

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON LANDMARKS, PUBLIC
SITING AND MARITIME USES

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December 15, 2014
Start: 11:25 a.m.
Recess: 1:18 p.m.

HELD AT: 250 Broadway - Committee Room
16th Floor

B E F O R E: PETER A. KOO
Chairperson

COUNCIL MEMBERS:

Annabel Palma
Maria Del Carmen Arroyo
Rosie Mendez
Stephen T. Levin
Inez D. Barron
Ben Kallos

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

Zachary Smith, Chief Operating Officer
New York City Economic Development
Corporation (EDC)

Joshua Nelson, Senior Vice President
Asset Management Group (EDC)

Andrew Genn, Senior Vice President
Ports and Transportation (EDC)

Patrick Simeone, Director of Facilities
Phoenix Beverage

Michael Stamatis, President
Red Hook Container Terminal, Terminal
Operator and Stevedore

Roland Lewis, President
Metropolitan Waterfront Alliance

Louis Pernice, President
Local 1814 - International Longshoremen's
Association (ILA)

1 SUB COMMITTEE ON LANDMARKS,
PUBLIC SITING AND MARITIME USES

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2 [sound check, pause]

3 CHAIRPERSON KOO: Hi, good morning. This
4 is Council Member Peter Koo. I'm the Chair of the
5 Landmarks, Public Siting, and Maritime Uses
6 Subcommittee, and we are here joined by our Chairman
7 of the Landmarks Committee Council Member Greenfield,
8 and also Council Member Menchaca, and we have our own
9 committee Council Member Kallos, Council Member
10 Mendez, and Council Member Palma.

11 Today we have item--Land Use Item 158,
12 Application No. 201552-- Let me repeat that again.
13 20155247 PNK, South Brooklyn Maritime Marine
14 Terminal. And before we start, Council Member
15 Menchaca wants to make a statement.

16 COUNCIL MEMBER MENCHACA: Buenos Dias,
17 everyone. Thank you all for being here today. So, I
18 want to help set the tone for this conversation.
19 South Brooklyn Marine Terminal in my district
20 presents a tremendous opportunity to support maritime
21 industries in New York City. This is 70 plus, a 72-
22 acre public site with the necessary intermodal
23 connections to be a highly attractive location for
24 the maritime sector. But even if we all share the
25 goal of attracting these industries to Sunset Park in

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2 Brooklyn, both in the short and the long-term, we
3 have to acknowledge that this site also has the
4 potential to impose community burdens like any large
5 industrial site. We must approach this site
6 carefully, strategically with a lot of thought, and
7 with a real commitment to community engagement.

8 This is a community that has fought for
9 waterfront access, fought for environment justice,
10 and fought for equity in the economic development
11 agenda. I am a deep supporter of our effort to
12 preserve, and to expand on maritime and industrial
13 jobs here, an industrial job base. It is a critical
14 goal not only locally, but regionally. But we must
15 get there in a way that integrates the City Council
16 and the local community in the process to promote
17 high quality of jobs for local residents, and high
18 quality of life for the neighborhood. So I look
19 forward to hearing today from EDC and how we can do
20 that. Thank you.

21 [pause]

22 CHAIRPERSON KOO: Thank you, Council
23 Member Menchaca. We have the following gentleman
24 from EDC to testify before us, Andrew Genn, Senior
25 Vice President, and Amelia Dowling [sic], Vice

2 President. Let me see. James Cass, Director of
3 Policy and Planning, and who else is here?

4 ZACHARY SMITH: [interposing] You're
5 reading the names of those of us from EDC who are
6 represented here today. I can begin with my
7 testimony. I'd be happy to--

8 CHAIRPERSON KOO: [interposing] No, I
9 can--

10 ZACHARY SMITH: --introduce my
11 colleagues. There sitting here with me.

12 CHAIRPERSON KOO: Okay, sir. Yes, so why
13 don't you guys begin to testify now.

14 ZACHARY SMITH: Good morning, Chairman
15 Koo and members of the Subcommittee on Landmarks,
16 Public Siting, and Maritime Uses. My name is Zachary
17 Smith, and I'm the Chief Operating Officer at the New
18 York City Economic Development Corporation. We call
19 ourselves, EDC. I'm joined by my colleagues Joshua
20 Nelson to my left, the Senior Vice President in our
21 Asset Management Group and Andrew Genn to my right,
22 our Senior Vice President for Ports and
23 Transportation. We're delighted to be here this
24 morning.

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2 At EDC, it is our mission to strengthen
3 the City's economy and generate high quality jobs for
4 New Yorkers across the five boroughs. One important
5 way we do that is by activating under-utilize city
6 assets to become hubs for quality jobs and industrial
7 businesses. I am here today to request the Council's
8 support for a master lease agreement between the City
9 and EDC for approximately 72 acres of the South
10 Brooklyn Marine Terminal, or SBMT, a city-owned
11 maritime industrial facility in Sunset Park,
12 Brooklyn.

13 SBMT is a property that has been
14 significant under--significantly under-utilized for
15 several years. The City now has a fresh opportunity
16 to bring it back to life after EDC took legal action
17 on the City's behalf to wrest control of SBMT from a
18 private operator that had gone bankrupt. A master
19 lease to EDC will allow us to actively manage SBMT,
20 just like the Navy yard or the Brooklyn Army Terminal
21 are managed. It represents the best and most
22 effective way for the City of New York to bring the
23 site to life, and to bring new jobs and activity to
24 the Sunset Park Waterfront.

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2 First, a few comments on what SBMT is.
3 The South Brooklyn Marine Terminal is an important
4 maritime asset that is vital to employment in the
5 neighborhood and the economy of the entire city.
6 SBMT was built in the 1960s to handle marine cargo.
7 It was closed in the 1980s, and put to use as a tow
8 pound by the Police Department, among other non-
9 maritime uses. In recent years, NYPD vacated the
10 site, and EDC and the City have sought to reactive it
11 to create jobs, and other public benefits. The site
12 is located in an M3 industrial area in Sunset Park.
13 A small portion of SBMT is already leased to one of
14 the City's primary municipal recycling facilities
15 operated by a company called Sims. Adjacent and
16 surrounding uses include the following: Industrial
17 and warehousing space; a federal corrections
18 facility, and Con Ed and New York Power Authority
19 facilities. SBMT is the only maritime industrial
20 site in Brooklyn, Queens and Long Island with direct
21 rail access. This is important because it allows for
22 goods to be distributed by trains rather than trucks
23 that can disrupt communities by creating pollution
24 and traffic.

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2 SBMT is one of only two marine terminals
3 in Brooklyn and Queens. The other is Red Hook
4 Container Terminal, which is a Port Authority
5 facility that does not have rail access.

6 EDC currently administered SBMT on the
7 City's behalf via our maritime contract with the
8 City, which was amended and restated on July 1, 2014.
9 In the last five years, EDC has spent over \$115
10 million to improve SBMT and ready it for occupancy by
11 job-intensive maritime and intermodal businesses.
12 Effective June 30th of this year, the City's prior
13 tenant at SBMT, the Axis Group, terminated its lease
14 after two years in court, after its parent company
15 declared bankruptcy. Now, that the City has regained
16 control of the facility, we are seeking a master
17 lease, which will allow us to quickly activate the
18 site with good jobs in the maritime industry.

