that physical space.

15 COUNCIL MEMBER REYNA: A structural
16 investment?

17 ERIC TROJAN: It could be
18 equipment. Don't just think bricks and mortar, it
19 could be equipment. Buying the building
20 originally was the investment too.

21 COUNCIL MEMBER REYNA: Right.

22 ERIC TROJAN: Then the job
23 triggered the ability to get the credit, the one
24 job.

25 COUNCIL MEMBER REYNA: Not the

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investment itself?

ERIC TROJAN: No, not in the original concept.

KENNETH ADAMS: Councilwoman, if I may, another way to think about it is there are two different audiences here and we are talking about different goals really. I hope it hasn't been too confusing. The one is clearly to have a program like the Empire Zones Program for existing companies in New York State, for helping companies stay competitive and encouraging companies already here to make investments to keep them here, make investments to keep them competitive.

So that again could be Corning, a great fiber optics legacy company up in Corning, New York, investing in a new plant as they did several years ago so they could build catalytic converters for diesel fuel buses to clean the contaminants out of bus exhaust. They picked a location and took advantage of Empire Zone benefits because it costs hundreds of millions of dollars to build a new plant. Corning has been there probably since the 1800s. So in some cases this is about having a tool to get companies to

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2 keep their investment dollars when they're going
3 to expand or put in new equipment, to keep those
4 dollars in the state and in the city. That's
5 where you look for that commitment and then you
6 reward them or enable them really by lowering some
7 costs through something like the Empire Zone
8 Program.

9 A different set of issues when you
10 look at what it takes to get a company who's not
11 even here like the Barilla Pasta story to come to
12 the city and what would it have taken to get them
13 to go to Brooklyn for example.

14 COUNCIL MEMBER REYNA: Correct.

15 KENNETH ADAMS: And I'll just say
16 this but maybe Williamsburg--

17 COUNCIL MEMBER REYNA:

18 [interposing] I'll never forgive you for that.

19 KENNETH ADAMS: Just as an example.
20 But that's going to be a different set of
21 incentives to get them to overcome some of the
22 obstacles when they're looking at a New York City
23 location and to make sure our location in your
24 council district to be sure is competitive with
25 the one in Ohio or Illinois or Texas or Oklahoma

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2 or wherever else these international companies are
3 looking.

4 So it's a set of incentives that
5 help us keep companies here, help them stay
6 competitive, help them increase jobs, again,
7 always driving to sectors, as Eric said in his
8 testimony, sectors of the economy of the future,
9 of tomorrow's economy. Companies, even
10 manufacturing firms we might think of as old
11 guard, like the Corning story I told you, they
12 were ramping up with new technology for new jobs
13 for a new economy. I keep coming back to green
14 jobs, energy.

15 GE upstate, just in Schenectady
16 makes the turbines for windmill power plants for
17 all over the world. What are we doing to create
18 incentives for more companies like that to come to
19 the city and to the state?

20 So it's two different types, the
21 onset of keeping companies here and getting them
22 to grow and attracting new investment from around
23 the world.

24 COUNCIL MEMBER REYNA: So
25 preserving the Empire Zone, call it what you will,

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2 but without any lag time so that businesses who
3 are receiving benefits and are functioning remain
4 intact without issuing any delay in them operating
5 because of a delay in benefits that they were
6 counting on to help them continue to flourish and
7 operate.

8 KENNETH ADAMS: That's correct. As
9 Eric mentioned, it's typically a ten-year contract
10 once you're certified and are in the program. So
11 the 7,500 companies in the program statewide today
12 are all at different stages in that timeline. The
13 idea would be you could put new program changes in
14 place through legislation next year. As long as
15 those companies are complying with the rules, you
16 know any bad apples take them out, but if they're
17 living by the rules of their original deal, I
18 believe you have to honor that.

19 COUNCIL MEMBER REYNA: Right.

20 KENNETH ADAMS: And then they would
21 expire and they could apply for the new programs.

22 ERIC TROJAN: The state law gives
23 you, whether the program expires next year, gives
24 those beneficiaries the life of their thing
25 assuming they live up to their responsibilities in

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2 the program. We can't take that away but that's
3 kind of one of the dilemmas that there is with the
4 program right now is that we are on the hook for
5 that cost from now until the very last person in
6 the Empire Zone is done.

7 COUNCIL MEMBER REYNA: Eric, repeat
8 that again. We are on the hook of that cost to be
9 issued as a benefit due to?

10 ERIC TROJAN: Because by law the
11 current beneficiary is allowed to live out his or
12 her life in the program, even if the Empire Zone
13 sunsets. Therefore, if we were to create a new
14 program next year and call it XYZ Program, and we
15 let the Empire Zone Program sunset, the people in
16 the Empire Zone Program as of today will live out
17 the life of their program and they are not touched
18 assuming that they meet their obligations of doing
19 their annual bar report, et cetera, et cetera.

20 But the dilemma is that we have a
21 cost to that. Right now at half a billion dollars
22 and it will slowly taper down as we get to the
23 last person. That is our dilemma for the new
24 program. We have very limited state funds because
25 we are still on the hook for the previous ones.

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2 We have to figure out a way that we can advance
3 this new technology and these new companies and
4 create a new program, but yet we still have to
5 meet our obligations for the companies that we
6 gave contracts with.

7 COUNCIL MEMBER REYNA: You're
8 referring to the 7,500 who have been recertified?

9 KENNETH ADAMS: Think of them as
10 incumbents in the program. So some may only have
11 a year left, some two, some five, some nine. By
12 the way, the more recent entrants into the program
13 have much more strict eligibility criteria,
14 including the ratio of investment to benefit.

15 But as Eric points out, we're
16 entering a transition phase where those companies
17 will gradually leave the program and the new
18 program for them if they want to re-up in a new
19 program under new criteria and all the other
20 companies that could participate in a new program
21 will start to increase.

22 So you'll have the 7,500 number
23 decreasing as time goes on and we have to honor
24 those commitments. They're in law, they're
25 contracts. But at the same time new companies

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2 could participate in the program and it's a
3 transition from old to new.

4 COUNCIL MEMBER REYNA: So now that
5 I've gotten those nuances clarified, I just wanted
6 to end with the space factor in the urban
7 environment. I'm happy you got Barilla into New
8 York, but again, it is New York City that we want,
9 and this is not to play or be divisive of upstate
10 versus downstate. But we're losing a lot of our
11 manufacturing spaces, our industrial parks and the
12 more they become vacant the more susceptible they
13 are to being converted. Therefore, we have to
14 move quickly on attracting new businesses.

15 So I want to support new businesses
16 but they don't know about Williamsburg,
17 Greenpoint, Bushwick, North Brooklyn as a whole.
18 Who is introducing them to these neighborhoods and
19 the workforce that is ready and willing and can be
20 trained with support to be able to help them
21 become the companies of tomorrow in New York City?

22 KENNETH ADAMS: Eric's looking at
23 me.

24 COUNCIL MEMBER REYNA: So this is a
25 space issue. We've had these conversations many

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times.

KENNETH ADAMS: I recognize I've probably overstayed my welcome and given answers that are far too long, I apologize but I'm passionate about the subject, as are you.

First on the space issue, that's why in my testimony we speak directly to the idea of increasing incentives for brownfield cleanups. Many of the abandoned sites throughout the City of New York are actually contaminated. Not enough to be a super fund site under the federal government but under local standards they need cleanup. To get investors and developers and people to clean up those sites for manufacturing uses, it's a state program, it takes some improvements to the state brownfield cleanup program. That would be helpful.

