



DMI Testimony on the Empire Zone Program  
To the Committee on Economic Development  
New York City Council  
November 24, 2009

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My name is John Petro and I am an Urban Policy Analyst at the Drum Major Institute for Public Policy--a non-profit, non-partisan think tank based here in New York City.

The Empire Zone program is the state's largest economic development program. Since it was created in 1986, the Empire Zone Program has come under increased scrutiny over its effectiveness, especially in relation to its high cost of approximately \$550 to \$600 million a year. This cost comes in the form of lost tax revenue including sales taxes, property taxes, wage taxes, and tax credits on corporate or personal income.

The program's aim is to create jobs and encourage investment in economically distressed areas of the state by lowering the cost of these investments. It is thought that by reducing taxes in these geographically-defined areas, they will become more attractive to private investment. However, low taxes alone will not attract business. In fact, the money lost in tax revenue would be better spent making public investments in these areas and, especially in New York City, making infrastructure improvements in the city's neighborhoods.

One of the primary goals of the Empire Zone program is job creation. However, there is a weak connection between the dollar amount of benefit a participating business receives and the number of jobs that the business creates. A 2004 audit by the New York State Comptroller found that in a statistical sample of Empire zones, 70 percent of Businesses that received tax incentives failed to meet job creation goals. Twenty-three percent actually cut the number of jobs in New York State while simultaneously receiving tax breaks under the program.

Additionally, the program does not guarantee the creation of living wage jobs. While the value of some benefits increases as wages increase, a business may still receive subsidies for creating poverty-level jobs. The stated aim of the Empire Zone program is to address the pervasive poverty that exists in these areas, but creating jobs that do not pay a living wage will not achieve this goal.

In New York City, there are a number of businesses that have benefited from the Empire Zone program while creating few or no jobs. Here is one example highlighted by the non-profit organization Good Jobs First: "A real-estate investment company, in Hunts Point, Bronx, expected to claim \$1.26 million for only three jobs with an average wage of

\$8/hour. That's about \$420,000 per job." The company only invested \$231,819 at the site.

The Empire Zone program is a geographically-defined program—it is aimed at economically distressed areas of the state. However, by designating a project "Regionally Significant," the boundaries of an Empire Zone may be expanded outside of the original Empire Zone. In New York City, the Chinatown/LES Empire Zone was expanded to include the East River Science Park, a new development for biotech firms on the East River at 28<sup>th</sup> Street. It is unclear how the inclusion of this project will leverage jobs for unemployed New Yorkers in Chinatown and the Lower East Side, apart from the creation of temporary construction jobs.

Additionally, the state has no recourse if a company decides to leave the state or significantly reduces the size of its work force after receiving tax breaks. Other jurisdictions, like the state of Minnesota, use what are known as "Clawbacks" to hold the recipients of public subsidies accountable. Businesses who fail to reach job creation goals or who move out of the state must repay the state a portion of the subsidy-- with interest.

As I said before, the state and the city's economic development goals would be better served by making public investments in the targeted areas, rather than simply providing tax breaks to private companies. Investments in public transportation, streetscape improvements, Brownfield remediation, upgrading utilities, and investing in human capital would all be appropriate economic development strategies in the areas that are currently in Empire Zones. Whereas individual businesses may come and go, these investments would be long-lasting, would strengthen the area's relative competitiveness, and would create real benefits for current residents.

Thank you for your consideration of my testimony.

**TESTIMONY OF**  
**THE NEW YORK CITY DEPARTMENT OF SMALL BUSINESS SERVICES**  
**BEFORE**  
**THE COMMITTEE ON ECONOMIC DEVELOPMENT**  
**OF**  
**THE NEW YORK CITY COUNCIL**

**November 24, 2009**

Oversight - New York State Empire Zone Program: Should it be Preserved, Reformed or Eliminated?

Good Afternoon Council Member White and members of the Committee on Economic Development. My name is Don 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 New York City Empire Zones Program. I am pleased to testify before you today regarding the future of the New York State Empire Zones Program.

As you know, the Empire Zones Program was created by the New York State Legislature in 1986 to stimulate private investment and job creation through a variety of State tax incentives. NYC has 11 zones throughout the five boroughs, which are specific geographic areas. Zones provide for a portfolio of valuable tax credits to eligible businesses. Some of the incentives include wage tax, investment tax and real property tax credits.

Before a business can take these credits against their State taxes, a business must first apply and be approved for certification by the City and State, a process, which at times, has been extensive and lengthy.

In April of this year, Empire State Development Corporation amended the regulations governing the Empire Zones Program resulting in a change to the certification process, new decertification criteria, and moved the sunset date of the program up to June 30, 2010 from the original sunset of June 30, 2011. When these changes were enacted, the State announced that it would contemplate developing a successor economic development program.

Although we feel the Empire Zones Program has had its successes, any new program must be easier to administer, monitor and be more directly accessible to businesses. Any modified program should continue to be used as a vehicle to help aid businesses operate and expand in NYC. Compared to the current program, it should have a more streamlined, less complex process to qualify, calculate and receive credits.

We would like to see the State build upon the successful elements of the program, remove intricate formulas and establish credits that reduce State taxes and operating costs. The desired result is helping businesses grow operations and make viable investment and expansion decisions.

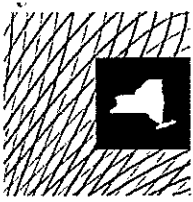
Historically, the Empire Zones program has gone through several revisions since its establishment. With each change and addition of new credits the program became more complex. Benefits and criteria should be easy to understand and the process of receiving them should be streamlined. Credits need to be more straightforward to have the greatest impact. Again, by modifying how businesses qualify in addition to how credits are calculated, the State could eliminate or tighten up what is now a lengthy certification process.

Expanding the scope of businesses which can qualify for tax credits would also be an important aspect to any modification. Currently, the program is designed in a way that select credits are available to specific industries and not to others. We hope that a successor program would accommodate different types of businesses and growth industries as they emerge – to allow the program to be more responsive to the needs of municipalities and changing local economic conditions.

