

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

June 25, 2009

Good afternoon Chairman White and members of the Committee on Economic Development. My name is Leslie A. Ramos, and I'm the Executive Director of the Mayor's Office of Industrial and Manufacturing Businesses. I am joined today by Jared Walkowitz Director of the Empire Zones program for New York City.

I'm pleased to testify before you today regarding Intro 890, which would authorize the designation of Flying Food Group, LLC, as a Regionally Significant Project.

The Empire Zones program was created by the New York State Legislature in 1986 to stimulate private investment and job creation in disadvantaged communities. Through a number of State tax incentives, including wage tax credits, investment tax credits and real property tax credits, the program allows municipalities to retain, attract and grow businesses that create jobs and sustain the local economy.

In April 2005, the State Legislature adopted legislation which created a provision allowing for Regionally Significant Project designation. This designation allows local businesses outside the distinct geographic boundaries of an Empire Zone to tap into valuable State tax credits. Often, manufacturing companies have facilities needs that cannot be met by the existing building stock within our Empire Zones' boundaries. A Regionally Significant Project designation gives us the ability to attract or retain businesses that otherwise would locate outside the City.

To ensure that the Regionally Significant Project designation is used prudently, the State Legislature has created an authorization process that involves the State, the local legislature, Zone Administrative Boards, and an environmental review process.

Moreover, to qualify for this designation, the business must be either:

- 1) A manufacturer creating 50 or more full-time jobs;
- 2) An agribusiness, high-tech or bio-tech company creating 20 jobs and making an investment of \$10 million;
- 3) A financial, insurance or distribution entity creating 300 or more jobs; or
- 4) A clean energy research and development enterprise.

Recent program changes require jobs to be created within three years. The Flying Food Group, LLC growth plan exceeds the program's minimum requirement. It will create 160 net new jobs over the next three years. In addition, it will retain and relocate existing jobs for a total of 596 jobs in the new facility. The added positions will include production, transportation, and sanitation workers. This is a union facility, and all jobs will meet the unions' salary and benefits requirements.

The company's ability to expand its production of prepared food for the airline and "on-the-go" markets was limited by a 30% space inefficiency. Production has been conducted in six distinct facilities, forcing the company to rethink its future in the City. The benefits offered through the Empire Zone program will help offset the cost of renovating and retrofitting the new facility, Building 146 at the John F. Kennedy International Airport complex. The company will invest \$15 million in capital improvements and an additional \$10 million in equipment.

This is a magnificent project and an example on how we can leverage Empire Zone benefits to preserve and create good manufacturing jobs in New York City.

Thank you again for the opportunity to appear before you today and for your support in helping preserve and grow manufacturing jobs in our city.

I am happy to address any questions you may have.

The logo for Good Jobs New York, consisting of the letters "GJNY" in a white, serif font on a black square background.

Good Jobs New York

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Testimony of Good Jobs New York
Allison Lack
June 25, 2009
Before the New York City Council
Committee on Economic Development

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Re: Intro No. 890 and Regionally Significant Projects

Good afternoon Chairman White and committee members. My name is Allison Lack and I am a research analyst with Good Jobs New York, a project of Good Jobs First (GJF) and the Fiscal Policy Institute (FPI). FPI focuses on tax, budget, and economic policy issues in New York State; Good Jobs First, based in Washington, DC is a national resource center promoting accountability in economic development and smart growth for working families.

Thank you for inviting me to testify regarding a proposal to designate Flying Food Group a Regionally Significant Project (RSP) so it may be eligible for Empire Zone benefits under the South Jamaica Empire Zone, even though it is located at JFK airport.

This would be the fourth RSP in New York City and, as we have previously testified before this committee regarding other RSPs, we are concerned about the continued growth of RSPs and the expansion of the frequently criticized Empire Zone program.