The second would be business climate issues which are not necessarily the issues of the Empire Zone issue but we have to be mindful of the fact that it is very hard to get a manufacturing company to go to North Brooklyn or anywhere in the city because of our energy costs which are far in excess, for commercial and

1 residential use, the national averages. So energy
2 costs are too high. In the city, especially
3 recently, water rates have gone through the roof.
4 And water and sewage costs both on the residential
5 side but especially the commercial side have seen
6 a huge spike.
7

8 Interestingly we used to have this
9 debate, Councilwoman, about the land costs and the
10 zoning issues. The economy has softened some of
11 that pressure. It'll come back, one hopes in the
12 future, it's sort of a good problem, but we have
13 to be better prepared so that we have a good
14 balance in terms of development, right?

15 But on the front of marketing I
16 think that you point to something where all of us
17 have been woefully inadequate. We don't do enough
18 of a job to tell the story around the country and
19 around the world about the opportunities for
20 projects like a pasta factory. There are a lot of
21 industries we could talk about. I keep coming
22 back to energy industries. But the opportunities
23 that our state and in this case our city offers
24 them, especially in terms of the workforce and
25 especially in terms of available sites that may

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2 need to be cleaned up. Yes, there are high costs.
3 New York will always be a high cost environment
4 but it is the most powerful regional consumer
5 market in the world, a 50-mile radius around New
6 York City. So that's why, for example, specialty
7 foods as we've talked about in the past or certain
8 businesses like that have a future here.

9 So we have to be mindful of the
10 condition of those sites. We have to be mindful
11 of the existing high cost barriers and add to
12 that, again even in the city now, rising property
13 taxes. Again, we're just off the charts when you
14 do the analysis. New York State, California and
15 New Jersey are the worst states to take a
16 business. And anyone around the country knows
17 that so they have to have something to overcome
18 those obstacles. We have to be mindful of those
19 high costs and do what we can to lower energy
20 prices, lower other prices like water and real
21 estate taxes.

22 But finally, we all have to do a
23 better job of marketing. I'd say that that goes
24 to Empire State Development, to agencies here in
25 the city, and to organizations like mine at the

1
2 Business Council. We've got to do a better job
3 telling the story of these opportunities and
4 leveraging the assets that we do have. Because we
5 do have a lot of great assets as a state and as a
6 city but I don't think we do enough to leverage
7 them.

8 ERIC TROJAN: I would agree that
9 the private sector has to be involved with
10 marketing and creating that symbiotic
11 relationship. By focusing on clusters and
12 emerging technologies they will create this kind
13 of magnetism towards one another. By focusing on
14 that we can kind of pull all those companies from
15 around the world to New York rather than going and
16 doing simply regional based where you've got small
17 mom and pops to large companies. You can't do
18 everything for everybody especially in our limited
19 dollars. We have to really focus.

20 COUNCIL MEMBER REYNA: Thank you
21 very much.

22 CHAIRPERSON WHITE: You mentioned
23 that there was 850,000 jobs, 10%?

24 KENNETH ADAMS: The unemployment
25 figure for New York State?

2 CHAIRPERSON WHITE: Yes.

3 KENNETH ADAMS: As of October and
4 according the New York State Department of Labor,
5 there were 848,000 New Yorkers out of work either
6 filing for benefits or in the system, about
7 probably half a million are actually getting
8 checks, not all of them are getting checks.

9 If you add to that the number of
10 what are called discouraged workers, people who no
11 longer are calling up DOL, no longer looking for
12 jobs, they're discouraged and also what you could
13 call marginal, workers who are not fully employed
14 or they're working several part time jobs but
15 can't make ends meet and the federal Department of
16 Labor has a way to analyze that, by my math in New
17 York State there are about 1.3 million people that
18 are out of work and that need work. So that's
19 where that figure comes from.

20 That's why I would go, if I could
21 paraphrase Councilwoman James who asked if we were
22 talking about sort of an amend it don't end it
23 approach, that's what I would say with respect to
24 this program. Amend it, don't end it. We've got
25 to have these tools to keep businesses here and to

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2 create private sector job growth because that's
3 the answer to our economic recovery.

4 CHAIRPERSON WHITE: You had
5 mentioned that you should do a better job and I
6 really think you should because I have no idea
7 what's going on in Ohio or in Tennessee or in
8 Oklahoma and Wisconsin. When you talk about
9 business and bringing it to New York State and to
10 New York City and the benefits of that, how can we
11 really, really make an all-out unified effort as a
12 city and as a state to draw the kind of talent
13 together unless we did have the information so
14 that we could really have a true incentive?
15 Because different businesses have different needs.

16 We were talking about the sunset
17 and starting anew. Anew with what, you know what
18 would that be based on? What is our target in
19 terms of what are we trying to attract? Like in
20 the bioscience, we're building buildings right
21 here in New York City. They came before this
22 committee. So that we can attract research,
23 scientists from all over the world to make New
24 York City the finest in terms of medicine research
25 and related services for health. That's clear to

1
2 me on why we're building that.

3 So if you're talking about Buffalo
4 and it's depressing, forgive me Buffalo, to go to
5 Buffalo and look at the rush hour or to Rochester
6 and look at the rush hour. It looks like nobody
7 is going to work. You have big buildings there
8 and they're all empty. So as investors I'm quite
9 sure they've looked at that and for some reason
10 they can't find a reason to invest in those areas.
11 I'd like to know why. Not that you could tell me.

12 You mentioned they look at land, et
13 cetera, et cetera. We have plenty of land in New
14 York State. We have plenty of land in New York
15 City and in Jamaica, Queens, not just Brooklyn.

16 From an economic point of view, we
17 need a 10, 20, 30-year plan. We have to know
18 where we're going. All the information that we
19 collect should be based on that roadmap of where
20 we're going and projections and modifications are
21 made wherever necessary.

22 I was watching a program dealing
23 with California with solar panels and the industry
24 of building homes. It was Mario Van Peebles and
25 his father. There was a gentleman there and he

1
2 was in charge or he was in the business of
3 developing these green homes and growing
4 vegetables and self-sufficient, et cetera.

5 But guess one thing that stuck with
6 me. We don't manufacture, to the best of my
7 knowledge. A state and a city like New York
8 should be one of the major manufacturers of solar
9 panels, which would develop into or should go into
10 education in some of our vocational colleges on
11 that plan for 20 and 30 years of how to be a solar
12 panel businessperson who produces, who builds, who
13 hires people. That'll take care of some of that
14 10.2% of unemployed.

15 We've moved from a manufacturing
16 city and state into just a consumer of services.
17 So if we're not building things to go out then we
18 can only spend money for things that we want to
19 come in and we'll never catch up. We'll become
20 like a third world country. What are we producing
21 here? We have all of these people who are
22 unemployed around the country because we no longer
23 want to do those things that built this country.
24 We want to outsource them. Okay, then now we're
25 coming back.

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2 But we do have the wherewithal to
3 manufacture in the category scientifically and
4 that would include medicine as well. Our colleges
5 should be geared towards those types of things.
6 How many lawyers do we need in the next 10 or 20
7 years and what area? Hopefully it's not criminal
8 lawyers. How many nurses are we going to need?
9 How many doctors are we going to need? How many
10 hospitals are we going to need? How many
11 hospitals are going to have to be built? What are
12 we going to build them with? We're going to go
13 green and everything. So that filters down to be
14 green manufacturers.