Additional aspects of the Empire Zones Program exist, which we would like to see enhanced or continued, such as the Regionally Significant Project designation. This designation allows those businesses located outside of the Empire Zones, but still adding jobs and capital investment, to receive State tax credits. A new modified program can build upon this, and we feel that local input is crucial. We would want flexibility to provide benefits to significant projects across the boroughs.

We look forward to working with you to encourage the State to create an economic development program that will complement the City's goals.

Thank you for the opportunity to appear before you today and I am willing to answer any questions you may have.



**The  
Business  
Council**

*Testimony to*

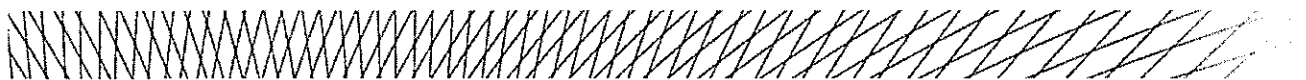
**New York City Council  
Economic Development Committee**

***Oversight – New York State Empire Zone Program  
Should it be Preserved, Reformed or Eliminated***

*Presented by*

**Kenneth Adams  
President**

***Tuesday, November 24, 2009***



We appreciate this opportunity to talk with you about the New York State and New York City economies, and more specifically about the need for effective economic development program and the future of the Empire Zones program.

The Business Council is New York's largest statewide employer organization, representing 3,000 businesses in all sectors, and in all parts of the state.

Today, I will provide you with an overview of our economic development priorities, as well as specific recommendations for new and revised incentive programs for the State to consider in the 2010 legislative session.

Given current economic conditions, and the expiration of both the Empire Zone and Power for Jobs programs next year, it is essential that we make timely decisions on our economic development priorities and the means to achieve them. And while we recognize that the majority of the actions and proposals we are about to share with you are actually within the purview of the state legislature rather than the NYC Council, as you have so appropriately demonstrated through your scheduling of this oversight hearing, the Empire Zone program has impacts across New York and is very much a New York City issue as well.

So, in terms of overall big picture, is there any doubt that New York State's economic climate is becoming noncompetitive?

A few quick facts:

- over a ten year period, 1997 to 2007, the state's job growth was 34<sup>th</sup> among states, and about 40 percent below the national growth rate. Interestingly, the state's climate for new facilities was relative good over this same period. In 2005, Site Selection found that New York was 4<sup>th</sup> among states in new and expanded corporate facilities. We were 6<sup>th</sup> in 2008, and have fallen to 16<sup>th</sup> in 2009.

What do these seemingly inconsistent data tell us? We think they show that:

- despite overall uncompetitive economic climate, the state had done reasonably well in attracting new investments. We believe this points directly to the impact of the Empire Zones program and other state incentive efforts.

We believe that the most effective economic development strategy for New York State would be a more competitive business climate. New York needs to address its business tax burden, especially real property taxes; reduce energy costs, especially electric costs; and bring the cost of employer-provided health care under control.

We need to make the hard choices to reign in spending at both the state and local government level.

No new taxes, a state spending cap, and a cap on real property taxes would be invaluable first steps in positioning New York for an economic recovery.

However, real progress toward restoring our business climate improvements will take time. In the meantime, given the significant, on-going competition we face from other states and nations, we believe that New York State also needs to continue to offer economic incentive programs.

To put it bluntly....we need more jobs in New York State. With unemployment at 10.2% nationally, and at least 850,000 New Yorkers out of work, we have to do everything we can to support private sector job growth, including up-grading and supporting economic development programs such as the EZ program.

The Empire Zone has been the basis for some of the largest capital investments in New York State in recent years. In many cases, its significant tax credits were essential; by offsetting uncompetitive high business costs in New York - particularly real property taxes - they provided a business cost framework that encouraged significant new in-state investments.

Because of its significant incentives, the Empire Zones program had become the state's *de facto* principal economic development tool.

As such, it had been amended, extended and administered to address a wide range of development objectives beyond its initial focus on redevelopment of distressed areas. Now that most of the program's initial "loopholes" were closed, we believe this "mission creep" was the basis for much of the recent criticism of the Empire Zone program.

We agree that the state needs to rethink its economic development efforts. We need to assure that development incentives are focused on strategic development objectives, and that incentive programs are economically efficient.

Going forward, the state should consider multiple programs, each designed to address specific development objectives.

Based on input from Business Council members, we believe these objectives and incentives include:

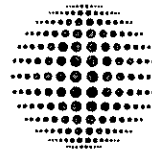
- Major Investment/Retention Projects - The state needs to have a flagship economic development program that focuses on major reinvestment in existing business to help retain valuable employers and high paying jobs, and to promote major new investments in New York State. An effective program could be based on the incentive structure currently provided under the Empire Zones program, but with eligibility based on targeted industries, rather than geographic location; and with modified incentives that provide more up front benefits. This new "Empire" program would:
  - o Target businesses in strategic, high wage sectors, including manufacturing, financial services, life sciences, and clean tech, and projects with significant regional impact.

- Provide an enhanced and fully refundable investment tax credit of 12 percent for tangible property investments and 15 percent for R&D activities.
- Provide a real property tax credit based on the increased assessed value of property due to new investment; this credit should be refundable for all eligible business, with equal treatment for RPT payments and for PILOT payments. Eligibility criteria for this credit would include significant capital investment and job retention; job creation; value of jobs based on wages and benefits.
- Technology/Innovation - The state needs to support emerging technology sectors, with support for business growth, R&D, and commercialization of new products. The Business Council will be issuing a comprehensive "innovation" incentive proposal in October. Our recommendations will include:
  - Expansion and extension of the Qualified Emerging Technology Company credit by increasing the company income-based eligibility threshold to \$40 million, and by increasing the credit for tangible property investments from 18 to 30 percent, and by increasing the credit for other research investments from 8 to 15 percent.
  - Adopt credits for pharmacological, cellulosic production, alternative energy storage and distribution, and deployment of commercial alternative energy.
  - Adoption of a sales tax exemption for academic incubators.
- Urban/Distressed Areas - A separate program targeting reinvestment in distressed urban areas should be adopted. Components could include:
  - Improved implementation of the state's brownfield cleanup and incentive programs, including an expedite application, project review and approval process by the Department of Economic Development; extended eligibility to include state superfund and RCRA sites; elimination of the tangible property credit cap for manufacturers and high-tech firms.
  - An enhanced job/wage incentive for job creation in distressed communities, with baseline grants of up to 80 percent of personal income tax withholdings related to increased employment, with grants up to 10 year's duration.
  - Allow transferability of the New York State Historic Rehabilitation Credit for distressed communities, allowing it to be purchased by investors or allocated to investors separate from the federal credit.