19 Our vision for SBMT is one that activates
20 the full potential of this site to support economic
21 vitality of the Sunset Park community, and provides
22 hundreds of good paying modern industrial jobs that
23 are accessible to New Yorkers or all educational
24 backgrounds. In the short term, we will place
25 operators, short-term operators at SBMT to generate

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2 interest from the maritime community, and build a
3 market for SBMT by re-establishing it as a viable and
4 high functioning port. In the long term, once SBMT
5 has established its place as a competitive shipping
6 port, we will RFP, put out a request for proposals,
7 for the site for one or more longer-term tenants who
8 can operate the site for a substantial period of
9 time. We believe re-activating the site as a
10 maritime facility to be consistent with the desires
11 that have been expressed previously by leaders in the
12 local community.

13 In December 2009, the Community Board and
14 City Council established the Sunset Park 197-A Plan,
15 committing the City to preserve Sunset Park's legacy
16 as a manufacturing community with high quality jobs.
17 The local Community Boards 197-A Plan notes that
18 industrial infrastructure is one of the community's
19 major assets. The report states that quote, "The
20 Sunset Park Waterfront is well suited for continued
21 maritime and/or industrial use. It has an extensive
22 industrial infrastructure developed over more than
23 100 years--for more than 100 years that can
24 potentially accommodate a broad range of industrial
25 uses. And a local rail freight transportation

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2 network that includes rail lines, rail yards, and
3 rail float bridges." End quote.

4 The Plan highlights South Brooklyn Marine
5 Terminal's vital role as a break bulk cargo facility.
6 The Development Plan attached to the Master Lease
7 reflects our commitment to honoring the community's
8 wishes for the future of SBMT. Securing the master
9 lease is imperative for three reasons: A flexile
10 well-managed SBMT port facility will provide good
11 high paying jobs. It will reduce the City's
12 environmental impact overall, and it will facilitate
13 our affordable housing goals as well as other
14 construction priorities of the City.

15 First, good jobs. From New York City's
16 founding days through the present the maritime
17 industry has been critical to our economic stability
18 and growth. Some of New York's maritime companies
19 have been pillars of our city for centuries, and a
20 few of them have joined us today. Despite its age,
21 the maritime industry is well situated to combat the
22 incoming inequality that challenges modern New York
23 City, a priority of both the City Council and the
24 Mayor.

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2 Waterfront employment is specialized--
3 waterfront employment is specialized requiring all
4 levels of skills from apprentice to master. Because
5 of its unionized nature, it is also a wonderful of
6 high paying blue-collar jobs. Typical waterfront
7 starting pay is \$40,000 for a warehouse worker with
8 benefits. This typically grows as a worker gains
9 skills. Unionized longshoremen's salaries start at
10 \$50,000 per year, and the average wage is typically
11 \$80,000 with benefits. Supply chain jobs are
12 plentiful, and local colleges, most notably SUNY
13 Maritime College in the Bronx have nearly 100%
14 placement rates for graduates. We at EDC are working
15 with McKee Center and Technical Education High School
16 on Staten Island, and the Urban Assembly High School
17 of Global Commerce in Harlem to create pathways to
18 job opportunities for more New Yorkers.

19 A vibrant SBMT will support these efforts
20 by creating new job opportunities for graduates, and
21 we will continue to work with Allied Teamsters and
22 other trade unions by putting good jobs online as we
23 do on other waterfront projects. A stable long term
24 user, for which a flexible lease contract is pivotal,
25 could generate upwards of 300 direct jobs to say

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2 nothing of broader development in the community as
3 well as indirect jobs.

4 Second, environmental impact. Recently,
5 the Mayor, with support from many of you, committed
6 the City to an 80% reduction in carbon emissions by
7 the year 2050. Shipping by water is the most
8 efficient method of freight transportation. One
9 barge can eliminate 60 trucks from local roads.
10 Shipping by water produces seven times less carbon
11 emissions per ton than trucking and 20 times less
12 nitrogen oxide and sulfur dioxide. By water, a ton
13 of cargo can travel nearly 500 miles on a gallon of
14 fuel. An active SBMT also strengthens the city's
15 environmental resiliency. In the aftermath of Sandy,
16 we learned that port terminals would help provide
17 crucial sea-based routes for emergency supplies and
18 rebuilding materials to reach effective communities
19 in Brooklyn and Queens.

20 Third, helping with the City's affordable
21 housing goals. And as I said earlier, other
22 construction goals as well. To realize the City's
23 ambitious affordable housing goals, it will be
24 helpful and more environmentally friendly to source
25 import materials at water based port facilities.

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2 Lumber, plywood, wallboard, cement, the vital
3 ingredients of construction today all arrive today by
4 water and rail far more efficiently than if they were
5 carried by truck.

6 Now, I want to--I would like to turn to
7 an important question: Why a master lease between
8 the EDC and the City? Why should we be the ones to
9 lease the whole facility on behalf of the City
10 instead of a private party? We believe there are
11 three main reasons. First as part of the--as an arm
12 of the government of the City of New York, we have an
13 obligation to manage the site in a way that reflects
14 the public interest. And to be accountable to the
15 Mayor and to you. A private party cannot make that
16 claim. In the year 2007, the Council approved a
17 private entity, the Axis Group to manage SBMT. But
18 as we all saw, the public's best interest became
19 secondary to the larger bankruptcy issues of that
20 private company who was granted control of the site.
21 And as a result, it lay largely vacant for several
22 years.

23 Second, the maritime industry is
24 uniquely--is a uniquely fast moving one. Maritime
25 companies need to be able to set up operations

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2 quickly, sometimes in a number of days or weeks. By
3 granting EDC authority to tenant lease quickly like
4 we do with the Brooklyn Army Terminal and other
5 facilities, we can show that those companies set up
6 and create jobs here, and do not flee to piers in New
7 Jersey or ones owned by the Port Authority or other
8 entities.

9 Third, a long-term future for SBMT
10 requires the ability to manage the whole site. Our
11 long-term aim is to find a contract with a single
12 stable quote, unquote, "ideal subtenant." But we at
13 EDC recognize that doing so many require constant
14 adjustment in the meantime, working with multiple
15 subtenants until we identify and help shape the
16 perfect one.

17 Therefore, EDC needs the flexibility to
18 lease to multiple subtenants as needed. This
19 flexibility is absolutely essential. If we go
20 through a 40-day process each time we need to execute
21 a lease, we know that in the maritime industry that
22 means we will lose tenants. That flexibility would
23 also allow us to respond effectively in the event of
24 a tenant's default, termination, or bankruptcy. In
25 this, the Axis example is instructive. Axis was a

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2 strong partner when EDC originally executed a lease
3 with it--for SBMT in 2007. Then the recession
4 happened. Axis was subsequently forced into
5 bankruptcy by its holding company. When Axis finally
6 terminated its lease this summer, EDC was unable to
7 capitalize immediately on the many unsolicited offers
8 from the maritime industry it received, we received.