15 Now if I was a small businessman
16 and I wanted to open up a store, and I said I want
17 Pepsi, I want Boar's Head cheese, I want Arizona
18 soda, I want bread, right, as soon as I called
19 Boar's Head or Pepsi or any of those other
20 services that I want to buy, the first thing
21 they're going to do is tell me that I have to call
22 and they'll give me the name and the number of the
23 person who is in charge of that region. I can
24 only buy from that person. I think that that's
25 how we're going to have to go with some of those

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areas that you're talking about.

We're going to have to go out and we're going to have to build solar panel plants, that kind of investment and all those green investments. When we get down to the small businesses, like we have our lumber yards and our masonry yards, et cetera, they should be converted into being green supply vendors where those in the construction, energy and small businesses that has to build a home can go and buy their supplies in Brooklyn and in Queens. I just didn't want to ignore Brooklyn because I'm outnumbered.

All I'm saying is we have the ability to come out of this if we look inward. Now we have outsourced our jobs but we have not invested in creating what we know is coming. In addition to that, spread it around into our educational institutions and our colleges. I mean that's the only way we survive or else forget about it. There will still be big business. We're dealing in a global economy. Pretty soon it'll be global money; people are going to go there. All right? We're going to lose out.

I think that rather than sunsetting

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2 the Empire Zone, which might be fine, but then
3 saying what do we favor doing in place of it. We
4 don't have that information yet. We don't have
5 that information. Before you take something out,
6 you have to have something to take its place. You
7 just can't say it's bad. Well when we first
8 initiated it we said it was good.

9 I think that's where we have to
10 rely on those who are in business and the
11 investors that we invest in things that are going
12 to produce what we have. Then what we could do is
13 ship our goods to other countries and sell them
14 and become a first rate country again. That's
15 where my head is. The name of the game is green.
16 The fact of the matter is the green is not coming
17 in. We're losing money with the green going out
18 when we outsource those jobs.

19 I think that we look to you and to
20 others to have uniformity in terms of you can ask
21 the medical profession how many doctors they're
22 going to need in the next 10 or 20 years and what
23 the specialties are going to be and they'll have
24 that information. Because you know what, they're
25 not going to let one person more in those schools

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2 than what's going to be needed during that
3 timeframe. We have to start looking at business
4 that way too. I mean if we're going to compete
5 with Ohio and the rest of them and the cost of
6 living, et cetera.

7 It's nothing, to live upstate is
8 nothing. You can go up and buy a house, Douglas;
9 I passed his house up there. You can buy a
10 mansion up there in Rochester and Buffalo for
11 \$100,000. You might overpay for \$100,000.

12 What I'm saying is the benefits
13 that we're talking about; it was well-meaning in
14 developing them. But the question is, are we
15 getting the benefit? Is the benefit coming from
16 the top and stop at the middle or is coming from
17 the ground up?

18 Now I believe that business is like
19 a house. You can't build a house with the roof
20 down. It's got to come from the bottom up. Even
21 with the stimulus package, we're doing it with the
22 banks. The banks are getting their money but the
23 average businessperson can't come and borrow the
24 money. So if I can't come and borrow the money, I
25 can't spend the money. So if I can't spend the

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2 money then when you look at Thanksgiving and you
3 look at Christmas, everybody is saying the
4 consumer, the consumer.

5 When people talk about Main Street
6 and Wall Street, they're talking about from Wall
7 Street to 70th Street. They're not talking about
8 Brooklyn, Jamaica, the Bronx, Staten Island, and
9 we have to understand that. If you come into my
10 district, you will see stores closing. If you got
11 to Brooklyn, stores are closing. Elmhurst, stores
12 are closing. They say crime is going down. Crime
13 is going up in my area. When you have high
14 unemployed you get high crime.

15 So all I'm saying is this is nice.
16 Economic development needs people and people need
17 to work. If you're talking about letting this
18 sunset and what are you replacing it with? It's
19 nice that we got one company in. But that's to
20 retain a job that we already have.

21 The thing is with all the bright
22 minds in this room and sitting at the table, if
23 you can't be a part of and you are a part of
24 bringing us out of this with some concrete plans
25 that we could really sink our teeth in and really

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2 get behind, and everybody takes a fair share of
3 the hit, it's not the same, but a fair share.
4 Fair doesn't mean equal. We can get through this.
5 Big business wants to invest, okay, invest in New
6 York City, invest in New York State. You'll get a
7 big bang ten years from now. That's my statement.
8 Councilwoman Viverito.

COUNCIL MEMBER MARK-VIVERITO:

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10 Thank you, Mr. Chair. I know I came in rather
11 late and it seems the burden of the questioning is
12 on you two. I'm not part of this committee but I
13 was very interested in the topic because of the
14 importance obviously of economic development
15 within our communities and I have an Empire Zone
16 in my district, the East Harlem one, and a portion
17 of the Bronx one as well.

18 Just a couple of questions and I
19 apologize if it's been asked. In terms of where
20 is the current discussion happening right now at
21 the state about what kind of a program will
22 replace this one, if any? Is it an advanced
23 conversation? Is it involving maybe you all, the
24 business sector? Is there any thought really
25 being given to this or it's just about the sunset

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and we'll deal with it later?

KENNETH ADAMS: We have been engaged with Empire State Development and I know that they have gone around and spoke with business groups, businesses themselves, community groups and such and have started that conversation. So we have definitely been part of conversations. I know that it's the intent when the sunset was given, partially to save money and also partially to create a conversation and to force a conversation sooner than later on a new program that the sunset wouldn't be reached until a new program was created. You'll see probably over the next few months quite a bit of activity to achieve that. Because I know the business community doesn't want to see a lapse in time where there is now program and the like.

COUNCIL MEMBER MARK-VIVERITO: Let me ask something. Not to be critical of my colleagues upstate but is this just going to be a policy implementation in terms of a program? Does it have to get state approval in terms of legislature?

KENNETH ADAMS: Yes. Anything that

1 involves state taxes, yeah.

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3 COUNCIL MEMBER MARK-VIVERITO: Then
4 I see an extension coming up.

5 KENNETH ADAMS: There's time. We
6 can talk about this and we can get to the
7 Chairman's questions too in the coming months
8 about planning for the future, what industries we
9 want and how to make it work. The agency has
10 taken testimony from us and other organizations
11 over the last few months. I think in September
12 the process started. Then the Legislature will
13 have its chance to respond. So there will be a
14 proposal from the executive branch through the
15 agency and the Senate and Assembly will I assume
16 weigh in as well and there will be a chance to
17 fine tune this as we move ahead next year.

18 COUNCIL MEMBER MARK-VIVERITO:
19 That's to me an interesting sticking point. I
20 know I've had my criticism too. I think the
21 ineffectiveness and inefficiency of the system I
22 think is pretty clear. I think there is a need
23 obviously for some level of credit and incentive.
24 That I think is a given. But the way the program
25 is structured I think has a lot of concerns. If

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2 in fact it's been demonstrated by these reports
3 and analysis that it has been inefficient and it's
4 been ineffective basically cost wise as well, is
5 it a commitment on the part of the governor that
6 the program will continue until there is a
7 replacement because then what happens in that
8 case? I mean we're wasting more money.

9 ERIC TROJAN: I don't think the
10 governor could give a commitment on that because
11 it obviously takes the legislature.