At the same time as we can hopefully work toward some of these innovative and thoughtful economic development program updates and reforms, we must also focus on two other key programs that will be considered by the State Legislature in 2010 and which will have significant, long-lasting impacts in New York City:

- Economic development power – The Business Council supports a long term replacement for the Power for Jobs and Economic Development power programs that provide long-term contracts with allocation-based incentives, and that redeploys “rural and domestic” power for economic development power purposes.
- And finally, Industrial Development Agencies – As you may be aware, NYC leads New York State in IDA financing by a large margin, so this issue is of critical importance to the five boroughs. The state should re-establish the authority for IDAs to finance “civic facilities.” While we support amendments that increase oversight and transparency of IDA operations, and measures that promote the use of regional workers and resources, we strongly oppose new wage mandates applied to construction and building operations.

Once again, we appreciate the opportunity to provide you with input on the future of the state’s economic development programs. We look forward to the opportunity to discuss these issues with you and your staff.



**Partnership for New York City**

**TESTIMONY SUBMITTED TO THE NEW YORK CITY COUNCIL**  
**COMMITTEE ON ECONOMIC DEVELOPMENT**

**OVERSIGHT HEARING ON EMPIRE ZONES**

**TUESDAY, NOVEMBER 24, 2009**

**KATHRYN WYLDE**  
**PRESIDENT & CEO**

**PARTNERSHIP FOR NEW YORK CITY**

Thank you, Chairman White and members of the committee for the opportunity to testify today regarding New York State's Empire Zone program. The Partnership is an organization of business leaders who are committed to maintaining New York's status as a world capital of business and finance. The Partnership's member companies employ over 770,000 people in the five boroughs and contribute \$141 billion a year to the Gross City Product.

In 2007, the Partnership collaborated with A.T. Kearney, a global management consulting firm, to conduct an analysis of the State's economic development programs for the Empire State Development Corporation. This study involved interviews with hundreds of business executives, regional economic development experts and real estate professionals. Its conclusion was that the Empire Zone Program, which costs New York State more than half a billion dollars a year, has given the taxpayers a very poor return on their investment.

Empire Zones originated in the 1980s with the goal of spurring revitalization of a handful of economically distressed communities where investors would get large tax benefits. Over the past twenty years, New York has expanded the program by creating zones and modifications of zones in virtually every county in the state. Massive tax subsidies have gone to develop retail stores, parking lots, real

estate ventures, electric utility plants and professional services firms – none of which are significant generators of strategic economic growth. Meanwhile, competitor states honed their economic development tools to build industry clusters and promote advanced manufacturing, technology centers and research and development hubs.

A.T. Kearney recommended that Empire Zones be terminated and replaced with a more targeted and objectively measured program. Last year, the Governor and state legislature acted to sunset the program in 2010, one year ahead of schedule, and to impose more stringent requirements and enforcement on current beneficiaries of the zones. The Partnership supported these actions. Already, the changes enacted resulted in over 540 companies that failed to meet minimal program obligations having been removed, saving the State an estimated \$90 million per year.

Unfortunately, it will take awhile to wind down the existing Empire Zone commitments. Money will be flowing to zone projects for ten more years; during this time, the State's fiscal crisis will make it hard to fund a replacement program. Funding a new program should, however, be a top priority as we seek to catch up with other states that are aggressively recruiting business operations and industries that have a natural base in New York.

The Empire State Development Corporation is well along in a consultative process with business and regional economic development groups to design a more targeted and proactive economic development program. Indications are that it will focus resources on building regional and statewide clusters of economic activity in global growth sectors where New York has a competitive advantage because of its diverse talent pool, eminent research and educational institutions, and industry leadership.

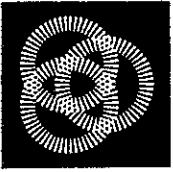
The Partnership recommends that New York adopt programs that are competitive with those offered by our neighboring states. New Jersey's program targets high-paying jobs. Under its Business Employee Incentive Program (BEIP), New Jersey effectively rebates to employers up to 80 percent of the income taxes they generate from new jobs over a ten year period. According to the program's annual report, between 1996 and 2006 the BEIP program created 67,395 new jobs at an average cost of less than \$1400 per job per year. A Rutgers study claims New Jersey has received a 10:1 return on tax dollars invested in BEIP.

Connecticut offers a deep research and development tax credit that grows in proportion to the number of high-paying research jobs a company creates in the state.

Over the past year, the NYC Economic Development Corporation (EDC) has pursued a cluster development strategy that builds on New York City's

particular strengths in financial services, media, retail and entertainment, health, and technology. Given the fiscal challenges facing the city and state, it is particularly important that the Council work with EDC and the business community to advocate for flexible and predictable state funding that EDC can apply to its industry initiatives.

Thank you for the opportunity to testify today. We look forward to collaborating with the New York City Council, the City Administration, the Governor and the Legislature to create the kinds of incentives that New York needs to foster business development and job creation in the 21st Century innovation economy.



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November 24, 2009

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

Oversight Hearing

**“The New York State Empire Zone Program:  
Should it be Preserved, Reformed or Eliminated?”**

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Good afternoon Chairman White, council members and staff. I am Richard Werber, the Director of the Business Services Group at Greater Jamaica Development Corporation (GJDC). We have been the administrators of the Jamaica Empire Zone since program inception in 1981.

We applaud the Committee’s initiative in holding this oversight hearing on whether the Empire Zone program should be preserved, reformed or eliminated. It is a complex issue and one of great importance to the City and the State – it needs the careful consideration a hearing can bring to bear.

GJDC suggests that elements of the current Empire Zone program be preserved in any New York State program; we believe the existing Empire Zone program has within it the core of a workable program that with rationalized reform could keep it the flagship economic development program of the State; we strongly recommend that if the program is to be eliminated, we cannot set a sunset date for elimination until a new, fully defined program is written into law.