9 Let me give you a concrete example of
10 that, that hits close to home for the City. Right
11 now a special project company is seeking a three to
12 five-acre site to which it can move, store a stage,
13 and distribute large pieces of the New York Wheel
14 being constructed on Staten Island. The company
15 publicly advertised for this work last month, and its
16 deadline is this Wednesday. SBMT would be a great
17 site for this project, but because EDC doesn't
18 currently have the flexibility and speed it is
19 seeking through this master lease, that project will
20 go elsewhere, very likely to New Jersey. The master
21 lease will put EDC and the city in a much stronger
22 negotiating position because EDC will be able to
23 license vacant space out quickly while it prepares
24 its procurement of a longer term subtenant.

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2 Finally, we need this master lease
3 because the City faces stiff competition for the rest
4 of the region. An inability to quickly respond to
5 market demands will make it impossible to compete
6 against New Jersey. With a census estimated
7 population of 7.7, Brooklyn, Queens and the rest of
8 Long Island is home to nearly 40% of New York State's
9 population, making it the most populated island in
10 the United States. 90% of imported goods travel by
11 ship, and the amount of port commerce has more than
12 doubled since the early 1990s. This trade is vital
13 to the City's economy. Yet, this is a huge market
14 that over the last decades has shifted to New Jersey.
15 Today the Port Authority of New York and New Jersey's
16 facilities at Port Newark, Elizabeth, and Jersey City
17 consisting of 2,000 acres of container dry bulk and
18 liquid bulk facilities hands more than three-fourths
19 of the region's port activity.

20 Further, port authorities in other cities
21 including Philadelphia and Baltimore, are working
22 hard to draw business away from the Port of New York
23 and New Jersey with increasing success in certain
24 niche markets, as we can see, and the advertising for
25 the Port of Philadelphia. Which I believe is

1 included in the materials and is up on the screen.
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3 Ports compete on the basis of cost, time, and
4 reliability. To compete with bulk, the New Jersey
5 side of this harbor and with ports located in other
6 cities hungry for the business, the City needs to be
7 able to act quickly and creatively to execute deals.
8 We must be able to sign leases quickly so shippers
9 know that SBMT is a reliable option. The ports that
10 react smartly to market needs always get the
11 business.

12 The Port Authority, which is the other
13 major operator of maritime facilities of this scale
14 in the region, doesn't need to go through public
15 approval process, a public approval process to handle
16 cargo in a move of this sort, which makes their
17 facilities more competitive. The City loses out on
18 that business, and often pays the price with traffic
19 congestion from trucks, air pollution, and lost jobs.

20 Just a few weeks ago, the Deputy Mayor
21 for Housing and Economic Development, Alicia Glen,
22 articulated the City's vision for a robust and
23 inclusive economic development. It is a plan that
24 aims to unlock our full human resource potential,
25 invest in critical infrastructure that supports

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2 resiliency and access, leverages City-owned assets
3 for public benefit, and provide innovative growth in
4 legacy and emerging industries alike. The South
5 Brooklyn Marine Terminal has the potential to support
6 all of these goals. But these goals can only be
7 attained successfully with the City and EDC Master
8 Lease, which enables flexibility in our management
9 processes, and increases our regional
10 competitiveness. And most importantly, creates
11 hundreds of good jobs, and steady career paths in the
12 long term.

13 We ask the Council to approve the master
14 lease Agreement for the South Brooklyn Marine
15 Terminal in Sunset Park. We want to get to work
16 immediately, bring this site back to life, the next
17 step of realizing the future and true potential of
18 the Sunset Park community. And we would be happy to
19 answer any questions you may have. Thank you for
20 listening.

21 CHAIRPERSON KOO: Thank you, Mr. Smith,
22 and thank you for your testimony. We are being
23 joined by Council Member Levin. You mentioned that
24 this signing of this master lease will also help
25 public affordable housing. How can you do that?

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2 ZACHARY SMITH: The example that we give
3 is with the expected activity from all of the housing
4 construction, which has already begun, of course,
5 there is more and more demand for sites as laydown
6 area storage, distribution and cargo. And this site
7 is uniquely positioned to accept a use like that.

8 CHAIRPERSON KOO: Any members have any
9 questions? Council Member Menchaca.

10 COUNCIL MEMBER MENCHACA: Thank you so
11 much, Chair Koo, and I have a series of questions,
12 and I don't know if my colleagues have questions,
13 too. But I can begin a round and come back, and do a
14 second round. One of the first things and the
15 concerns that were raised in these maritime leases
16 are the approving of a specific company for a lease.
17 And, can you give us an example of what you're trying
18 to do here right now as your precedent where that
19 hasn't been the case?

20 ZACHARY SMITH: Well, one precedent for
21 EDC is to hold a master lease. It's not a maritime
22 lease, but it's a master lease. It is for the
23 Brooklyn Army Terminal, which is also in your
24 district, Council Member.

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2 COUNCIL MEMBER MENCHACA: I'm looking for
3 a maritime master lease.

4 ZACHARY SMITH: A maritime master lease?

5 JOSHUA NELSON: This is Joshua Nelson
6 with EDC. Council Member, there is not currently a
7 maritime master lease within EDC's portfolio. But as
8 Mr. Smith has mentioned and testified, both the
9 Brooklyn Army Terminal and the Bush Terminal are
10 operated by EDC under master leases that would be
11 very similar to what we're proposing here.

12 COUNCIL MEMBER MENCHACA: Are we talking
13 about apples and oranges or are they--how different
14 are these two different types of leases.

15 JOSHUA NELSON: That's a great question,
16 Council Member, but for the use, the maritime use,
17 the restrictions placed on a master lease, they're
18 identical.

19 COUNCIL MEMBER MENCHACA: Identical but
20 for the maritime use?

21 JOSHUA NELSON: Yes, that's correct.

22 COUNCIL MEMBER MENCHACA: Can you talk a
23 little bit about those constraints would be?

24 JOSHUA NELSON: Certainly. So the 1301
25 process that we are proposing the lease go through is

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2 a maritime lease. So this is much more restrictive
3 in terms of use, and what can take place on the site.
4 It must be for the furtherance of waterfront commerce
5 and/or navigation and, therefore, is much more
6 restricted in terms of use than either the Bush or
7 the Brooklyn Army Terminal master leases.

8 COUNCIL MEMBER MENCHACA: Can you
9 describe specifically what kinds of tenants you'd be
10 interested in having in this site with these
11 restrictions and maritime use property?

12 JOSHUA NELSON: Definitely. We're
13 advocating and looking for a user on the site or
14 multiple users who would activate the intermodal
15 connections at the site both via the water, as well
16 as the rail. The primary potential users would
17 include break bulk users; auto processors very
18 similar to the Axis Group, which was previously
19 mentioned; bulk volume handlers. So anyone who would
20 make use of the 700 feet of bulkhead that we have on
21 the waterfront, and the approximately 68 acres of
22 laydown space.

23 COUNCIL MEMBER MENCHACA: How did Axis
24 come to the city use of that property? Was that a
25 negotiated term with EDC?