12 COUNCIL MEMBER MARK-VIVERITO: So
13 it could lapse and sunset and nothing be in place.

14 ERIC TROJAN: One of the dilemmas
15 is that let's say April 1 is when the new budget
16 is supposed to take place. Well anything from
17 January to April is pretty unsure for a business.
18 I don't see a program. So discussions need to be
19 made in order to give businesses as they're
20 planning should I come to New York, they have to
21 know what's available there. That creates a void.
22 So we definitely have to come up with a decision
23 sooner than later to not have a time when we're
24 shut down in a sense. Shut down I should say for
25 new applicants. Remember there are 7,500

2 companies in the program across the state and they
3 have each anywhere from two, three, four, up to
4 ten years remaining in the program. The question
5 is what does the new program look like for new
6 companies, the new jobs that the Chairman
7 mentioned, the new companies we want to bring
8 here? How should that program work? What does it
9 look like? What industries are we targeting? And
10 what are the tools, what are the incentives that
11 we're using, both for existing companies that are
12 here and for new businesses that we want to
13 attract.

14 COUNCIL MEMBER MARK-VIVERITO: If
15 I'm not mistaken I think basically every year
16 there is a report that the companies are supposed
17 to issue with regards to if they're meeting the
18 goals. But the certification also happens yearly,
19 correct?

20 KENNETH ADAMS: No.

21 COUNCIL MEMBER MARK-VIVERITO: It
22 happens how many?

23 KENNETH ADAMS: Just at the
24 beginning. You're certified once.

25 COUNCIL MEMBER MARK-VIVERITO: But

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2 there's an evaluation as to whether or not the
3 continuation? There is an expectation that you're
4 meeting the goals.

5 KENNETH ADAMS: Right. Now there
6 is. But originally in the program you did your
7 bar and as long as you did an investment or job
8 creation in order to get that tax credit, then you
9 were good. If you dipped below what your base
10 level of employment was, you don't get the
11 benefit. So a lot of that, it was self-
12 certification through your taxes. But you produce
13 the bar and the bar is more of a data collection
14 purposes. Some of the reports that were critical
15 of the program were issued prior to reforms passed
16 by the legislature in 2008 that shut down a lot
17 of the loopholes and that cleaned up the
18 certification and the review process. Again, we
19 haven't done a good of promoting it, to the
20 Chairman's earlier point, but many of the reforms,
21 at least of the existing benefit structure have
22 already been put in place. The question again is
23 what do you do moving forward to reach the goals
24 the Chairman put on the table?

25 COUNCIL MEMBER MARK-VIVERITO: one

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2 of the aspects of the program that I was critical
3 of considering that the intent of it was focusing
4 on areas that were either lower on the economic
5 scale or needed some level of stimulation, you
6 know the fact that there was no requirement that
7 you had to hire locally I think was a real
8 weakness of the program. Considering that what
9 you want to do if you want to revitalize certain
10 areas, you want to provide jobs locally to the
11 community.

12 So I think any type of incentive
13 program, I know you're not recommending
14 geographically based. I know that's one of the
15 discussions. In looking at what a new program
16 looks like, if there was any consideration on
17 geography, that I think local hiring from areas
18 that are suffering high unemployment which is the
19 focus of a lot of these zones was something that I
20 think was a real weakness of the program as well.
21 I always fought about that when I would go to the
22 advisory board meetings is that what's the
23 commitment to hiring locally or to working to
24 really provide jobs locally, because that was
25 critical. I know that that was not one of the

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2 elements and I think that was a real weakness.

3 This is the last question and we
4 have to go to democratic caucus, I know. But when
5 you talk about benefits being discretionary or as-
6 of-right, just give me the as-of-right definition.
7 What does that mean?

8 KENNETH ADAMS: As-of-right
9 suggests as a matter of law, or regulation. In
10 other words that you would have a program that as
11 we said earlier, it would be very clear and
12 specific so that you as a business owner could sit
13 down with your accountant and your lawyer, read
14 through the program guidelines and know whether
15 you were going to qualify or not, or know what you
16 would have to do to qualify or not. So that's as-
17 of-right. It's sort of on the shelf. It's a tool
18 that anyone could look at and understand from
19 anywhere in the country, anywhere in the world.

20 That is different from a
21 discretionary program where you have to go before,
22 pardon me, but a government bureaucrat and maybe
23 it's a yes or maybe it's a no and it's a lot of
24 meetings and back and forth and it's unclear as to
25 what you're going to get in terms of the benefit

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2 because maybe the rules are changing or every year
3 something changes. In that foggy, murky
4 situation, it's much harder for someone, again
5 looking at other locations where the benefits are
6 as-of-right to make an apples to apples
7 comparison. So often New York loses out.

8 ERIC TROJAN: Just to get to what
9 you were touching on about people in the community
10 being hired. I think both of us are saying we've
11 got to go with many programs to meet many
12 different needs. The Empire Zone was trying to be
13 all-encompassing. When it was first created it
14 used census tracts to depressed areas to target
15 there and then it slowly got out of control and
16 then we got to a point where we had to give one to
17 every county whether they needed it or not. So
18 that issue of the people in the community got lost
19 in that mix.

20 So by taking not a program but
21 several program and one of them being the IDA's
22 which focuses on the local issues, you know R&D
23 tax credits and wage programs for the amount of
24 jobs you create and you apply it to the income tax
25 of the person. So it's for every new job created

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2 you get a portion of that back. It has to be many
3 arrows in that quiver. You can't just have where
4 Empire Zone was all in one and then you've got to
5 change the program to meet the entire state.
6 That's where I think the problem came from.

7 CHAIRPERSON WHITE: I just want to
8 say one thing. Looking at it from a statewide
9 point of view, if I may, if I was a businessman
10 and I owned a business and I was offering jobs,
11 I'm not going to give a job just because a person
12 lives there. I'm going to give a job to a person
13 that's qualified to produce the product that needs
14 to be produced in order to maintain those kinds of
15 jobs.

16 So I think there is a disconnect in
17 terms of the understanding and some of the demands
18 that we make on the local level when we say we
19 want people hired in the community. Sure I do.
20 But I just don't want you to hire anybody so that
21 you won't be able to make a profit and before we
22 know it you have to move and everybody loses their
23 job.

24 I think that in some businesses
25 that happens, especially in businesses of people

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2 of color. I think there's a knee-jerk reaction on
3 the part of the business that say well I have to
4 hire somebody black or hire somebody Latino and
5 the person doesn't have the necessary training,
6 doesn't have the decorum, doesn't have the
7 customer service kinds of things that we would
8 expect to get from any business.

9 So I throw that out to you when you
10 go and you start thinking and the demand is about
11 local. Yes, I want people from my community hired
12 and there are very good, decent, hard working
13 people with customer service and good decorum and
14 know how to do a good job and have been in
15 businesses before.

16 So I just want to say that to you
17 because what happens when I got to maybe a
18 McDonald's and they've hired kids from the
19 community but they don't know how to talk to
20 anybody. See I'm not going to go to that
21 McDonald's and they're going to lose money. If
22 you don't know how to say, "May I help you
23 please," et cetera, et cetera, then I'm not coming
24 to do business with you. So I'm going from the
25 McDonald's, the little store where the guy might

2 hire somebody from the community. We want quality
3 service where we spend our money as well. We want
4 quality in the products that we have. I just want
5 to thank you.

6 I see that my colleague Councilman
7 Vann would like to ask a question, so I'll call on
8 him. Councilman Vann.

9 COUNCIL MEMBER VANN: Thank you Mr.
10 Chairman. Mr. Adams, he's too ready to leave. I
11 want to keep him. He left Brooklyn and we weren't
12 ready for him to go. So now we've got him back.