To designate this project an RSP would reinforce these criticisms that the Empire Zone program has gone far astray from one created to target benefits in areas of extreme poverty and high unemployment. The program has been found by former New York State Comptroller Hevesi, New York State Assembly Member Richard Brodsky, the Fiscal Policy Institute, and others to be a flawed one that unnecessarily subsidizes businesses and rewards firms in the absence of job creation.<sup>1</sup>

In 2007, a report prepared by management consultant firm A.T. Kearny for the Empire State Development Corporation claimed:

“[Empire Zones are....] perhaps the best example of good economic development intentions gone wrong. Its original mission has been morphed by political patronage, legislative revision and commercial manipulation, effectively repositioning it from a program primarily helping distressed communities to one routinely offering tax relief for ongoing businesses.”<sup>2</sup>

In New York City, as around the state, a number of projects demonstrate the Empire Zone program's dysfunction by investing in firms that create few or no jobs and make minimal capital investments. According to the Syracuse *Post-Standard*, for the year 2007, New York City examples include:

- Blauers, LLC, a real-estate investment company, in the Hunts Point section of the Bronx, which expected to claim \$1.26 million for only three jobs with an average wage of \$8/hour. That's about \$420,000 per job, though the company only invested \$231,819 in developing the site.<sup>3</sup>
- FC Gowanus Associates, which shares the same parent company as the developer of Brooklyn's Atlantic Yards project, which expected a smaller tax credit of about \$174,000, but had zero jobs, and zero investment when claiming the credit.<sup>4</sup>
- B & H Foto in North Brooklyn, which expected to claim a credit of \$2.6 million for 190 jobs with an average wage of \$9/hour, though it invested only \$913,640 in developing the site.<sup>5</sup> This company also provides an example of the potential for unscrupulous employers to benefit from the Empire Zone program. In March of this year, B & H Foto settled an Equal Employment Opportunity Commission (EEOC) lawsuit by agreeing to provide \$4.3 million to Hispanic workers who were denied promotions and paid less than their non-Hispanic counterparts.<sup>6</sup>

Due to the problems with the Empire Zone program, in March of this year, state legislators agreed to some basic reforms, including ending the program one year ahead of schedule, on June 30, 2010. Additionally, the state is seeking to decertify non-compliant companies, but it is unclear how many decertifications there have actually been and how effective this effort has been in making the program more cost-effective and encouraging genuine job creation for New Yorkers.

Good Jobs New York urges you to consider the unintended consequences of expanding the Empire Zone program as the state attempts to rein it in. Currently, Regionally Significant Projects are not limited to benefiting a manufacturing firm, and they can be used for financial institutions, and high tech or bio tech firms – earlier this month we testified before this committee regarding the proposal to amend the boundaries of the Chinatown Empire Zone to include the East River Science Park, on 30<sup>th</sup> street in Manhattan, far from Chinatown.<sup>7</sup>

Before continuing to designate RSPs, city council should take a leadership position to incorporate a thorough process of due diligence and create strong reporting requirements to ensure any new RSP's will only benefit the firms that truly need assistance. This would help restore the original intent of the Empire Zones by creating an even-keeled program that rewards manufacturing firms that are committed to creating job opportunities for unemployed and underemployed New Yorkers.

Thank you for consideration of our testimony.

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1 "New York's Empire Zone, Trude Renwick, Senior Economist, Fiscal Policy Institute, September, 2007.

[http://www.fiscalpolicy.org/publications2007/Renwick\\_NewYorksEmpireZoneProgramSept07.pdf](http://www.fiscalpolicy.org/publications2007/Renwick_NewYorksEmpireZoneProgramSept07.pdf)

2 Delivering on the Promise of New York State A Strategy for Economic Growth & Revitalization. Prepared for Empire State Development by A.T. Kearney

3 The Syracuse *Post-Standard* Data Center: <http://www.syracuse.com/data/empire-zones-2009/>

4 The Syracuse *Post-Standard* Data Center: <http://www.syracuse.com/data/empire-zones-2009/>

5 *Ibid.*

6 See: <http://ohsonline.com/Articles/2009/03/28/B-H-Foto-Agrees-to-Pay-to-Hispanic-Workers.aspx>

7 Available at [http://www.goodjobsny.org/GJNYTestimony\\_EDcomte\\_ERSP\\_EZ\\_FINAL.pdf](http://www.goodjobsny.org/GJNYTestimony_EDcomte_ERSP_EZ_FINAL.pdf)

June 25, 2009

Testimony by Flying Food Group, LLC to the New York City Council

In Re: Intro 890, Regionally Significant Projects and Empire Zones

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Good afternoon Mr. Chairman, committee members and council staff. I am David Cotton, Chief Financial Officer of Flying Food Group, LLC ("FFG"). We very much appreciate the opportunity to speak with you this afternoon about our application for designation as a Regionally Significant Project under the New York State Empire Zone program.