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2 ANDREW GENN: [off mic] I can speak to
3 that. [sic]

4 ZACHARY SMITH: Yeah, Andrew can speak to
5 that process, but EDC put out an RFP, and then with
6 the selected winner of that RFP we took them to the
7 Council for--to seek a master lease. The same type
8 of master lease that we, EDC, is seeking today.

9 COUNCIL MEMBER MENCHACA: Right, and so
10 we landed in a situation with Axis. What happened
11 there, and how did we get into that place? And how
12 can you guarantee us that we won't be there in the
13 same place with the same central action this time
14 without Council scrutiny?

15 JOSHUA NELSON: Yeah, I think I
16 understand your question, but maybe I'll try and
17 rephrase that.

18 COUNCIL MEMBER MENCHACA: [interposing]
19 Yeah, you can rephrase it.

20 JOSHUA NELSON: Sure. So how did we end
21 up where we where we did with Axis? So Axis Group
22 was a subsidiary of Allied Holdings. They had
23 approximately 13 subsidiaries. In June of 2012,
24 Allied entered-- It was called involuntary
25 bankruptcy. The requisite lenders associated with

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2 Allied then forced all of the subsidiaries into
3 involuntary bankruptcy. And so essentially since
4 June 10th of 2010, EDC and the City have been working
5 with the Axis Group through the bankruptcy
6 proceedings. In Bankruptcy Court, a debtor has the
7 opportunity and the option to exercise either to
8 retain the lease or to reject the lease. We worked
9 with Axis for a couple of years to try and negotiate
10 what it would look like if the Axis Group were to
11 retain the lease. During that time, the Axis Group
12 was the--the requisite lender of the Axis Group,
13 which was a consortium of Spectrum and Black
14 Diamond, which were capital management groups, opted
15 to take control of the company. We entered into
16 negotiations with them about the future of SBMT,
17 always very, very closely holding our policy goals of
18 maritime and industrial use on site.

19 COUNCIL MEMBER MENCHACA: Well, actually,
20 let's talk about that, too. So this is a company--
21 You're leading us down the bankruptcy conversation.
22 Are there any things that-- Were they also in
23 violation other pieces of the contract or some of the
24 maritime goals?

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2 JOSHUA NELSON: The Axis Group at the
3 time was in a period in which they were required to
4 make what we call tenant improvements. So they were
5 in compliance with the lease. EDC had completed and
6 the City had completed the landlord improvements,
7 which were part of the negotiation at \$115 million
8 that Mr. Smith testified to. So that work had been
9 complete. In December of 2011, the facility was
10 handed over to the tenant for them to commence their
11 tenant improvements. And by June of the following
12 year, they had entered into involuntary bankruptcy.

13 COUNCIL MEMBER MENCHACA: And so, you're
14 saying that the only violations they had were beyond
15 the bankruptcy. They were also violations of tenant
16 improvements, but they were meeting all the maritime
17 goals?

18 JOSHUA NELSON: And so, because they had
19 not yet completed the tenant improvements, they were
20 unable to bring in vessels. We had worked with them
21 to promote and solicit bids as a part of the
22 automotive industry. One of which we mentioned
23 previously, Volkswagen was seeking to potentially
24 move their receiving facility in Davisville, Rhode
25 Island. And so, the City had partnered with Axis on

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2 that. It was essentially a lease that described
3 several periods, one of which was, as I mentioned,
4 the landlord improvements. The second was the tenant
5 improvements, and subsequent to that, there was a
6 requirement for Axis to begin bringing in vessels.
7 We hadn't reached that--

8 COUNCIL MEMBER MENCHACA: [interposing]
9 And that never happened, essentially? [sic]

10 JOSHUA NELSON: But my point is we had
11 not reached that point in the lease.

12 COUNCIL MEMBER MENCHACA: Right. Got it.
13 Okay. It's just important. I want to unpack a kind
14 of unpack a lot of this for our audience, but also
15 the City on complicated this is, and then I'll jump
16 now to fast forward. You mentioned in your testimony
17 about the Big Wheel that we're bringing to Staten
18 Island, and how you inferred anyway, and I kind of
19 want you to be a little bit more specific about how
20 we lost an opportunity with a contract. Describe
21 what that contract would be if we were going to
22 engage in that market opportunity?

23 ZACHARY SMITH: Okay, before we describe
24 what that contract might look like, can I just say

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2 the second part of your, or the other part of your
3 earlier question--

4 COUNCIL MEMBER MENCHACA: [interposing]
5 That's fine.

6 ZACHARY SMITH: --which is how would we
7 protect against a situation like that happened with
8 Axis where Axis held the master lease and EDC did
9 not. So, as is described in the Development Plan
10 that we have sent along with the Master Lease for the
11 Council to review, as part of this action, we really
12 have a three-step plan for SBMT and I think therein
13 lies the answer to your question. We would not be
14 seeking right off the bat for one operator to take
15 the entire campus like Axis did. We would be
16 essentially proving the market and activating the
17 site immediately with short-term uses, licenses, if
18 you will, for a much shorter term. And there would
19 probably be a number of them to demonstrate that this
20 is a viable site for this type of maritime activity.
21 To prove business uses in the business model, so to
22 speak, but also get a feel for who is out there, and
23 who comes to us as a result of seeing the site being
24 activated for such uses. Groups like the Axis Group
25 might emerge, but there may be--certainly there would

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2 be many others as well. And that really moves into
3 the longer-term vision that will come into play where
4 we start to look for bigger operators. Maybe one
5 single operator, but possibly there will be a number
6 of smaller operators as well to diversity on the
7 site.

8 COUNCIL MEMBER MENCHACA: Okay.

9 JOSHUA NELSON: And I can add, you know,
10 one difference in terms of the master lease to be
11 held by EDC, you know, the situation that played out
12 with the Axis lease, the bankruptcy, et cetera, where
13 EDC is in charge of the master lease and have the
14 more direct role. You know, a couple of examples.
15 During the bankruptcy and the coordination that we
16 had to do to move with the City, we weren't able to
17 move as quickly as we had wanted to in Bankruptcy
18 Court and the bankruptcy proceedings. One example is
19 hiring local counsel, and the bankruptcy was held in
20 the State of Delaware. And, we had been told for
21 many months from a strategic standpoint that it made
22 sense for the City/EDC to hire local representation,
23 who was familiar with the bankruptcy judge. And had
24 seen him rule several times on previous bankruptcy
25 cases.

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2 It took several months between the City
3 and EDC to ultimately execute that contract and
4 decide to do that. For several months would have
5 been eliminated had EDC been in the driver's seat.
6 Also, post-bankruptcy here we are today. We're post-
7 bankruptcy, and June 27th is when we received notice
8 from Axis that they were not-- They were going to be
9 rejecting the lease. July 1st., the City took full
10 control over the facility, and here we are several
11 months later unable to execute any agreements as far
12 as long-term maritime uses. So again, if we had a
13 master lease, EDC would be quickly able to deal with
14 that tenant, and then move forward and start
15 executing a new lease with others.