13 KENNETH ADAMS: I'm pleased to
14 remain.

15 COUNCIL MEMBER VANN: I must admit,
16 I'm coming and going and I may misunderstand the
17 discussion that's going on which seemed to be
18 against local preference on hiring. Maybe that
19 wasn't what was intended. But for the record, I
20 believe in local preference. I think you can find
21 everything you need locally.

22 I'm a little misunderstanding of
23 your recommendations. I can understand on one
24 hand qualifying businesses for certain benefits
25 that were exclusive within the Empire Zone or

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2 whatever the case may be. I can understand in
3 certain communities you've got certain businesses
4 that aren't doing well and they need that kind of
5 support. Obviously you would want to do that.
6 But on the other hand we don't have unlimited
7 resources. Initially the idea was that the whole
8 area, the whole community needs to be lifted up,
9 there needs to be investment in it to get that
10 community working and jobs and so on and so forth.

11 Then to say the resources that we
12 said ought to go in this location now can go to
13 other communities where they don't have the same
14 degree of problem or distress but they have a
15 business or two that are not doing well, which I
16 feel sorry for them, but then do we take those
17 resources where we haven't done what we're
18 supposed to do here and share them with other
19 communities because they've got a business or two
20 that aren't doing well? I think not. I tend to
21 disagree. That's my understanding of it. I would
22 tend to disagree with that recommendation.

23 KENNETH ADAMS: We haven't been so
24 specific as to allocate the resources among the
25 different buckets if you will of incentives that

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2 might be available. You raise a very important
3 point. That as you know from your former service
4 in the legislature we deal with at a statewide
5 level with communities who will say wait, we want
6 our fair share for an R&D tax credit because
7 that's what our community wants. Or we want our
8 fair share or a greater share of brownfield
9 cleanup, revitalization in distressed areas.

10 So honestly at the Business Council
11 we haven't gotten that deep into. We haven't
12 gotten to that stage of saying well if there's
13 \$100 in limited economic times, if there's \$100 of
14 available benefit, the three or four tracts that
15 we're looking at, this one will get \$25, and this
16 \$25 and this \$50 or whatever.

17 So frankly, I mean I think your
18 point is well taken. We haven't gone down that
19 road yet. We've simply said a new program as it
20 emerges should have certain qualities to it.
21 Again, focusing on these emerging technologies, we
22 talked about green energy and life sciences and
23 biotech and manufacturing and other things.

24 So sectors of a global economy, an
25 as-of-right benefit program that folks can

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2 understand and make judgments about and using a
3 variety of tools instead of a one size fits all
4 approach. In some of the distressed inner city
5 areas the tools are going to be different. The
6 incentive that you need there might not be a real
7 estate property tax abatement, especially in a
8 city with an ICIP program already on the books for
9 example. It might be the wage tax credit.

10 Yet upstate where the property
11 taxes are a big impediment and we talk about
12 Buffalo. My friend Byron Brown is the mayor and
13 we talk about this a lot. He does have sites but
14 that same house that cost \$100,000 has a \$15,000 a
15 year property tax bill. So you can't get workers
16 to come into the community because they can't buy
17 the home because they can't pay the property
18 taxes.

19 My point is that different
20 communities around the state will need different
21 tools, and to Councilman Vann's point, how to
22 allocate the limited resources for the different
23 tools, that's a good discussion.

24 COUNCIL MEMBER VANN: It is. And
25 further on my point and then I'm through. It is

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2 very difficult, almost impossible to get a
3 legislative body to appropriately allocate
4 resources geographically when that geographic area
5 happens to be black, Latino or a lower economic
6 community.

7 I know because I'm trying to do it
8 here. Study after study showed there were
9 problems in this community, unemployment, poverty,
10 blah, blah, blah. So that's the problem. They're
11 poor, don't have any jobs, let's put the resources
12 there. It makes sense. Everybody is human.
13 Everybody understands that's intelligent.

14 Except that politics is not just
15 and politics don't care. Politics say if it's
16 going over there, I want it over here, whether we
17 need it or not. They can't see resources going to
18 solve a problem unless it's going in their
19 community whether the problem exists or not.

20 So whenever there is something
21 that's directed geographically for a need I don't
22 want to see it reduced or minimized because it's
23 so rare that we get it that we need to keep it
24 there and make it strong. That's my general
25 position on it, but you can go from there. I

2 understand there may be a different need in
3 certain areas like upstate, from how you deal with
4 inner city and there should be a diverse program.
5 But one should not take from the other.

6 KENNETH ADAMS: I suspect when the
7 proposal gets to the legislature there will be a
8 thorough debate of that. I think you're
9 absolutely right. There should be.

10 CHAIRPERSON WHITE: Thank you very
11 much gentlemen for your testimony. Hally Chu,
12 Richard Werber, Leah Archibald.

13 [Pause]

14 CHAIRPERSON WHITE: Leah Archibald?

15 LEAH ARCHIBALD: Sure, I'll go
16 first. My name is Leah Archibald. I'm the
17 Executive Director of the East Williamsburg Valley
18 Industrial Development Corporation. We're the
19 local development corporation that serves the
20 industrial businesses in North Brooklyn. Council
21 Member Reyna, who was just here, is one of our
22 local representatives. We're the administrators
23 for the next seven or so months of the North
24 Brooklyn/Brooklyn Navy Yard Empire Zone.

25 In my prepared testimony I spoke

1
2 about a few different ways that the current
3 program could be revised in the future to be more
4 efficient. But I was inspired by my friend and
5 colleague, Ken's remarks about thinking a bit more
6 broadly about what our community might wish to ask
7 New York State to consider in a revised program.
8 So frankly, I'd rather speak to that.

9 Overall, New York State economic
10 development policy has largely been one size fits
11 all and then everybody has to fit into whatever
12 jacket got made. As Ken aptly pointed out,
13 perhaps a couple of programs that have a couple of
14 different goals might be a better way to go.

15 I think that our community and New
16 York City needs to decide what our development
17 priorities are. Is it to create more jobs in
18 impoverished areas? Is it to encourage different
19 industries that we think are very promising? Is
20 it to encourage the development of very high
21 quality jobs? You know, we need to think about
22 what our priorities are and urge the state to
23 develop a plan that suits those needs that may not
24 all fit crammed into one economic development
25 program.

1
2 Another thing I would suggest, make
3 sure small businesses can take advantage of this
4 program. The preponderance of job growth in New
5 York State is created by what the federal
6 government would consider a small business.

7 But as an administrator of this
8 program, I can tell you this is a tax code program
9 and it is very confusing for business owners. It
10 is very confusing for their professional
11 accountants because it's such an arcane program.

12 If it could be simplified to a
13 point that a business owner need not pay a
14 professional to access the benefits, that would
15 behoove not just the businesses but the community.
16 It would make administration of the program
17 easier. Simplifying certification, whatever form
18 that takes, would also go a long way to improving
19 any economy development program.

20 As our colleagues stated earlier,
21 something that's easy to understand and as-of-
22 right is very important to have so that a business
23 knows what it can expect. If it's going to make a
24 location decision and it's going to be based on a
25 certain amount of offset, either property taxes or

1
2 wage tax benefits, they need to be able to count
3 on that.

4 So I understand there's a place for
5 discretionary programs like the Downstate
6 Revitalization Grant Program, but I'd like to see
7 New York State create a program that has as-of-
8 right benefits that a business can count on over
9 the long term.

