

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON FINANCE

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November 30, 2017
Start: 10:43 a.m.
Recess: 10:58 a.m.

HELD AT: Committee Room - City Hall

B E F O R E: JULISSA FERRERAS-COPELAND
Chairperson

COUNCIL MEMBERS:
Ydanis A. Rodriguez
James G. Van Bramer
Vanessa L. Gibson
Robert E. Cornegy, Jr.
Laurie A. Cumbo
Corey D. Johnson
Mark Levine
I. Daneek Miller
Helen K. Rosenthal
Steven Matteo
Daniel R. Garodnick

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

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2 CHAIRPERSON FERRERAS-COPELAND: Good
3 morning and welcome to today's Finance Committee
4 meeting; my name is Julissa Ferreras-Copeland; I am
5 the Chair of the Committee. We've been joined by
6 Council Members Garodnick, Levine, Rosenthal, Van
7 Bramer, Cornegy, and Matteo. Today we will be voting
8 on six items: Proposed Intro 1750-A, Proposed
9 Intro 799-B, Proposed Intro 1376-A, a Transparency
10 Resolution, and two land use items.

11 Let's start with Proposed Intro 1750-A,
12 which I sponsored, which would require the Department
13 of Finance to email or mail new homeowners a copy of
14 all informational property brochures. In 2012, the
15 Council passed Local Law 62, which required the DOF
16 to create a property tax brochure for Class I and
17 Class II properties in an effort to educate
18 homeowners about how their property taxes are
19 calculated and what exemptions are available to them.
20 These brochures are currently available on DOF's
21 website but are not provided directly to homeowners
22 at the time when they are likely to be most
23 interested -- when they are purchasing their new
24 home. Therefore, this legislation would require that
25 whenever a document transferring ownership in a one-

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2 to four-family home or condo or co-op is recorded
3 with the City Register or Richmond County Clerk's
4 Office, DOF will have to provide the new homeowner
5 with its vital property tax information.

6 Next we have Proposed Intro 799-B, which
7 would create a Small Business Tax Credit against the
8 Commercial Rent Tax (CRT). The Commercial Rent Tax
9 was first enacted in 1963 as a way to capture
10 additional revenue from the commercial properties at
11 a time when the City was facing statutory limits on
12 property taxes. Although the tax was initially
13 applied citywide, since 1995 it has only been
14 assessed to commercial tenants south of 96th Street
15 in Manhattan, with the exception of certain areas
16 near the World Trade Center. Tenants in the area
17 paying at least \$250,000 in annual-based rent are
18 taxed at an effective rate of 3.9 percent of their
19 base. This threshold has not been adjusted since
20 2001 despite significant increases in commercial
21 rents in the past 16 years. The Small Business Tax
22 Credit will provide tax relief to over 2,700 small
23 businesses who pay the CRT. Taxpayers who report
24 business income of \$5 million or less and who pay
25 less than \$500,000 in rent will receive a credit

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2 equal to 100 percent of their tax liability,
3 effectively exempting them from the tax entirety.
4 Other taxpayers who report business incomes of up to
5 \$10 million and who pay less than \$550,000 in rent
6 will receive a sliding scale credit to provide
7 partial relief. I applaud Council Member Garodnick
8 on his continued leadership on this issue and thank
9 you for his advocacy on behalf of all these small
10 businesses, and we will hear from Council Member
11 Garodnick.

12 COUNCIL MEMBER GARODNICK: Terrific,
13 thank you so much, Chair Ferreras-Copeland for
14 holding a vote today on Intro 799-B, a bill that
15 will, as you noted, reform the Commercial Rent Tax
16 and reduce the tax burden on Manhattan small
17 businesses.

18 It is correct to say that since the
19 middle of the 1960s, New York has been taxing the
20 rents paid by businesses; it is very strange to tax
21 an expense in this way -- only one other jurisdiction
22 imposes tax on commercial rent in the United States
23 and it is in the State of Florida. Compounding the
24 strangeness and the unfairness over time, the City
25 shrank the geographic area in which the tax applied,

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2 so now the tax hits only businesses in one part of
3 the City; those that are located in Manhattan, south
4 of 96th Street and above Murray Street. Originally
5 the tax was imposed as a revenue-raising measure when
6 the City was desperate, in search of new sources of
7 income, and it was supposed to apply only to larger
8 businesses, but the last time that the City changed
9 the rent threshold at which the tax begins to apply
10 was in 2001. At that time, the threshold was set at
11 \$250,000 and as businesses paid more and more in rent
12 each year, more and businesses crossed that threshold
13 and became subject to the tax, more small businesses;
14 ones that were never supposed to be targeted by this
15 tax; ones that are most struggling to survive in
16 today's difficult retail environment were watching
17 their rents go up and were suddenly getting hit with
18 a new tax. To help them, Intro 799-B creates a
19 credit that businesses will be able to apply against
20 their Commercial Rent Tax liability. For small
21 businesses, the CRT threshold will be essentially
22 doubled to \$500,000 a year. Businesses with a total
23 income of under \$5 million per year and whose rent is
24 under \$500,000 will receive a credit for the entirety
25 of their tax liability, freeing them completely from