16 ZACHARY SMITH: To answer your question
17 about the New York Wheel, Council Member. So the New
18 York Wheel is another EDC. It happens to be another
19 EDC project on the south shore-- On the north shore
20 of Staten Island, and it will be a significant
21 construction project. Much like affordable housing,
22 it will need some kind of staging and area,
23 preferably on the harbor for easy access. And they
24 were looking for somewhere to lay down their
25 materials and bring them in. That's where they are

1
2 in their construction process. Certainly, they
3 wouldn't take the whole site, but with a master lease
4 we would have the ability to issue a short-term
5 license for a term, for a certain area under certain
6 business terms. And we would be able to make that
7 available for them. There aren't a lot of sites for
8 them to use certainly that are city-owned, but really
9 at all, in the New York Harbor within the five
10 boroughs.

11 COUNCIL MEMBER MENCHACA: [interposing] I
12 just want to underscore--

13 ZACHARY SMITH: So that's just an example
14 of the last opportunity that has come up that would
15 be addressed through EDC's Master Lease.

16 COUNCIL MEMBER MENCHACA: I just want to
17 underscore the short-term sense of this. You say it
18 might--it may or may not have taken the whole 70 some
19 acres, but this is--you're still referring to the
20 lost opportunity of a short-term lease--

21 ZACHARY SMITH: [interposing] Yeah,
22 exactly.

23 COUNCIL MEMBER MENCHACA: --for the
24 project. And what does short-term mean to you?

1
2 ZACHARY SMITH: In the case of the Wheel,
3 I'm not sure, but a year or so, and those could be
4 renewable, but a year at a time.

5 COUNCIL MEMBER MENCHACA: Okay, so we're
6 not talking about the 49-year lease.

7 ZACHARY SMITH: No, of course not.
8 Actually, we are talking about demonstrating that
9 this site is open for maritime business--

10 COUNCIL MEMBER MENCHACA: [interposing]
11 Right.

12 ZACHARY SMITH: --to keep--to keep--

13 COUNCIL MEMBER MENCHACA: Go ahead.

14 JOSHUA NELSON: And if I might add, the
15 reason we highlight that example, Council Member, is
16 that highlights how quickly an answer was needed as a
17 part of that contract. So the private entity that
18 put that out on the street literally gave everyone no
19 more than two weeks to apply. So that example is
20 just meant to illustrate how quickly the industry
21 moves, and how quickly EDC needs to be able respond.
22 This is just one of many potential examples that we
23 have.

24 COUNCIL MEMBER MENCHACA: So the
25 important to kind of highlight here is creating an

1
2 ecosystem of opportunity for quick turnaround on
3 short-term leases would be beneficial, and that are
4 one--one-term renewable, one year renewable. And the
5 other piece to this on Axis, just kind of bringing
6 back Axis, what role did the City Council play in
7 that saga, and do we play any kind of negative role,
8 or a--? Well, I'll just keep it. I'll just term it
9 as a negative role in that, but what was our role in
10 all of that?

11 ZACHARY SMITH: In the bankruptcy?

12 COUNCIL MEMBER MENCHACA: In the whole
13 Axis--

14 ZACHARY SMITH: [interposing] And the
15 Mater Lease?

16 COUNCIL MEMBER MENCHACA: --from
17 beginning to end?

18 ZACHARY SMITH: Well, in the beginning,
19 the master lease was a lease approved by the Council.
20 So we brought Axis to the Council essentially as part
21 of our selection process, and EDC was the lease
22 administrator. But really, Axis had the master lease
23 as granted by the City Council. During the
24 bankruptcy and essentially the default process, the
25

1
2 City Council doesn't typically play a role when we
3 administer real estate lease.

4 COUNCIL MEMBER MENCHACA: I'm just going
5 to highlight that, in fact, that the Council did play
6 a productive role in getting you to Axis despite what
7 you've kind of described as fall out of the market.
8 And you were still able to kind of engage. You have
9 highlighted some points where you would have wanted a
10 different relationship. So I get that. Thank you
11 for kind of creating that.

12 ZACHARY SMITH: Yeah, just to be clear,
13 there is no fault in the City Council approving the
14 master lease. What we have issue with is going
15 forward bringing a private entity to the Council to
16 be approved for a master lease. That is what didn't
17 work with Axis. We believe there's a better way, and
18 that's for EDC as essentially a part of the City
19 government to hold the master lease. So that's just
20 to be clear. I wasn't laying blame. It's just not a
21 model that has proven to be successful most recently.

22 JOSHUA NELSON: Yeah, and just to
23 clarify, I mean had ED had that master lease with
24 Axis, we would have been more empowered to, you know,
25

1
2 essentially negotiate, leverage, and push forward for
3 an ultimate structure.

4 COUNCIL MEMBER MENCHACA: And I had some
5 questions on the relationship to the City Council in
6 this new process, but I don't know if anyone has any
7 questions about this kind of historical piece. I'll
8 yield to my colleagues.

9 CHAIRPERSON KOO: Thank you. We have
10 questions from Council Member Levin then followed by
11 Council Member Greenfield.

12 COUNCIL MEMBER LEVIN: Thank you very
13 much, Mr. Chairman. Just a quick question just going
14 back to 2007. So, why did the City or EDC think at
15 the time that it was better framework to bring in a
16 private master lease holder? Why did the City not--
17 Why didn't the City do what you're doing now back in
18 2007?

19 ZACHARY SMITH: Do you want to take that
20 one, Andrew.

21 ANDREW GENN: I'm Andrew Genn with New
22 York City EDC. The reason at the time was were
23 following a sort of typical model of the
24 landlord/tenant relationship where we negotiated a
25 lease that was the result of a competitive

1
2 procurement process. And we felt that Axis as have
3 one, you know, the RFP, so to speak, was--would in
4 itself be a suitable master/tenant at SBMT. So, I
5 think what we're saying here today is that in
6 hindsight after what occurred, that we believe a
7 stronger model is to be able to retain more city
8 control in that asset because it's special, and so
9 specialized. and follow a different model than we had
10 in the past.

11 JOSHUA NELSON: If I may, I mean the
12 approach back in 2006, 2007 has been, or was one very
13 much akin to how the Port Authority deals with its
14 tenants. Essentially a direct lessor/lessee
15 relationship. What we've realized in that process,
16 however, is that we're not on the same footing with
17 the Port Authority. EDC by having to go through the
18 Master and Maritime Lease Approvals Process is
19 hamstrung in terms of its ability to execute those
20 deals. When the Port Authority is interested in
21 leasing property to a potential tenant, they lease
22 the property. They don't go through a completely new
23 approvals process. Therefore, EDC and the Port
24 Authority are not on an equal playing field, and our
25 competition, as Zach mentioned in his testimony is

1
2 not only regional. It's not only Philadelphia and
3 Baltimore, but it's New Jersey. It's across the
4 water. So for us to be put on equal footing from a
5 competitive standpoint as a region and as a community
6 that's why we're seeing a different type of approach
7 than in 2006.

8 COUNCIL MEMBER LEVIN: And this model
9 would be analogous to what is being employed at the
10 Brooklyn--at the Brooklyn Navy Yard, is that right?