10 Also, I would recommend that it be
11 funded adequately. Not just administrative
12 funding, like the money that's given to my
13 organization or was. Now they don't give me any
14 money to administer the program. But as far as
15 the pool of tax credits goes too. It somehow
16 seems to be a big surprise to the state that it
17 was costing money to give out there tax benefits.
18 That should be budgeted too. We need to
19 understand the whole picture of the cost and the
20 benefit of any economic development program.

21 I feel strongly that there must be
22 continuity in economic development programming.
23 New York State needs a keystone economic
24 development program, whether it's the Empire Zone
25 or something else. If this next generation

2 program is not budgeted in the next couple of
3 months, it's not going to be in the budget, it's
4 not going to be approved and it's not going to be
5 in place on July 1 when the Empire Zone expires.

6 I think it's important to urge New
7 York State to ensure continuity in economic
8 development programming at the sunset of the
9 Empire Zone Program.

10 CHAIRPERSON WHITE: Thank you. Mr.
11 Werber.

12 RICHARD WERBER: I don't think I'm
13 quite as courageous as Leah. I'm probably going
14 to read a little bit more than she had. But I'll
15 try to interject some comments as I go along.

16 Good afternoon Chairman White and
17 Council Members and staff. I'm Richard Werber,
18 the Director of the business services groups the
19 Greater Jamaica Development Corporation, the GJDC.

20 We've been administrators, like
21 Leah, and we've been administrators since the
22 Jamaica Empire Zone was established in 1986-87.

23 We applaud the committee's
24 initiative in holding this oversight hearing on
25 whether the Empire Zone Program should be

1
2 preserved or eliminated. It is a complex issue,
3 as I think we've all seen today and one of great
4 importance to the city and state and it needs the
5 careful consideration that a hearing like this can
6 bring to bear.

7 I want to present to you as
8 succinctly as possible the key concepts of my
9 written testimony. You'll find supporting data
10 and additional background and tangential
11 recommendations in the full text, but I just want
12 to flash through here some of the big points that
13 I make in the text.

14 We suggest that elements of the
15 current Empire Zone Program be preserved in any
16 New York State program. I think we've heard that
17 from just about everybody here, that there are
18 fundamentals there that do work. We believe the
19 existing Empire Zone Program has within it the
20 core of a workable program that with rationalized
21 reform could remain the flagship economic
22 development program of the state. And we know we
23 all need a flagship program.

24 We strongly recommend that if the
25 program is to be eliminated, and this is key and

1 Leah just touched on it as well, we cannot set a
2 sunset date for elimination until a new fully
3 defined program is written into law. Again, we
4 cannot set a sunset date until the law is written
5 and put into place.

6
7 We support continuation of a
8 primary element of the Empire Zone Program, which
9 is to provide special incentives to disadvantages
10 areas of the state. That should remain a
11 foundation of any statewide flagship program.

12 Again, like the Barilla case, it is
13 of right when a company moves into an Empire Zone
14 and we have found that companies in an Empire Zone
15 and the kind of jobs they create, they range
16 anywhere between 35% and 75% of local employment.
17 Not because of the incentives but because they are
18 there and companies want to employ local people in
19 many of these jobs that they create, especially in
20 the industrial sector and the Empire Zone does
21 target the industrial sector.

22 Having special areas designated for
23 incentives does not preclude have a parallel
24 program based on statewide economic development
25 strategy. With the creation of the Empire Zone

1 regionally significant project designation in
2 2005, the state added just such a project specific
3 strategic element into the Empire Zones Program.
4 The regionally significant project concept has
5 helped create jobs in Jamaica and we believe can
6 be a basis for an effective, strategically
7 targeted program serving the interests of New York
8 City and State.
9

10 Again, we agree it should be
11 streamlined, but this is a model for how we can
12 have two programs simultaneously. This is not an
13 either/or situation. Council Member White, you
14 know very well how well that worked for the Flying
15 Food Group project.

16 Regarding elimination of the
17 program, GJDC respectfully asks the Council to
18 understand that elimination is not a question that
19 could be answered in a vacuum of not knowing what
20 might or might not replace it.

21 GJDC is deeply concerned that the
22 current environment or program uncertainty
23 discourages business investment and job growth.
24 We all know uncertainty, whether it's about the
25 program or anything else, about the business

1
2 climate, does discourage investment. Uncertainty
3 discourages business investment and job growth.

4 We are already in a dead zone of statewide
5 economic development policy. Let me explain what
6 I mean. We are already in a dead zone.

7 Let me read you an excerpt from an
8 email we received on November 13th. That's 11
9 days ago. "My family's business has been
10 employing neighborhood residents for over 40
11 years. We are growing every year. In the current
12 economic times I have been searching for new ways
13 to do business more efficiently in New York to
14 help us remain competitive. However, within an
15 infinite amount of rising costs, I have been
16 considering relocated the manufacturing business
17 to a possible neighboring state. With this move
18 will come the loss of 20-plus jobs. Is there any
19 way you could help me qualify as a business within
20 the Empire Zone?"

21 I had this in my email 13 days ago.
22 I can help the guy find a space in the Empire
23 Zone. I probably can help him find a space, and
24 if not in my Empire Zone maybe we can find him a
25 space in some other Empire Zone. But there may no

1
2 longer be an Empire Zone Program by the time this
3 person moves in. So I can't offer this person any
4 real solid information about incentives. He is in
5 the dead zone and we are too.

6 Not in here, but in my testimony I
7 have another company, Project Blossom, that's
8 being pursued by a site selection consultant. I
9 still don't know the name of the company.

10 Companies relocating have to be very, very
11 careful. He wants to move from upstate New York
12 into a site in New York. Thirty jobs now, thirty
13 jobs in the next two to three years. It's a food
14 ingredient company. That's all we know.

15 We also know there are three sites
16 that they are looking at, one site in the Jamaica
17 Empire Zone. It would cost him about \$12 million
18 to buy the building, I don't know how many
19 millions more to invest. He has a site he's
20 looking at in Connecticut and a site he's looking
21 at in New Jersey.

22 We can't tell this person what his
23 Empire Zone tax credit situation is going to be.
24 He can't fold those incentives into a decision
25 about whether he's going to move into New York or

1
2 Connecticut or New Jersey because we're in a dead
3 zone now already. This is a real problem.

4 We therefore recommend that a
5 revision of the Empire Zone, not its elimination,
6 is a viable and necessary option at this point in
7 time. A preemptive extension of the program
8 should be considered as a last resort, preferable
9 only to the alternative of having no program at
10 all for an indeterminate period.

11 On another topic that my friend
12 Leah brought up, we're deeply concerned about the
13 loss of administrative funding to provide
14 professional services that support the program at
15 the local level. State funding as of July 1st,
16 2009 was eliminated. It is zero. GJDC wants to
17 assist local firms access this most powerful
18 attraction and retention program. But without
19 direct funding for this work, GJDC estimates its
20 losses for providing assistance at \$60,000 to
21 \$80,000 per year.

22 We respectfully suggest that any
23 statewide program needs the ability to provide
24 local assistance to be efficient and effective.
25 We respectfully submit that compensation for such

1
2 work be commensurate with the costs incurred and
3 this concept be incorporated into the legislative
4 language.

5 I'd be glad to respond to any of
6 your questions to the best of my ability. Thank
7 you very much for hearing me out.

8 HALLY CHU: Hi. My name is Hally
9 Chu and I am from Asian Americans for Equality,
10 which you may also know has an affiliate called
11 Renaissance Economic Development Corporation.
12 Renaissance is the zone administrator of the
13 Chinatown Lower East Side zone. I passed out a
14 prepared statement and a handout. Again, I'm not
15 going to read directly from it since it has a lot
16 of examples and more of the nuances, but just some
17 of the main points of what I'm about to just
18 summarize a little bit.