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2 this burden. The credit is phased out with
3 increasing income so that businesses with a total
4 income between \$5-10 million will receive a partial
5 credit. We expect that the average business
6 benefited by this bill will save between \$11-13,000 a
7 year. Because of our income limits, this will not
8 yield a benefit to big banks and chain stores.

9 We expect that the money that these
10 business save will go to wages, worker benefits,
11 improving the quality of jobs our city offers, and to
12 renovations and upgrades, further supporting our
13 economy, and we expect that it will help retail,
14 restaurants and similar enterprises stay afloat,
15 improving our neighborhood streetscapes and our
16 quality of life.

17 I also want to note that Council Member
18 Rosenthal has a companion bill here today, and we're
19 gonna hear about it in a moment; I wanna thank her
20 for her continued advocacy on not just her
21 legislation, but of course the bill that changes the
22 threshold levels, so we thank you, Council Member
23 Rosenthal.

24 And I do wanna thank everyone who helped
25 us to get this bill to this place today, particularly

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2 the Council Finance staff: Latonia McKinney, Emre
3 Edev, Ray Majewski, and Davis Winslow, who were
4 absolutely essential in getting us to where we are
5 today, and of course, to the Finance Chair, thank you
6 for your consistent support and friendship and I'm so
7 pleased that we are at this point today.

8 CHAIRPERSON FERRERAS-COPELAND: Thank you
9 very much, Council Member.

10 Next we have Proposed Intro 1376-A,
11 sponsored by Council Member Rosenthal, which would
12 require DOF to compile an annual report on the CRT to
13 provide to both the Mayor and the Speaker and post
14 online. The report would include a number of
15 datasets broken down by both the base rent range and
16 industry, including the number of taxpayers and
17 taxable premises; the number of taxpayers who pay the
18 tax on more than one premise; the total amount of tax
19 collected and the average tax liability for prior ten
20 tax years; and the number of taxpayers and taxable
21 premises that receive the Small Business Tax Credit
22 credited by Proposed Intro 799-B.

23 Thank you again and congratulations to
24 Council Member Rosenthal. Council Member Rosenthal.

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2 COUNCIL MEMBER ROSENTHAL: Thank you so
3 much, Chair Copeland. With all that data that's
4 gonna be collected, I think budget analysts are gonna
5 be in heaven researching that for years to come.

6 [background comments]

7 You know, Chair, I wanna thank you for
8 your leadership on this, you know, this was a tough
9 one to push through; the Administration does provide
10 some recordkeeping on this, but as Council Member
11 Garodnick's bill moved through the legislative
12 process, we found that more and more pieces, details
13 of information would be critical to making sure that
14 we can provide relief to independent store owners.

15 At the end of the day, the Commercial Rent Tax is an
16 unfair tax that is placed only on -- as Council
17 Member Garodnick just said -- only on businesses
18 south of 96th; north of Murray, you know and as I've
19 said, it brings in nearly \$900 million a year and
20 many of the employees of these businesses come from
21 the outer boroughs, and so we're treating these
22 Manhattan stores like an ATM for the rest of the
23 city, but yet in the larger picture we're hurting
24 these businesses and ultimately hurting the workers
25 who could have jobs in these businesses. So I'm

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3 grateful to your leadership and to Council Member
4 Garodnick's leadership in helping to pave the way to
5 help our small retail shops and to make sure that we
6 can continue to have jobs for everyone and of course,
7 my hope is that we can move us along the path for
8 more equitable treatment for Manhattan small
9 businesses. Thank you very much.

10 CHAIRPERSON FERRERAS-COPELAND: Thank
11 you, Council Member. And next we will have the
12 Transparency Resolution that sets forth the new
13 designation and changes in the designation of certain
14 organizations receiving local aging and youth
15 discretionary funding, and funding pursuant to
16 certain initiatives in the budget.

17 Organizations appearing in the resolution
18 that have not yet completed the prequalification
19 process conducted by the Mayor's Office of Contract
20 Services, the Council or any other entity are
21 identified in the attached chart with an asterisk
22 (*).