11 ZACHARY SMITH: In terms of our master
12 lease with the city, yes, we're looking to employ
13 that model, and the--

14 COUNCIL MEMBER LEVIN: [interposing]
15 Would it be important--

16 ZACHARY SMITH: --Navy Yard has the
17 ability to sign subleases--

18 COUNCIL MEMBER LEVIN: [interposing]
19 Right.

20 ZACHARY SMITH: --which is what we're
21 talking about here.

22 COUNCIL MEMBER LEVIN: And the Navy Yard
23 has its own governing structure, the board of
24 directors and the president and the CEO.

25 ZACHARY SMITH: As does EDC.

1
2 COUNCIL MEMBER LEVIN: Okay, so this
3 would be--this wouldn't have its own board of
4 directors or own CEO. This would be EDC. EDC would
5 be the analogous--

6 ZACHARY SMITH: EDC is the non-profit
7 entity that would be in charge just like the Navy
8 Yard is a non-profit entity.

9 COUNCIL MEMBER LEVIN: Okay, thank you.
10 Thank you, Mr. Chair.

11 CHAIRPERSON KOO: Thank you. All right,
12 we are joined by Council Member Arroyo. Council
13 Member Greenfield.

14 COUNCIL MEMBER GREENFIELD: Thank you,
15 Mr. Chairman. I appreciate it. A couple of quick
16 questions. Thank you for your testimony. I think we
17 can all agree that we are interested in revitalizing
18 this important part of the Brooklyn Waterfront. The
19 question is really about some details, and community
20 input. And I think that's really some of the
21 challenges that we are discussing here today. Just
22 trying to get a little bit of--some more clarity.
23 How many sites do you currently run that have
24 maritime uses that are similar to this?

1
2 JOSHUA NELSON: In the portfolio other
3 sites that are similar to that include maritime
4 leases, Pier 15. Here in Manhattan we have a lease
5 with Horn Blower.

6 COUNCIL MEMBER GREENFIELD: I'm sorry.
7 I'm referring to ones that you run yourself as
8 opposed to the ones that you're leasing out. Because
9 you're proposing initially at least to be running
10 this project yourself right before you're going to
11 enter into the master lease. So how many comparable
12 sites do you have, or are you doing that right now?

13 JOSHUA NELSON: Comp with SBMT right now.
14 I mean that's essentially what we're doing directly
15 running SBMT, the Brooklyn Cruise Terminal, the
16 Manhattan Cruise Terminal as well. We have a direct
17 involvement with those facilities.

18 COUNCIL MEMBER GREENFIELD: Okay, but so
19 this-- Effectively for this kind of non-container
20 work. I see you have an answer. Would this be the
21 first one? I'm just trying to understand.

22 ZACHARY SMITH: Yeah, I think we have
23 received that question from Council Member Menchaca.
24 It may have been before you walked in, whether there
25 are other master maritime leases that we hold in our

1
2 portfolio. The answer is yes there are other master
3 leases, but not maritime master leases.

4 COUNCIL MEMBER GREENFIELD: Right. Does
5 that make sense?

6 ZACHARY SMITH: Did that answer your
7 question?

8 COUNCIL MEMBER GREENFIELD: I was here
9 the whole time, and I heard--

10 ZACHARY SMITH: [interposing] I'm sorry,
11 I didn't realize that.

12 COUNCIL MEMBER GREENFIELD: --the council
13 member's questions. That's okay. But just to be
14 clear, this kind of master lease that you are
15 proposing would be unique to EDC. I mean you
16 currently are not doing this in any other piece of
17 your portfolio where you're managing it yourself and
18 the maritime world, is that correct.

19 ZACHARY SMITH: That is correct. That is
20 correct.

21 COUNCIL MEMBER GREENFIELD: That is
22 correct. Okay, very good. So this is really just
23 piggybacking off of the question that Council Member
24 Levin asked, which is that it is somewhat--in the
25 maritime lease, it's a somewhat unusual arrangement,

1
2 and we don't have that up until this point. But my
3 question specifically is what was your projection in
4 terms of the profits to the City from the Axis Group?
5 What were you-- What do you project in terms of
6 earnings? What did that look like as far as that
7 contract was concerned?

8 JOSHUA NELSON: At the time, the Axis
9 deal was a 15-year lease with a five-year renewal
10 option. I can't tell you off the top of my head in
11 the aggregate how much that was anticipated to
12 provide. I do know that upon termination of the
13 lease, Axis was paying approximately \$3 million in
14 rent to the City.

15 COUNCIL MEMBER GREENFIELD: Got it, which
16 actually leads to my next question. Many of the
17 leases the ones at least that I'm looking at 15 or 20
18 years. They're proposing 49 years. Why such a long
19 lease? Why can't we do a shorter lease? One of the
20 ideas that has been proposed is essentially a five-
21 year lease where you have a chance to get it up and
22 running. You come back to us and say we found a
23 master tenant, and then we have the opportunity to
24 actually do some due diligence on that master tenant.

1
2 Now we can actually improve that. What's wrong with
3 that model that we've done in the past?

4 JOSHUA NELSON: I mean that's a great
5 question. I'm glad you asked that. You know, often
6 times when private firms are able to or considering
7 doing business with the City and leasing property,
8 especially at maritime facilities. They're going to
9 have to make a significant investment in specializing
10 that facility for their use. So, many council
11 members may know once a private entity makes an
12 investment on City property, that immediately vests
13 to the City of New York. What that means is at the
14 end of the term, the private entity can't take those
15 with them. So imagine a firm that is going to make
16 this significant investment in a potential facility.
17 They're likely to seek a return on that investment.
18 Five years is insufficient to make a large investment
19 on a facility especially a maritime facility. And
20 essentially at the end of five years have that
21 private firm walk away from that investment. So 49
22 years is an adequate amount of term for us to
23 negotiate a flexible group of leases with flexible
24 term to incentivize private firms to come in and
25 invest in our facilities.

1
2 COUNCIL MEMBER GREENFIELD: Sure, but as
3 you explained, there are two pieces to this, right?
4 Piece one is where EDC is now going to remain in the
5 business. The new business of running a maritime
6 facility. You go out there with where and the people
7 and congratulations. We have some space leased from
8 us with is short-term. The purpose of that is that
9 you can get some revenue right away, which is
10 certainly a good thing. But also, because you want
11 to prove to future vendors that, in fact, this
12 location is, in fact, a good place for business.
13 Then you bring in those longer term vendors. And so,
14 for a step one it seems like a five-year lease, for
15 example, would accomplish that. Then, when you have
16 a longer term vendor who wants to come in, you bring
17 them to us and you say, Hey, we have a new vendor.
18 The vendor would like to have a longer term lease.
19 To be fair, you still haven't answer the 49-year
20 question because you've had a 15-year lease with Axis
21 and other leases I see are 20 years for example. So
22 why wouldn't that model work where you come in and
23 you say, Okay, we're going to run it five years. You
24 have the authority. You have the ability to do
25 short-term leases. Now someone says we love it.

1
2 This is great. We want to make a major investment.
3 No problem. You come back to the City Council. The
4 process doesn't take all that long, right. You give
5 us this new vendor. We do some due diligence. You
6 say yeah it sounds good to us. We sign off. Why is
7 that a problem?