19 A little bit different about the
20 Chinatown zone is it is a very new zone compared
21 to Leah and Richard's zone. We were designated in
22 2005 as a result of maybe a few years of pushing
23 for the zone in the wake of September 11th. What
24 happened with the tragedy was a lot of the
25 businesses just simply couldn't survive.

1
2 Renaissance has been involved with
3 businesses with the September 11th Fund basically
4 just moving out a lot of the credits, financing
5 and ensuring the small businesses are able to stay
6 alive during that time. It soon came to our
7 understanding that whatever one economic
8 development corporation could do was just simply
9 not enough and we wanted to bring in a program
10 that would be able to give more tax incentives to
11 businesses that are struggling to survive.

12 So in late 2005, the Chinatown
13 Lower East Side zone was established and beginning
14 in 2006 it started accepting certification
15 applications from different businesses. Also a
16 little bit different from the zone is also because
17 the zone was relatively new; from the beginning it
18 has always had what is called a zone development
19 plan in place.

20 That was at the very creation of
21 the zone, the board members to be and the then
22 zone coordinator we just all sat down and really
23 drafted a document that we still go by to see what
24 kind of businesses we seek to target, what kind of
25 job creation requirement, what sort of living

1
2 wage, local hiring and I'm sure you guys have the
3 same document too. It became sort of a guideline
4 for the local zone board members and
5 administrators in order to identify businesses
6 that are suitable to become Empire Zone certified
7 and that the program ultimately would still
8 benefit the community.

9 I'm here today mainly to share
10 about the Chinatown Lower East Side zone's
11 experience and in the short three and a half or
12 four years what we have seen.

13 In Renaissance's experience as the
14 zone administrator, we have seen that facilitated
15 correctly, the Empire Zone Program works. Just an
16 emphasis on the facilitated correctly part because
17 what we have seen was with the strong oversight
18 and a very, very proactive board that we have, we
19 really were able to bring a lot of good things out
20 of this program into the businesses that were
21 applying.

22 In three years our board has formed
23 two committees. There was a hotel committee to
24 really go back and reevaluate whether our industry
25 guidelines to seek to attract hotels as a target

1
2 business made sense. The result of that was a
3 draft of a changed development plan in the hotel
4 section with different recommendations, stricter
5 guidelines, and stronger local hiring
6 requirements. These are pending state approval at
7 the moment. So when the state approves it, it
8 will become our new development plan.

9 A second committee that was formed
10 was the East River Science Park Working Group.
11 Recently, in October 2009, there was 3.8 acres of
12 land by the East River where the East River
13 Science Park campus is going to be. We've been
14 working with Alexandria the developer and also
15 with New York City EDC, to not a regional
16 significant project but something to just add that
17 area into the zone. The Chinatown zone has room
18 to spare and we decided among working with the
19 working group of the board and also working with
20 EDC and Alexandria that that would be an incentive
21 to really attract the biotech and bioscience
22 industry into New York City.

23 So this is in conjunction with
24 Mayor Bloomberg's effort and I guess a lot of just
25 the New York City initiatives to really bring

1
2 bioscience and green initiatives into the area as
3 a new industry.

4 So what we have seen is with a very
5 strong local administration and an involved board
6 and just a very prominent interest for local
7 benefit, the Empire Zone Program really does work.

8 As you can see in the handout in
9 the back pages, there are actually some charts.
10 The numbers are not as high as all of the older
11 zones, but these are some of the accomplishments
12 that the zone has done so far. As you can see, a
13 lot of them are minority women-owned businesses,
14 very consistent with the demographics of our zone.

15 Projected jobs, for example, under
16 tourism destination projects for retail, they are
17 like a Home Depot but they're green. So they sell
18 a lot of environmentally friendly products. They
19 do green education. They really are bringing in
20 this new industry sector and they've been featured
21 on Metro and New York Daily News. I've seen them
22 all over, different articles in the newspapers.

23 I checked on them last month. They
24 were certified in the fall of last year, in the
25 December 2008 board meeting. They projected 16

1
2 jobs and when I followed up with them, they were
3 able to hire all 16 within the specified date of
4 the year of certification.

5 These are examples that when we
6 work with the businesses and when we do follow up
7 they do perform where possible, given the economic
8 recession. It's understandable that some
9 businesses don't.

10 So looking forward, what we
11 recommend here with the Chinatown zone, whether an
12 extension of the Empire Zone Program or a new
13 similar economic development program, that is
14 regionally flexible. What I mean by that is the
15 Chinatown zone has industries that are very
16 specific to what our communities need. It's
17 definitely very different from what a zone upstate
18 would want.

19 Even though the program might seek
20 to attract manufacturers, sometimes in Chinatown
21 there simply isn't the space to have a
22 manufacturing plant. But what we do have are some
23 light manufacturing industries, some tourism which
24 is at the heart of Chinatown business. Ultimately
25 what a tax incentive program would incorporate in

1
2 New York City would have to be one that takes all
3 the different industries and different businesses
4 of different areas into mind.

5 Again, I just want to emphasize the
6 role of the zone administrator and of the board
7 member local level. Just echoing all of my
8 colleagues here, there is a significant lack of
9 funding in terms of administration. If there were
10 to be a new program in place that supports local
11 administration, we would recommend that there
12 would be some support locally to administrators so
13 that the technical assistance and all of the help
14 and even just facilitation of helping these
15 businesses grow and create jobs would in some way
16 supported financially so that Renaissance and all
17 the other industries, and corporations and
18 organizations can just keep on going.

19 There are further examples in the
20 handout, which I'm not going to go into details,
21 but if you have any questions, please feel free to
22 ask. Thank you.

23 CHAIRPERSON WHITE: Thank you.

24 There seems to be unilateral agreement by the
25 three of you and previous individuals who have

1 testified in terms of moving ahead, in terms of
2 the Empire Zone as it relates to the sunset and
3 what will take its place, the need to diversify,
4 identify and plan for future, dealing with the
5 Greater Jamaica Development Corporation as a prime
6 example in my area, and the Chinatown project and
7 the bioscience industry.
8

9 I think we'll move in the right
10 direction if we can really identify and plan,
11 realistically plan for the economic viability of
12 the State of New York which would help us with our
13 jobs and our educational system and planning for
14 the industry in the 21st century. I think it's
15 very, very, very important that we do that.

16 And to move on to find out what our
17 institutions of higher learning, what they're
18 doing in preparation for the educational benefits
19 for the new businesses. You can take that down to
20 our preschool and our public schools and our
21 middle schools and our high schools.

22 All of that has to fit and it can't
23 be viewed in terms of ten years. It has to be an
24 overall very tight direction to go in. Everybody
25 is a player. We've just got to make sure people

1
2 connect with those ideas. And if we are of like
3 mind and constructive criticism will be
4 encouraged, but in terms of a city as great as New
5 York and a state as great as New York State, we
6 can do it. I mean we can get it together if
7 people can stick together on these plans.

8 I like the plan that you have for
9 the area. You have it laid out. I've dealt with
10 Flying Foods. My colleague Council Member Vann
11 mentioned planning for the community. We did that
12 with Flying Foods.