Flying Food Group is an international airline catering company, and fresh food processing and packaging company, serving over 80 international airlines and retail food customers. We are a private company based in Chicago owned principally by a Chinese American woman, Ms. Sue Ling Gin. Our company was started by Ms. Gin in 1983 with our first fresh food production plant and airline catering operation near Chicago's Midway airport. We expanded to O'Hare International Airport in 1989 with Air France as our first major international airline customer. Our revenues have grown from \$10 million in 1986 to \$30 million in 1996 and over \$300 million in 2008. We now have seventeen production facilities in the United States and a joint venture production facility in Shanghai, China. We initially acquired our business at JFK from Alpha Flight Services in 1996, and we have doubled our business at JFK over the past decade. JFK is now our largest business with over \$40 million of annual revenues and 450 employees.

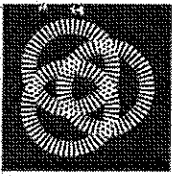
Our company is relocating its business and operations this month to a newly renovated Building 146 at JFK Airport from old, inefficient off-airport facilities which had been leased by Flying Food Group since 1996 when we acquired the JFK business from Alpha. Flying Food Group has spent over \$25 million to re-build, renovate and equip Building 146 for a state-of-the-art world class fresh food production facility to serve its international airline customers. Our production capacity will increase 30% with this new facility, allowing us to continue to aggressively grow and expand our business as international airline traffic resumes its growth from the depressed levels of the past few months. Over the next five years, we project to increase our annual revenues at JFK by 60% and to add over 200 new jobs. We have great relations with our employees and Local 1102, paying good wages and providing medical insurance and other benefits to all of our employees. 95% of our employees are minority, including Hispanic, African American, Asian and Indian.

Flying Food Group first applied for Empire Zone certification and its attendant New York State tax credits in 2008. These tax credits are essential as part of our financing and capital plan to retain as much of our earnings as possible in the business, to reduce leverage and provide cash flow to service the significant debt we have incurred for the expansion of our business at JFK. Our JFK expansion is the single largest acquisition or expansion project that Flying Food Group has experienced in its history, requiring total ex-

penditure of \$30 million including all expenses and capital requirements associated with our new facility and the move from our old facilities. We will need additional working capital to finance the significant growth we are projecting for our business and local employment over the next five years.

Flying Food Group respectfully requests the members of the Council to approve Introduction 890, which will grant Flying Food Group LLC status as a Regionally Significant Project. Empire Zone certification will help make our company's expansion at its new facility economically viable for our banks and investors, allowing us to continue our growth and job expansion in the greater Jamaica area of New York City.

Thank you the opportunity to speak to you this afternoon. I would be happy to answer any questions you may have.



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June 25, 2009

Testimony by Greater Jamaica Development Corporation to the New York City Council

In Re: Intro 890, Regionally Significant Projects and Empire Zones

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Good day Mr. Chairman, committee members and council staff. I am Justin Rodgers, Director of Economic Development at Greater Jamaica Development Corporation (GJDC).

Thank you for this opportunity to speak with you about Flying Food Group LLC's application for designation as a Regionally Significant Project under the New York State Empire Zone program. GJDC is the local administrator for the Jamaica Empire Zone and as such helped them complete their application; collected, confirmed and presented the facts regarding their application to the Jamaica Empire Zone Administrative Board; and provided the Administrative Board an opinion regarding approval.