8 JOSHUA NELSON: It's a problem for a
9 couple of reasons. You make it sound as if the
10 short-term uses that upon termination of your
11 proposed term for a maritime lease that we would
12 simply wish those people a fond farewell, and
13 essentially not have any more business to do with
14 them. It's important to note that the period that we
15 described as the short-term uses is really meant as
16 an opportunity to cultivate business at he site, and
17 cultivate those potential users who may turn into
18 long-term uses. So a break in the process again is a
19 break in the overall certainty that that firm might
20 have in order to continue on at the City. And
21 continue on as a part of the maritime lease.

22 ANDREW GENN: I'd like to highlight on
23 that. I think that's one of the challenges, Council
24 Member, that the Red Hook Container Terminal faces
25 where they only have the five-year lease agreement,

2 and it's very difficult in the maritime industry to
3 attract and hold steady business with such a short-
4 term. You really need a longer term in order to be
5 successful. And it's hard to--and once you start,
6 you know, you can't just wave goodbye to the
7 business.

8 COUNCIL MEMBER GREENFIELD: Okay. Thank
9 you.

10 [Pause]

11 CHAIRPERSON KOO: We are joined by
12 Council Member Barron. Council Member Menchaca.

13 COUNCIL MEMBER MENCHACA: Thank you.
14 I'll start round two of the questions, and I really
15 encourage my colleagues to jump in as well just to
16 kind of help continue to unpack this proposal. And
17 so I just want to underscore a couple things that
18 have been said in just good faith on where we--where
19 we can see eye to eye. And one is I agree. We need
20 to activate this site quickly on short-term leases.
21 And the kind of terms that we kind spoke about are
22 good, and they're helpful and that's important. And
23 so, that's where I think there is some common
24 ground. I want to unpack a little bit more of the
25 hamstrung comment as part of your testimony. You

1
2 kind of talked a little bit about time. So you're
3 trying to--can speak to the 49-year lease, but beyond
4 time-- And we've already kind of talked about the
5 Axis lease, and the days in which the Council was
6 involved was not a length of time. What was that
7 length of time that the City Council was reviewing a
8 contract for you?

9 ZACHARY SMITH: Are you speaking--are you
10 speaking to the time in which--

11 COUNCIL MEMBER MENCHACA: [interposing]
12 The time in which Axis--

13 ZACHARY SMITH: --it took for the Council
14 to review and approve the Axis Master Lease?

15 COUNCIL MEMBER MENCHACA: Was that a
16 nine-month process? What was that?

17 ZACHARY SMITH: It was the same process
18 that we're engaged in today, a 45-day process.

19 COUNCIL MEMBER MENCHACA: 45 days. Okay.
20 So it's not a six to nine-month process, a ULURP
21 [sic] that took-- You know, things that the public
22 might be more familiar with. This is a 45-day
23 process that the City Council Engages in that we're
24 in the middle of right now. Is that right?

1
2 ZACHARY SMITH: In that case it was one
3 user fro the entire campus--

4 COUNCIL MEMBER MENCHACA: [interposing]
5 One user. Okay.

6 ZACHARY SMITH: --which we've explained
7 wasn't necessarily the way that we're--we think is
8 the best way to operate a site of this magnitude.

9 COUNCIL MEMBER MENCHACA: So I've heard a
10 couple ideals here. You said there is an ideal for
11 us, a single user, but now you're saying that's not--
12 that's not an ideal.

13 ZACHARY SMITH: Well, I think there's an
14 ideal to hopefully ultimately get there perhaps, and
15 as I said earlier, though, having these, we're--we're
16 looking to have a much more thoughtful process than
17 has been done in the past. And so, we're not looking
18 for one master user right off the bat. We talked
19 about the short-term stuff, but, you know, I don't
20 want to dwell too much on the short-term. It's
21 important, as I said, to demonstrate the market, to
22 get the site activated. But really, we're focused on
23 the steps beyond that, which is to look for longer
24 term, more job intensive uses that will require
25 private capital. And it may not again be one single

2 user. Otherwise, we'd be coming to you with a master
3 lease for one--for one user, and we're clearly not.

4 JOSHUA NELSON: Right, and just to add to
5 that, I mean I think it's important for the
6 subcommittee to consider the fact that, you know, the
7 example that you have used, Council Member, and that
8 others may use is the single user. A 45-day time
9 clock does not sound like much for a single user.

10 But when it's multiple users on the same facility, we
11 need the ability to operate it much akin to a campus.

12 If we're bringing you 10, 15 potential deals on 45-
13 day time clocks, suddenly our ability to manage the
14 facility is hamstrung. We look at the Brooklyn Army
15 Terminal and EDC's track record there is excellent in
16 terms of bringing in tenants under a master lease,
17 and our ability to do that is really based on what
18 the master lease authorizes EDC to do, right?

19 COUNCIL MEMBER MENCHACA: What are--what
20 are the typical lengths of time for contracts like
21 that?

22 JOSHUA NELSON: I don't manage that
23 facility as part of my proposal. I don't know what
24 that is.

1
2 COUNCIL MEMBER MENCHACA: Are there 49-
3 year leases as well?

4 ZACHARY SMITH: They're typically not
5 that long, but some of their--

6 COUNCIL MEMBER MENCHACA: Well, what's a
7 typical length?

8 ZACHARY SMITH: We can get back to you
9 with a range, but they're more than five years
10 typical.

11 COUNCIL MEMBER MENCHACA: Can you ask
12 somebody?

13 ZACHARY SMITH: Well, no not--I think
14 it's certainly longer than five years are also
15 tenants that are looking for more permanent homes,
16 and they're looking to invest. We have factories
17 there. People are--these are capital intensive uses
18 often. And, you know, they're multi-year. These are
19 certain--

20 COUNCIL MEMBER MENCHACA: [interposing]
21 They don't necessarily fall within the maritime, but-
22 -

23 ZACHARY SMITH: No, no.

24 JOSHUA NELSON: No, they don't fall
25 within the maritime category, but what's important to

1
2 note is that the master lease the EDC has with
3 Brooklyn Army Terminal it's 99-year lease. We don't
4 have any 99-year tenants there, but you see the
5 flexibility in term that allows EDC to do that
6 business. So that 99 years essentially offers EDC as
7 much flexibility as necessary to go out and solicit
8 those types of firms.

9 COUNCIL MEMBER MENCHACA: I know Andrew
10 wanted to comment.

11 ANDREW GENN: Yeah, I just wanted to jump
12 in because I think what we're talking about with
13 maritime business is distinct where I think what we
14 are seeing is a lot of interest in SBMT for what we
15 would call one-off users. So somebody has a project
16 cargo like the Wheel, or somebody wants to bring in
17 road salt for the next winter. Right now we don't
18 have the tools to quickly engage with that company,
19 and be able to bring them into SBMT, which is
20 perfectly suited for those types of maritime use. So
21 we might lose those kinds of opportunities in the
22 short term. But as opposed to having that ability to
23 nimbly kind of engage with those companies. Bring in
24 cargo, get it really busy, and then show the wider
25

1
2 port community that SBMT is a normal place to do
3 business.