First, let me present the elements of the current program that have worked for the Jamaica Empire Zone.

The legislative intent of the Empire Zone program has never changed:

“...There exist within the state certain areas characterized by persistent and pervasive poverty, high unemployment, limited new job creation, (and) a dependence on public assistance income.... These severe conditions require state government to target for these areas extraordinary economic and human resource development programs....”

GJDC supports continuation of a primary element of the Empire Zone program -- to provide special incentives to disadvantaged areas of the State -- and that should remain a foundation of a State-wide, flagship program.

The September unemployment rate for Jamaica was 12.3%, 19% higher than New York City's and 25% higher than the national average at that time. Among the 26,738 residents in a 10-census tract area in the heart of downtown Jamaica, more than one person in five fell below the federal poverty line; nearly half fell between 100% and 200% of the poverty line. While these figures are daunting they show progress from economic conditions ten years ago. This is in some measure attributable to the Empire Zone program.

Certification requirements and the incentives package of the program have become too complex. We suggest additional revision to more closely constrain or limit tax credit categories and further limit the length of time incentives are available after Empire Zone certification.

Having special areas designated for incentives does not preclude having a parallel program based on a State-wide economic development strategy.

With the creation of the Empire Zone Regionally Significant Project designation in 2005, the State added just such a project-specific, strategic element into the Empire Zone program. We have most recently worked on such a project. The company invested over \$25 million, retained over 450 manufacturing jobs in Southeast Queens, and projects an increase of up to 160 jobs over the next three years with the help of Empire Zone benefits. The Regionally Significant Project concept has helped create jobs in Jamaica and we believe can be the basis for an effective, strategically targeted program serving the interests of New York State and City.

Another criticism of the program is that it serves the needs of large companies who do not need incentives and may not contribute to local economic opportunity. This is not the case in Jamaica, where small firms are the rule.

The median number of employees among certified firms is 15; over half have 20 or fewer employees; more than one out of three have 10 employees or less. When we collected data on three of the larger zone-certified firms in Southeast Queens, we found between 30% and 53% of their workers were from Southeast Queens; 58% to 70% of all workers lived in Queens; and 73% to 93% lived in New York City. We are confident that these percentages are even higher at the smaller firms.

Our firms also performed well in terms of recent de-certifications for failure to meet new standards. Empire State Development reported sending 544 revocation notices to over 7,000 companies because they did not meet a minimum cost-benefit threshold of tax credits to economic impact. Statewide, this is about 8% of all certified companies. South Jamaica has 85 companies currently certified; only 2 received revocation notices

(approximately 2%), and one of these has appealed based on investments made during the period under review, but not reported to the State.

We support review for continued certification when it is based on a cost-benefit analysis of actual job growth and investments against credits taken; we do not support certification reviews based on job growth and investments against projections. We want to reiterate here that there are no Empire Zone incentives provided for projections; incentives are tied to actual job growth or real capital investments.

Regarding elimination of the program, GJDC respectfully asks the Council to understand that elimination is not a question that can be answered in a vacuum of not knowing what might, or might not, replace it. GJDC is deeply concerned that the current environment of program uncertainty discourages business investment and job growth – we are already in a “dead zone” of State-wide economic development policy.

What do we mean by “dead zone”?

Let me read you an excerpt from an email we received on November 13, just 11 days ago.

“My...family’s business has been employing neighborhood (residents) for over 40 years. We are growing every year....

“However we are faced like every other business with growing costs....

“In the current economic times I have been searching for new ways for (my family business) to do business more efficiently in New York to help us remain competitive.... However with...rising costs I have been considering relocating the manufacturing business to a possible neighboring state. With this move will come the loss of a 20+ jobs. Is there any way you can help me qualify as (a) business within the Empire Zone?”

GJDC can help him find space in an Empire Zone and we can help him qualify. The problem is, by the time he obtains a relocation site, there may no longer be an Empire Zone program. Is it reasonable to expect the State to devise a new program, pass it into law, promulgate regulations and implement it before June 30, 2010? And would this small business be eligible for incentives even if it were? We can offer only uncertainty, not a retention incentive. Dead zone.

Greater Jamaica Development Corporation was also able to locate a move-in site for “Project Blossom,” which would allow expansion of an upstate food manufacturing company to Jamaica that would bring 30 jobs to Jamaica to start, then 30 more jobs over the next 3-5 years. A Jamaica site is on the short list for final selection, competing with sites in Connecticut and New Jersey. Given the timing of this substantial project, we cannot monetize our State’s flagship incentive package to help attract the firm to Jamaica; Connecticut and New Jersey economic developers can. Dead zone!

We therefore recommend that a revision of the Empire Zone, not its elimination, is a viable and necessary option at this point in time. Revisions that would further constrain or limit tax credit categories and further limit the length of time incentives were available would make the program both more accessible and sustainable. A pre-emptive extension of the program should be considered as a last resort, preferable only to the alternative of having no program at all for an indeterminate period.

As the Zone Administrator for the Jamaica Empire Zone, GJDC provides technical support to applicants, markets the program, manages the Regionally Significant Project process, monitors businesses in the program, reports to the State, and serves as liaison to local elected officials.

GJDC is deeply concerned about the loss of administrative funding to provide professional services that support the program at the local level. State funding over the previous three years went from \$41,900 to \$30,500 to \$24,200. State funding as of July 1, 2009 was eliminated – it is zero. We have continued to provide Empire Zone administrative services under our New York City's Industrial Business Service Provider program, which is operated by the Department of Small Business Services. We are grateful for their support, which covers a small portion of the total costs of operating the program, as well as for their effort to absorb some part of the administrative burden of the Empire Zone program. GJDC wants to assist local firms access this most powerful attraction and retention program. But without direct funding for this work GJDC estimates its losses for providing assistance at \$60,000 to \$80,000 per year.

We respectfully suggest that any State-wide program needs the ability to provide local assistance to be efficient and effective. We respectfully submit that compensation for such work be commensurate with the costs incurred and this concept be incorporated into legislative language.

I would be glad to respond to any of your questions to the best of my ability.