13 I think we have an obligation as
14 elected officials not just to sit here and have
15 hearings and listening. I think we have to get
16 out in the communities into those businesses that
17 you're talking about. We have to hold hearings at
18 those businesses to get exposure so that people
19 know exactly what we're talking about. That's the
20 first step to moving in a new direction is
21 exposure. So we can look at the paper and it
22 sounds good and it looks good, but let's take a
23 look at it. Let everybody understand it.

24 So I want to thank you for your
25 testimony.

2 LEAH ARCHIBALD: Thank you.

3 HALLY CHU: Thank you.

4 CHAIRPERSON WHITE: Mr. Sam Fisher,
5 John Petro, Nathan Sudakof, Christopher. It's the
6 last gentleman. Anyone here that was here to
7 testify whose name wasn't called? Identify
8 yourself.

9 JOHN PETRO: Thank you. My name is
10 John Petro. I'm an Urban Policy Analyst at the
11 Drum Major Institute for Public Policy. We're a
12 nonpartisan think tank here in New York City.

13 Since it was created in 1986, the
14 Empire Zone Program has come under increased
15 scrutiny over its effectiveness, especially in
16 relation to its high cost of approximately \$550-
17 \$600 million a year. This cost comes in the form
18 of lost tax revenue, including sales taxes,
19 property taxes, wage taxes and tax credits on
20 corporate and personal income.

21 The program's aim is to create jobs
22 and encourage investment in economically
23 distressed areas of the state by lowering the
24 costs of making these investments. It is thought
25 that by reducing taxes in these geographically

1
2 defined areas they will become more attractive to
3 private investment. However, I'd like to remind
4 the committee that low taxes alone will not
5 attract businesses. In fact, the money lost in
6 tax revenue would be better spent making public
7 investments in these areas and especially in New
8 York City making infrastructure improvements in
9 the city's neighborhoods.

10 One of the primary goals of the
11 Empire Zone Program is job creation. However,
12 there is a weak connection between the dollar
13 amount of benefit a participating business
14 receives and in the number of jobs that the
15 business creates. There have been a number of
16 audits from the New York City Comptroller showing
17 this weak relation and I realize that some of the
18 loopholes have been closed, but it still remains a
19 concern.

20 Additionally, the program does not
21 guarantee the creation of living wage jobs. While
22 the value of some benefits increases as wages
23 increase, a business may still receive subsidies
24 for creating poverty level wages. The stated aim
25 of the Empire Zone Program is to address the

1
2 pervasive poverty that exists in these areas but
3 creating jobs that do not pay a living wage will
4 not achieve that goal.

5 In New York City there are a number
6 of businesses that have benefited from the Empire
7 Zone Program while creating few or no jobs. I'll
8 give you an example as highlighted by the
9 nonprofit organization Good Jobs First. A real
10 estate investment company in the Bronx expected to
11 claim \$1.26 million for the creation of only three
12 jobs with an average wage of \$8 an hour. That
13 equals to about \$420,000 per job. At the same
14 time, the company only invested \$231,000 at the
15 site.

16 Another point is the Empire Zone
17 Program is a geographically defined program. It
18 is aimed at economically distressed areas of the
19 state. However, by designating a project
20 regionally significant, the boundaries of an
21 Empire Zone may be expanded outside of the
22 original Empire Zone and it could be in some cases
23 into areas that are not, let's say, economically
24 distressed.

25 In New York City, the Chinatown

1
2 Lower East Side Empire Zone which was expanded to
3 include the East River Science Park, a new
4 development for biotech firms on the East River.
5 However, it's unclear how the inclusion in this
6 project will benefit unemployed New Yorkers in
7 Chinatown and the Lower East Side. This will
8 create a lot of scientists jobs, but when you look
9 at the skill sets of the population of the Lower
10 East Side and Chinatown, it doesn't seem like
11 there will be a direct benefit to those residents
12 outside of the creation of temporary construction
13 jobs and the multiplier effect of service jobs
14 that will be created alongside of those.

15 Additionally, the state has no
16 recourse if a company decides to leave the state
17 or significantly reduces the size of its workforce
18 after receiving tax breaks. Other jurisdictions
19 like the state of Minnesota use what are known as
20 claw backs to hold the recipients of public
21 subsidies accountable. This means that if a
22 business fails to create the agreed upon number of
23 jobs or leaves the state shortly after receiving
24 subsidies, the state has a means to get back some
25 of that investment that it made in that business.

1
2 As I said before, the state and
3 city's economic development goals would be better
4 served by making public investments in the
5 targeted areas rather than simply providing tax
6 breaks to private companies. Investments in
7 public transportation, streetscape improvements,
8 brownfield remediation, upgrading utilities and
9 investing in human capital would all be
10 appropriate economic development strategies in the
11 areas that are currently in Empire Zones.

12 Whereas, individual businesses may come and go,
13 these investments would be long lasting and would
14 strengthen the area's relative competitiveness and
15 create real benefits for current residents.

16 I feel a lot of the testimony
17 that's come before me has concentrated a lot on
18 businesses and what kind of benefit they can
19 expect to gain from these programs. I understand
20 that that can be important. We need to remember
21 that what we're really talking about are the
22 people in these communities, the residents. We
23 need to make sure that any future economic
24 development truly creates benefits for residents
25 and for the communities and long-lasting benefits,

1
2 not benefits that can leave after a couple of
3 years because they decide they want to move to
4 another state.

5 It's important to provide a
6 competitive environment for businesses but that
7 doesn't always mean providing tax subsidies.
8 There are other ways of doing that and I think in
9 my testimony I've highlighted some of them. I'd
10 like to point out that one of them, the brownfield
11 remediation, was one of the key points of the
12 gentleman from the state organization that
13 represented businesses statewide. I forget the
14 name of that business.

15 I would again like to stress the
16 importance of instead of forgoing this tax revenue
17 perhaps we can positive investments in these
18 neighborhoods that have been economically
19 distressed rather than creating an environment
20 where we have less regulation or fewer taxes.

21 I think with that I'll conclude my
22 testimony.

23 CHAIRPERSON WHITE: I want to thank
24 you. I think that I would agree with you. One of
25 the main points concerning the administrators of

1
2 these programs with these tax credits was job
3 creation. There seems to be a lack of
4 accountability for that job creation as it relates
5 to getting the credits. We want people first. We
6 want people to be a part of the new emerging
7 industries.

8 So as I said to the gentlemen, it's
9 important that we take a view, an overall view of
10 everything that we talk about to come up with
11 something that is tight that would service the
12 people, the city, the businesses. We all have to
13 share in the efforts of this new economy. The
14 global economy is so real. The diversity of this
15 city is so real.

16 Big business is investing and jobs
17 have went elsewhere for lower wages, but we have
18 to make sure that the people that work and live
19 and invest in this city can afford to live in this
20 city. We have to make sure people that work in
21 the hospitals can afford to get sick and be a
22 patient in the same hospital that they're taking
23 care of the people.

24 Your testimony will not be
25 unheeded. The best is the last. This will be

1
2 part of the testimony and this will be part of the
3 direction that we're going in terms of whatever
4 input that we have with whatever the state decides
5 to do. I hope you will stay in touch and stay on
6 top of the meetings that are going to be held as
7 it relates to the Empire Zones. Thank you. The
8 meeting is adjourned. You can speak with him when
9 he gets out.

10 FEMALE VOICE: [off mic] Okay.

11 CHAIRPERSON WHITE: Meeting is
12 adjourned.

C E R T I F I C A T E

I, Donna Hintze 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.

Signature *Donna Hintze*

Date December 4, 2009