23 As with all transparency resolutions,
24 Council Members will have to sign a disclosure form
25 indicating whether or not a conflict exists with any
of the groups on the attached list. If any Council

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3 Member has a potential conflict of interest with any
4 of the organizations listed, he or she has the
5 opportunity to disclose the conflict at the time of
6 their vote.

7 As a reminder, please disclose any
8 conflict you may have with proposed subcontractors
9 used by organizations sponsored by discretionary
10 funding. These disclosures must be made before the
11 subcontractor can be approved. Marly Marcellus from
12 the General Counsel's Office is here and can assist
13 you with any questions or concerns regarding
14 disclosures.

15 Lastly, we have the two land use items;
16 the first item is Sydney House in Council Member
17 King's district in the Bronx. This property would
18 receive a full 40-year property tax exemption to
19 build 57 units of affordable housing under the City's
20 HDFC program.

21 The second item is Mount Hope
22 Preservation Apartments in Council Member Cabrera's
23 and Council Member Torres' district. This property
24 would receive a full 40-year property tax exemption
25 to preserve 497 units of affordable housing under the
City's HDFC program.

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All three Council Members are supportive of these projects. Are there any questions on any of our items today? [background comments] I will now ask Billy Martin, the Committee Clerk, to call the roll, and we've been joined by Council Member Gibson.

COMMITTEE CLERK: William Martin, Committee Clerk, roll call vote Committee on Finance; all items are coupled. Chair Ferreras-Copeland.

CHAIRPERSON FERRERAS-COPELAND: I vote aye.

COMMITTEE CLERK: Van Bramer.

COUNCIL MEMBER VAN BRAMER: I vote aye.

COMMITTEE CLERK: Gibson.

COUNCIL MEMBER GIBSON: Permission to briefly explain my vote. Thank you, Madam Chair. First and foremost, I wanna congratulate Council Member Garodnick and Council Member Rosenthal for passing very important legislation today. While I'm not a resident of Manhattan, certainly love Manhattan and wanna do everything we can to protect all of our small businesses throughout all of the five boroughs.

I quickly wanted to speak in support of the item on today's agenda related to the Mount Hope Preservation Apartments LLC, which is in the borough

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2 of the Bronx, specifically in Council Members
3 Cabrera's and Torres' district. I have had a very
4 long relationship with Mount Hope Housing Company,
5 which has been a minority-based not-for-profit
6 serving the Morris Heights/University Heights area of
7 the Bronx for many, many, many years. During my days
8 at the State Assembly I had a great opportunity to
9 represent many of those tenants and residents and
10 this Article XI on today's agenda is really a part of
11 a longer effort that HPD is working on to ensure that
12 we preserve affordable housing. The Jerome
13 Neighborhood Plan, which is in my district and
14 Council Member Cabrera's, is very much a part of the
15 Mount Hope portfolio, so I'm grateful that on today's
16 agenda we're going to be securing rents at certain
17 levels for low-income and middle-income families for
18 the next 40 years, which is great. So I ask all of
19 my colleagues, certainly on behalf of the Bronx
20 delegation, to support the Article XI for the Mount
21 Hope Preservation Apartments and I am proud to vote
22 aye on all and wanna thank you all and wish you a
23 happy holidays.

24 COMMITTEE CLERK: Cornegy.

25 COUNCIL MEMBER CORNEGY: I vote aye.

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2 COMMITTEE CLERK: Levine.

3 COUNCIL MEMBER LEVINE: I vote aye.

4 COMMITTEE CLERK: Rosenthal.

5 COUNCIL MEMBER ROSENTHAL: Again, with
6 congratulations to the Speaker, Council Member
7 Garodnick, and now Council Member Gibson in the
8 Bronx, I vote aye on all. Thank you.

9 COMMITTEE CLERK: Matteo.

10 COUNCIL MEMBER MATTEO: Aye.

11 COMMITTEE CLERK: By a vote of 7 in the
12 affirmative, 0 in the negative and no abstentions,
13 all items have been adopted by the Committee.

14 CHAIRPERSON FERRERAS-COPELAND: Thank
15 you; we now call this meeting adjourned.

16 [gavel]

17 [background comments]

18 COMMITTEE CLERK: Continuation roll call,
19 the Committee on Finance. Council Member Rodriguez.

20 COUNCIL MEMBER RODRIGUEZ: Aye.

21 CHAIRPERSON FERRERAS-COPELAND: Final
22 vote Committee on Finance is now all items have been
23 adopted 8 in the affirmative, 0 in the negative and
24 no abstentions.

25 [background comments]

C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.



Date December 18, 2017