Thank you

**Chinatown/Lower East Side Empire Zone**  
**Zone Administrator Report to the City Council**  
November 24, 2009

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The Chinatown/Lower East Side's Empire Zone Program attracts businesses that otherwise would not have established offices in the area. The CT/LES Zone was designated in 2005. To date, the Zone has **certified 20 businesses**. The Zone Administrative Board has also approved \$430,000 in Zone Capital Credits to **two not-for-profit community development organizations**.

As a relatively young Zone, the CT/LES Zone has always existed with a Zone Develop Plan in place. With an engaged Zone Administrative Board and close Zone Administrator facilitation and post-certification monitoring, *all* certified businesses and community development projects to date fall within the requirements of the Zone Development Plan.

**Attracting Targeted Businesses**

Twenty businesses have certified since the Zone's inception in late-2005, bringing into the Zone a projected **\$163,082,300** of investments and creating a projected **497.5 FTE jobs**.

- Tax credit incentives are a good way to encourage the development of sectors that are needed in a given Zone.
  - In the Chinatown/Lower East Side Zone, office space for professional firms and businesses is scarce. By defining "professional firms" and "developers of office and light manufacturing rental space" as targeted industry areas, professional businesses are encouraged to stay in/move into the Zone.

*Example:* 139 Centre Street, a building that once held a headquarter of Globix, was deserted since the company's relocation. Young Woo Associates, LLC developed the building with a vision of creating a centralized location for medical offices and related businesses (such as a pharmacy) and applied for Zone certification. Tax credits from Empire Zone not only allowed Young Woo Associates, LLC to provide quality infrastructure for the building—such as building water columns often used by doctors and dentists on every floor, as well as rebuilding the building's elevators with wider, larger specs consistent with hospital standards—they also enabled Young Woo Associates, LLC to offer office spaces at competitive prices, thereby attracting medical professionals from places such as Queens to relocate or to establish a satellite office in Chinatown, an area that sorely lacks professional office space and is experiencing more demand than there are medical professionals to meet the need.

- Maintaining the city's manufacturing and small business space against rampant high-end residential developers.
  - "Scores of [businesses] — from ethnic food producers to the makers of home furnishings — have real potential for growth [in New York City]. However, many of these firms are being squeezed out by rising real estate prices and city zoning policies that have facilitated the conversion of longtime industrial areas to residential development."

~ *Revising the City of Aspiration*, Center for An Urban Future, p. 40

*Example:* A certified hotel in the Chinatown/Lower East Side Zone used to house a garment factory. After the factory's close, the building was originally going to be developed into luxury residential units. After the community voted the plan down, the building owner took advantage of the Empire Zone program and turned the property into a hotel, with a ground-floor retail "mini mall" that will bring in additional jobs and economic activities besides the jobs the hotel itself is creating.

- Empire Zone benefits attract large-scale industries to invest in New York City—and to stay for the long term.
  - New York City leads the nation in the highest concentration of medical and bioscience institutions (universities and hospitals, etc.) but has never been able to retain the biotech industry from leaving to other states after getting training and education in the city. Designating the East Science River Park as within the Empire Zone will encourage the retention, growth, and industry breakthrough of bioscience in New York City.

*Example:* Working with the New York City EDC and the NYC Zone Administrator at the Department of Small Business Services, the CT/LES Zone Administrator and Zone Administrative Board expanded the Zone boundary to include 3.8 acres of the East River Science Park campus into the Zone. This will encourage growth of the bioscience industry in New York City, an incentive consistent with Mayor Bloomberg's plan to make NYC into a biotech "hub."

### **Strong Zone Administrative Board Oversight**

The Chinatown/Lower East Side Empire Zone is under the oversight of an engaged and proactive Zone Administrative Board (ZAB). The nine ZAB members are Mayor-appointed and consist of business and community leaders who understand the importance of economic development without compromising the cultural uniqueness and neighborhood characteristics of Chinatown/Lower East Side.

In the ZAB's three-year tenure so far (the CT/LES began taking EZ certification applications in 2006), two committees/working groups have been formed:

- The **Hotel Committee** was established to address the growing number of hotel applicants and to ensure hotel developments benefit the community overall. The Committee met over the summer and fall of 2008. Committee members recommended changes to the existing Zone Development Plan to tighten eligibility requirements for hotel applicants and to encourage more community benefits (local hiring, living wage with benefits, free or discounted meeting spaces for community groups, etc.). Revisions to the hotel section of the Zone Development Plan are awaiting final ESDC approval.
- The **East River Science Park working group**. Members of the ERSP working group attended meetings with NYC EDC and ERSP's developer, Alexandria Real Estate Equities, Inc., to understand the pros and cons of expanding the CT/LES Empire Zone boundary to include the 3.8-acre ERSP campus in the East 20s Streets along the East River. The working group's efforts resulted in Alexandria's active commitment to obtain procurement from CT/LES-based businesses, offer biotech conference opportunities to students in local middle and high schools, and pursue local hiring and service contracting where possible.

**New York City Empire Zone Program**

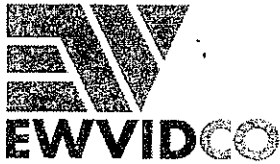
Chinatown/Lower East Side has benefited from the Empire Zone program, yet this is possible only with strong Board oversight and committed Zone Administration by Renaissance Economic Development Corporation. Local oversight and faciliation enable a blanket program designed for state-wide implementation to be successfully applied on a local level.

Should a similar economic development program be created after the sunset date of the Empire Zone Program, Chinatown/Lower East Side businesses will benefit from a new program that will include industry sectors such as retailers, commercial developers, and service industry businesses such as hotels and restaurants.