We recommended to the Jamaica Zone Administrative Board that Flying Food Group LLC be deemed eligible as a Regionally Significant Project. We are pleased that the Board supported that designation per their resolution dated June 30, 2008. New York State Department of Economic Development concurred with that resolution by issuing a letter of preliminary approval. We are here today to respectfully ask the Council to take the next, important step in that process.

Flying Food Group is a food processing and packaging company serving over 80 airlines and nationally known retail food chains. First and foremost, the company has a track record of growth and a solid plan for continued growth into the future. However, there is no denying that Flying Food Group has been affected by the current economic uncertainty. Total jobs at the company's current location are about 425, approximately 90 fewer than were working at the company a year ago. But with their relocation to more efficient and attractive space and a return to a more stable global economy, they expect to create up to 160 new jobs over the next three years. This would be a net increase of over 70 jobs from their peak employment. This level of job growth far surpasses the State-mandated, minimum requirement that "...a 'regionally significant project' shall mean: a manufacturer projecting the creation of fifty...jobs...."

The company is relocating to Building 146 at JFK Airport from an off-airport, inefficient space. Building 146 had been vacant and Flying Food Group estimates it has spent, or



will spend, over \$15 million in capital/leasehold improvements and \$10 million for equipment (excluding furniture and computer equipment) for a total of at least \$25 million.

Of particular interest to the City and the Council, Flying Food Group is a company that is aligned with the purposes of the South Jamaica Empire Zone and the economic development needs of Southeast Queens.

As stated in the Development Plan for the Jamaica Empire Zone, “The (Zone administrative) Board will target the following industries: clean, light, labor intensive manufacturing...activities, such as food and food related industries.” The policy also targets “Air travel...and specialized businesses that support the airport infrastructure....” Clearly, Flying Food Group meets both of these important criteria.

Flying Food Group is a minority-, woman-owned firm founded by their current Chairman and CEO, Sue Ling Gin, in 1983. The firm is a union shop, paying good wages and providing benefits to their employees. Current employment data shows that 93% of the workforce resides in New York City, 70% reside in Queens, and 47% - 200 jobs – are held by people living in Southeast Queens. The company is committed to continuing their policy to hire locally.

Flying Food Group first applied for Empire Zone certification and its attendant New York State tax credits in 2008. These credits were needed to help retain the capital it required to pursue its aggressive growth strategy while making the necessary capital investments in building renovations and equipment necessary to move its New York operations up to the next level. Clearly, that need for working capital has only increased.

Therefore, Greater Jamaica Development Corporation, as the local Empire Zone administrator, respectfully asks the members of the Council to approve Introduction 890, which will grant Flying Food Group LLC status as a Regionally Significant Project. Empire Zone certification will make the company’s expansion at its present location economically viable. The company’s growth will continue to support the economic development of Queens, of the City of New York and the Empire State.

Thank you for your time and attention.

We would be glad to answer any questions you may have to the best of our ability.

**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 890 Res. No. \_\_\_\_\_

in favor     in opposition

Date: 6/25/09

(PLEASE PRINT)

Name: Leslie A Ramos

Address: 110 William St

I represent: The City of New York

Address: \_\_\_\_\_

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 890 Res. No. \_\_\_\_\_

in favor     in opposition

Date: 6/26/09

(PLEASE PRINT)

Name: Justin Rodgers + Fran Kurlander

Address: jrodgers@gsdc.org

I represent: Greater Jamaica Development Corporation

Address: 90-04 161 Street, Jamaica N.Y 11432

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**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 890 Res. No. \_\_\_\_\_

in favor  in opposition

Date: \_\_\_\_\_

Name: David Cotton (PLEASE PRINT)

Address: \_\_\_\_\_

I represent: Flying Food Group, LLC

Address: dcotton@flyingfood.com

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 890 Res. No. \_\_\_\_\_

in favor  in opposition

Date: 6/25/09

Name: Allison Lacle (PLEASE PRINT)

Address: 11 Park Place #701, NY, NY

I represent: Good Jobs NY

Address: \_\_\_\_\_

Please complete this card and return to the Sergeant-at-Arms