<b>CHINATOWN/LOWER EAST SIDE EMPIRE ZONE CERTIFIED BUSINESSES</b>			
<b>APPLICANTS</b>	<b>Projected Investments</b>	<b>No. of FTE Jobs Projected</b>	<b>Minority- or Women-Owned Business</b>
<b>LIGHT MANUFACTURING – GARMENTS</b> Production Network, Inc.	\$79,000	12	Y
<b>TOURISM DESTINATION PROJECTS – RETAIL</b> Meridian Herbs, Inc d/b/a Kamwo Herbs New York Jewelry Mall Inc Green Depot LLC	\$90,000 \$1,240,000 \$905,000	27 34.5* 16	Y Y Y
<b>TOURISM DESTINATION PROJECTS – HOTELS</b> Allen Operating Co., LLC BTW Holdings, LLC The Downtown LLC Hotel 91, Inc.	\$6,465,313 \$32,180,000 \$8,374,198 \$970,000	78 68 28 26	N Y Y Y
<b>OFFICE SPACE DEVELOPMENT</b> 180 Ludlow Development, LLC AG Woo Centre Street Owner, LLC Centre Court Holdings, LLC Dynasty Management, Inc	\$56,606,115 \$24,200,000 \$19,114,000 \$196,969	51 3 7 25	Y Y Y Y
<b>PROFESSIONAL SERVICES FIRMS</b> H2 Consulting PE PC M&M Environmental The Corporate Legal Standard, Inc.	\$132,500 \$183,500 \$76,000	3 15 31	Y Y Y
<b>EMERGING ARTS FIRMS</b> Inson Dubois Wood LLC Mok Inc. d/b/a/ Sculpture Haus Lafayette 148 Inc. Toshiko Mori Architect, PLLC	\$3,740,000 \$80,000 \$1,775,000 \$174,705	16 2 30 12	Y N Y Y
<b>COMMERCIAL DEVELOPMENT ON EAST RIVER WATERFRONT –</b> Basketball City New York, LLC	\$6,500,000	13	N
<b>TOTALS</b>	<b>\$163,082,300</b>	<b>497.5*</b>	<b>17</b>

\* Note: Fractional numbers may indicate projected part-time employments

<b>EMPIRE ZONE CAPITAL CREDITS (\$2,500,000 TOTAL)</b>	
<b>COMMUNITY DEVELOPMENT PROJECTS (\$2,000,000 ALLOCATED)</b>	<b>APPROVED CREDITS</b>
Lower East Side Tenement Museum	\$250,000
Dixon Place (non-profit cultural institution for emerging artists)	\$180,000
<b>Total</b>	<b>\$430,000</b>
<b>Available Credits</b>	<b>\$1,570,000</b>
<b>DIRECT EQUITY PROJECTS (\$500,000 ALLOCATED)</b>	
<b>Available Credits</b>	<b>\$500,000</b>



**Testimony of Leah Archibald, Executive Director, EWVIDCO  
NYC Council Committee on Economic Development  
November 24, 2009**

As you know, the Empire Zone is a performance-based program. Businesses do not receive any benefits until a company does something—invests and spends money or creates jobs. The efforts over the last several years to tighten up the eligibility requirements by requiring Empire Zone applicants to complete a cost benefit analysis prior to receiving a certificate of eligibility has gone far to insure that only companies that have made a substantial investment in the State in both capital and its workforce will be eligible to receive tax credits. We have strongly supported the Empire Zone program and offer the following suggestions to make it an even better tool to attract businesses to grow in our State.

- The greatest growth in job creation in New York comes from the small business sector. During this period of severe recession it is more difficult than it has been in many years for businesses to make additional capital investments and hire additional employees. The State should increase its efforts to increase such growth. The cost benefit ratio of 20:1 for companies to become eligible for the Empire Zone Program will virtually eliminate those small businesses, in particular small manufacturers, that create the growth spurt that the State desperately needs at this time.
- To participate in the Empire Zone Program companies must apply and be approved by on both the local and State levels. Since the program is an incentive for companies to grow, many business decisions are made based upon these projected benefits. Currently, NYS is re-examining every currently certified business and analyze the cost to the State in relation to the benefit to the community. The 20:1 cost benefit ration cancels incentives that companies have a right to expect. As a result, hundreds of businesses in Brooklyn would become ineligible to receive benefits they expected to help them pay expenses. This is completely contrary to they way that a business incentive should work. It ruins the State's credibility, and will make it difficult to attract significant new investments by businesses, at a time when new business investment is so desperately needed to help the State resolve its fiscal problems. In North Brooklyn we have 75 manufacturers certified. 55 of them meet the revised CBA. Since we have nearly 200 EZ certified firms, this represents a little over 25% of the firms we currently serve. This program will essentially be scaled back from a broad based economic development program, to one that only a select number of firms will qualify for. In light of the ongoing recession, wouldn't it make sense to encourage and reward small business growth?
- Provide adequate funding for local administration, if the program continues in a fashion that requires this. Administrative funding for organizations like EWVIDCO has gone from \$72,000 in 2004 to \$0 today. It costs my organization \$75,000 a year to administer this program well.



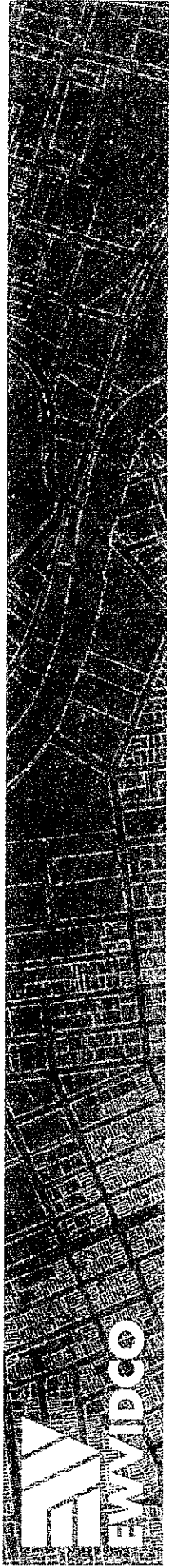
**EWVIDCO**  
PRESENTATION TO

**NYC COUNCIL**

**on**

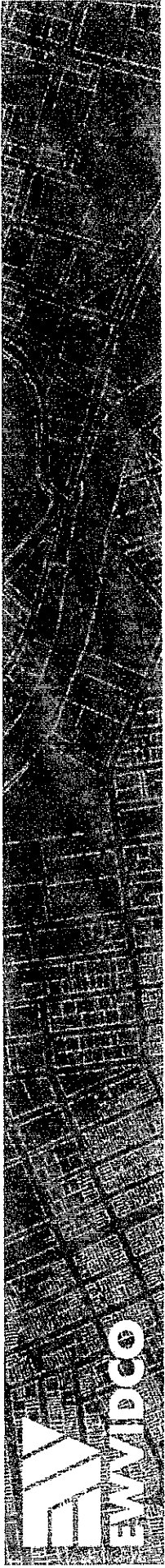
**NYC EMPIRE ZONE PROGRAM**

**NOVEMBER 24, 2009**



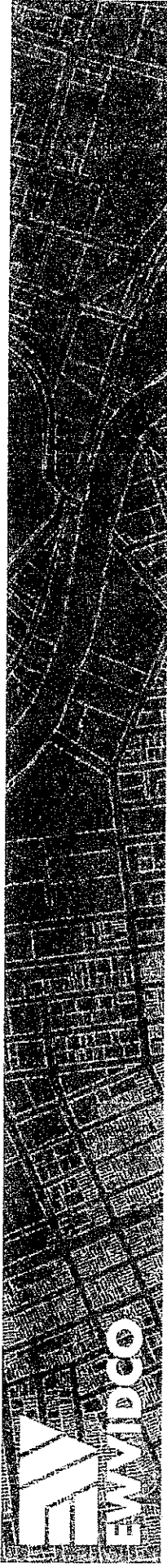
## **NEW YORK CITY EMPIRE ZONES: OVERALL IMPACT**

- Number of certified companies: 1,100
- Number of employed workers: 46,339
- Number of new jobs created in 2007: 4,898
- Average starting hourly wage: \$13.33
- Total Wages and benefits: \$2,290,416,045
- 2007 investments: \$636,083,940

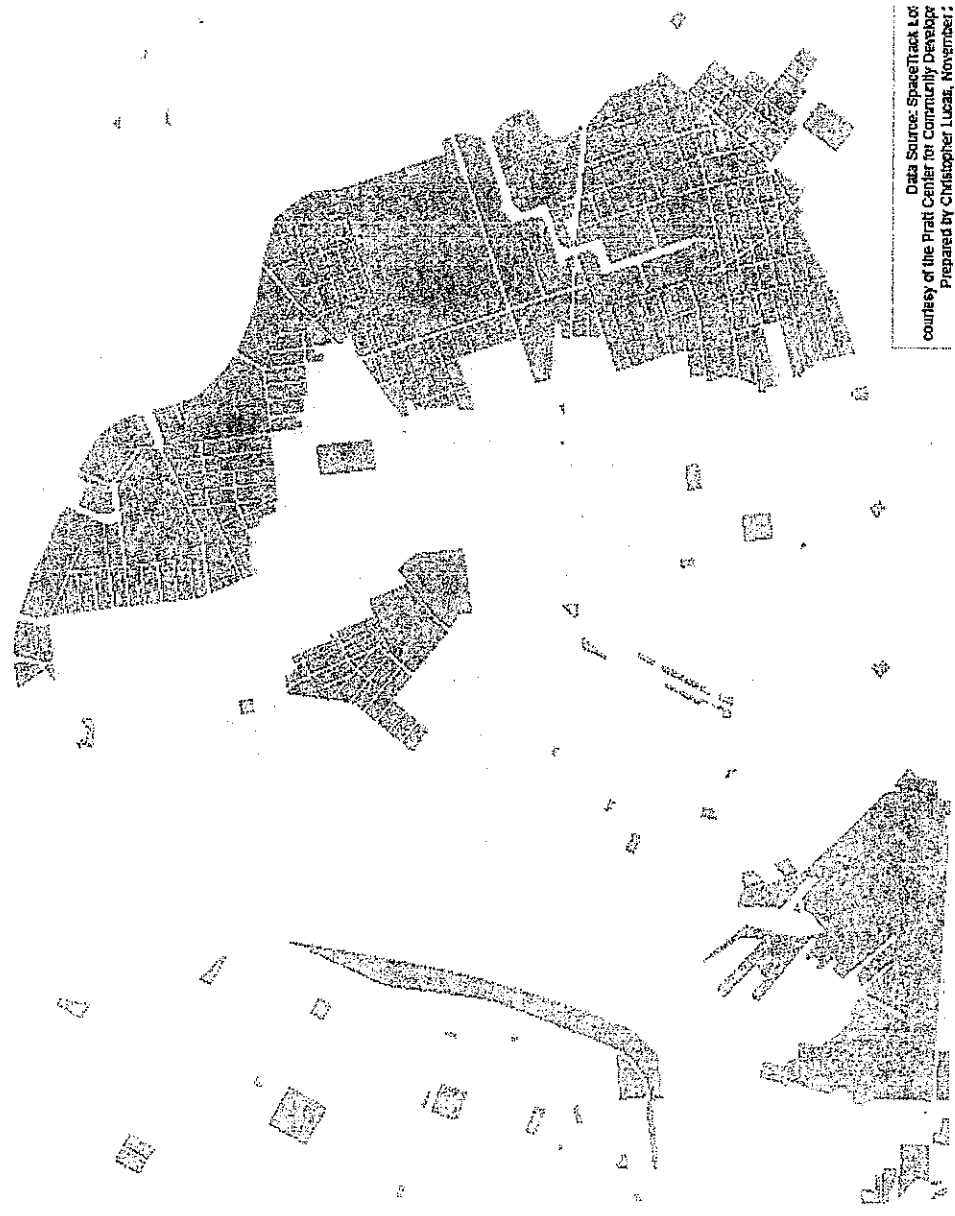


## **NEW YORK CITY EMPIRE ZONES: OVERALL IMPACT**

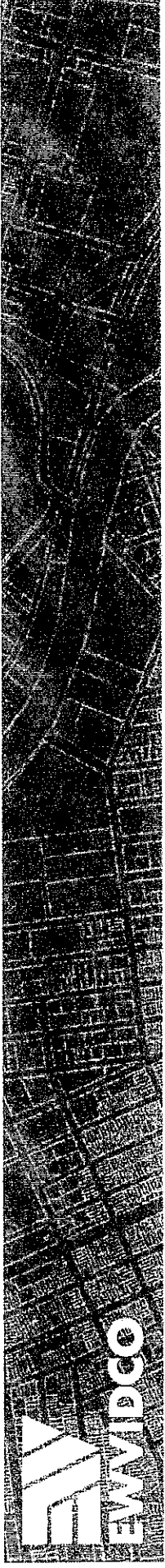
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# NORTH BROOKLYN EMPIRE ZONE

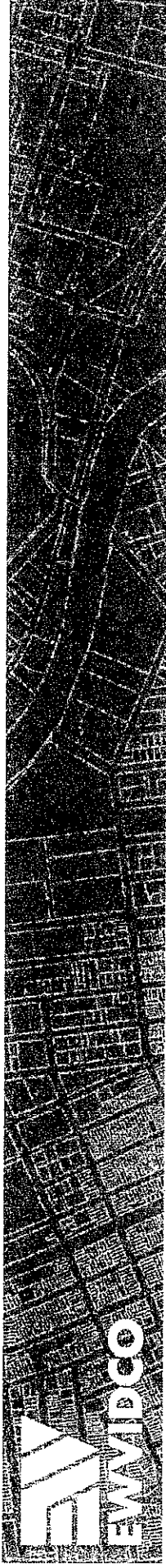


Data Source: SpaceTrack Ltd.  
courtesy of the Pratt Center for Community Development  
Prepared by Christopher Lucas, November 2011



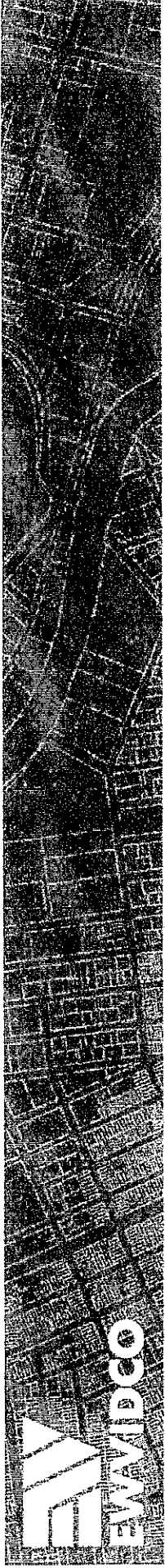
## NORTH BROOKLYN EMPIRE ZONE FACTS

- North Brooklyn/Brooklyn Navy Yard EZ boundary was revised in 2006 to be contiguous with new IBZ's
- In 2007 there were 174 Empire Zone Certified firms employing over 7,200 people
- In 2007, EZ firms invested over \$71 million in their businesses, claiming nearly \$11 million in tax credits
- EWVIDCO certified 23 firms in 2008.
  - ➔ These firms employ 311 people;
  - ➔ Will add another 536 employees over the next 5 years;
  - ➔ And are projected to invest over \$52,230,000 over the next five years



## NORTH BROOKLYN EMPIRE ZONE HIGHLIGHTS

- Over half a billion in wages paid between 2006 and 2007
- Over half of all EZ credits are Real Estate Property Tax Credits or Tax Reduction Tax Credits
  - ➔ Two credits not tied to either new jobs or investment in any given taxable year
- Average CBA in North Brooklyn was over 200:1 in both 2006 and 2007
- Average annual wages in North Brooklyn EZ increased by almost \$3,500 between 2006 and 2007
  - ➔ Going from \$40,208 to \$43,669



## **NORTH BROOKLYN EMPIRE ZONE CHALLENGES**

- **Administrative funding has declined from \$72,000 in 2004 to \$24,000 in 2008**

**↑** Contract deliverables have continually Increased

**New York State will not provide administrative funding in 2010**



● **EZ program costs EWVIDCO approximately \$75,000 to administer, currently responsibilities for administration are shared with NYC DSBS and EWVIDCO through the IBZ program.**



## PROPOSED MODIFICATIONS

Current revisions make the Empire Zone program available to far fewer businesses than ever before, precisely at the moment that many businesses need extra support to continue. Improvements to the program include:

- Create a reasonable cost/benefit ratio
- Ease requirements for manufacturers that are expanding
- Adequate funding for municipalities and nonprofits charged with administering economic development.

**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

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

in favor  in opposition

Date: 11/24/09

(PLEASE PRINT)

Name: RICHANA WERBER

Address: ~~90-04 161 STREET~~ 315 W. 70 ST

I represent: GREATER TAMMUNA DEVT CORP

Address: 90-04 161 STREET

**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

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

in favor  in opposition

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

(PLEASE PRINT)

Name: Christopher Keri

Address: 111 DIVISION ST

I represent: Asia Americas for Equilibrium

Address: Renaissance Econ Dev Corp

**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

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

in favor  in opposition

Date: 11/24/09

(PLEASE PRINT)

Name: Hally Chiu

Address: 111 Division Street, NY NY 10002

I represent: Renaissance Economic Development Corporation

Address: Same as above

▶ 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. \_\_\_\_\_ Res. No. \_\_\_\_\_

in favor  in opposition

Date: 11/24/09

(PLEASE PRINT)

Name: KENNETH ADAMS

Address: BUSINESS COUNCIL OF NYS

I represent: LARK ST., ALBANY NY

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

**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

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

in favor  in opposition

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

(PLEASE PRINT)

Name: Sam Fisher

Address: 150 Sealey Street Brooklyn NY

I represent: NYIRN

Address: 11 Park Place, 914 NY NY 10007

**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

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

in favor  in opposition

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

(PLEASE PRINT)

Name: John Petro

Address: 40 Exchange Pl Suite 2001 NY NY

I represent: Drum Major Institute

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

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**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

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

in favor  in opposition

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

Name: Donald Giampietro (PLEASE PRINT)

Address: SBS +

I represent: SBS

Address: 110 William St. NY NY 10005

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. \_\_\_\_\_ Res. No. \_\_\_\_\_

in favor  in opposition

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

Name: Kathy Wyldre, CEO & President (PLEASE PRINT)

Address: 110 Battery Park Pl. NY, NY

I represent: Partnership for NYC.

Address: Same.

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. \_\_\_\_\_ Res. No. \_\_\_\_\_

in favor     in opposition

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

(PLEASE PRINT)

Name: NATHAN SUDAKOFF

Address: 27 Whitehall St NY NY 10002

I represent: AS Business Consulting

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

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**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

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

in favor,     in opposition

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

(PLEASE PRINT)

Name: Leah Archibald

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

I represent: EWV IDC

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

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