4 COUNCIL MEMBER MENCHACA: Now, given what
5 you just said, what is this timeframe? Are you
6 talking about--are we talking about months, and being
7 able to get from you'd set zero now, which is where
8 you're going to have a compelling story to tell the
9 world about how great Brooklyn is. Which I think
10 that story is kind of being told now, but you're
11 saying that you still need narrative to speak to.
12 And so is that a couple of months, or is that a
13 couple of years or a couple of decades? What are we
14 talking about?

15 ZACHARY SMITH: Are you speaking about
16 the time? First of all, I don't think we need help,
17 and if we do, we'll call upon the world to convince
18 the world that Brooklyn is great--

19 COUNCIL MEMBER MENCHACA: I can do help.
20 I can help you. [laughter]

21 ZACHARY SMITH: --but are you asking
22 about the time horizon for it.

23 COUNCIL MEMBER MENCHACA: What Andrew
24 just kind of laid out, which is--

1
2 COUNCIL MEMBER MENCHACA: Short-term
3 activation. Now we have a narrative. Now we have
4 enough to go to the world to kind of bring in that
5 large tenant.

6 ANDREW GENN: I think the ability to
7 bring in a tenant more quickly, more nimbly is within
8 I'd say months, Josh? Would you say that's fair
9 because--

10 JOSHUA NELSON: [interposing] Oh,
11 certainly. We have a list. You know, we're--it's
12 not hyperbole to say that the second the maritime
13 community learned that Axis had returned the property
14 to the City, the phone started ringing off the hook
15 to firms that were interested in doing business at
16 the site. So as far as short-term uses are
17 concerned, you know, as soon as possible. We would--
18 we had that list. We have been putting--had
19 everybody on hold letting them know we're going
20 through an internal process. Simultaneous to that,
21 we've been working on developing the RFP, and our
22 goal is to launch the RFP in the first quarter of
23 2015. Now, what's harder is for me to pinpoint the
24 exact date in which we would have a user or potential
25 users for the site. As you well know, these types of

1 negotiations with private businesses can take two
2 months. They can take several months, and it just
3 depends on the back and forth that ensues as a result
4 of that RFP process. But we're imminently prepared
5 to issue that RFP, as I mentioned, in the first
6 quarter of '15.
7

8 ANDREW GENN: So what I'm saying, Council
9 Member, is what we're looking for doesn't fit a
10 lease, like a ground lease model. It's more of a
11 short-term permit or a license agreement. A
12 different format, you know, that we're talking about
13 in order to capture this maritime business in the
14 short term.

15 COUNCIL MEMBER MENCHACA: Okay, again, I
16 just want to be clear because this is a very
17 important thing for us all to kind of consider.
18 You're saying that in a few months you'll be able to
19 quickly activate the site. And be able to have the
20 narrative necessary to starting looking at the big
21 fish?

22 ZACHARY SMITH: That's correct except
23 that--

24 COUNCIL MEMBER MENCHACA: [interposing]
25 In a few months.

1
2 ZACHARY SMITH: --doesn't meant that we
3 would start planning for and thinking about a Request
4 for Proposal for longer-term uses only after those
5 few months. And the truth is we've already given a
6 lot of thought to those things. We've spoken with
7 you and earlier in our testimony about them. They're
8 in our development plan as far as the types of uses.
9 So these are things we've given a lot of thought to.
10 We think there's a market out there today. There
11 will be an even stronger market for this site after
12 we demonstrate some short-term uses.

13 JOSHUA NELSON: And what we're trying to
14 do here, and it's just very critical that we
15 reiterate this point is put South Brooklyn Marine
16 Terminal on equal footing with other similar
17 facilities in New Jersey, in Philadelphia, in
18 Baltimore and Boston. It's about regional
19 competition, and it's important that we have the same
20 opportunity to solicit the business quickly. And not
21 lose out to those users elsewhere. And that's what
22 we're proposing to do here today. That's what this
23 master lease enables EDC to do is responsibly compete
24 on the regional playing field for a maritime
25 industrial jobs.

2 COUNCIL MEMBER MENCHACA: And my last set
3 of questions I'm going to bring it back to my--turn
4 it over to my council members and then come back.
5 But this is the first time we're hearing about an RFP
6 process that you've kind of already been engaged in.

7 ZACHARY SMITH: I didn't say engaged in.
8 I said obviously thought about and this is what we
9 were thinking of doing.

10 COUNCIL MEMBER MENCHACA: And this is
11 what we're doing. Great.

12 ZACHARY SMITH: We think about uses for a
13 site that we may have the opportunity to--

14 COUNCIL MEMBER MENCHACA: [interposing]
15 So, I stand corrected. So you're thinking about an
16 RFP right now, and in the light of the RFP, and say
17 post-movement on this proposal, what do you see the
18 City Council's role in all this. And I'm thinking
19 about your leasing, subleasing small short-term,
20 long-term. What is the Council review and role in
21 all of this, and do you have a sense about how the
22 community can get involved in any of this? What do
23 you see.

24 ZACHARY SMITH: I think EDC has a strong
25 track record in terms of the type of outreach that

2 you're describing when it comes to real estate RFPs,
3 and selection.

4 COUNCIL MEMBER MENCHACA: [interposing]
5 And what is-- what is that?

6 ZACHARY SMITH: What we would do in this
7 case is we would certainly meet with you and your
8 community, Council Member, as our RFP is taking shape
9 and talk about what we would be soliciting in that
10 RFP. Obviously, you know, there's a--we have to be
11 careful around what we make public since it would be
12 a public solicitation process. Certainly the
13 principles and the goals of the RFP we could share
14 with you and the community, and we want input on
15 that. That's very important to us, and as responses
16 are received and we go through a selection process,
17 we have in the past gone to the community. And
18 sometimes you have to make the developers and
19 business entities blind from the public, because this
20 is a public procurement process. But we will--we can
21 describe what the proposals are. We can solicit
22 input and answer questions about that. And so, we
23 see this absolutely as a community process in terms
24 of an RFP, and the selection. Ultimately, EDC as the
25 master leaseholder needs to retain the ability to

1
2 make decisions, and move forward with procurements,
3 and execution, but we-- You know, those two things
4 are not mutually exclusive in terms of the--

5 COUNCIL MEMBER MENCHACA: [interposing]

6 Can you--

7 ZACHARY SMITH: --community engagement.

8 COUNCIL MEMBER MENCHACA: --can you speak
9 to the labor component and maybe how it differs from
10 say-- I'm going to go back to Axis, but how Axis
11 connected to labor, and how you would connect to
12 labor in all this?

13 ANDREW GENN: You know I--

14 ZACHARY SMITH: [interposing] I think---
15 Yeah, go ahead, yeah.

16 ANDREW GENN: Yeah, I mean one of the
17 things that we're most proud of is I think has been
18 our ability to bridge the communication between
19 organized labor that's very strong in the community
20 with the community itself. And one of the things
21 that we had done with Axis is we brought them both to
22 labor unions, most notably the ILA who is based in
23 Sunset Park. But also the Community Board, and
24 through that discussion, you know, would have had a
25 situation where new local employment would have come,

1
2 you know, directly from the community, have that
3 model. I think the same model would apply in this
4 case well. That's something that's very-- You know,
5 it's not only about the ships, it's about the men and
6 the women who work the ships. And the men and the
7 women who work the ships historically came from the
8 community. They used to walk to work. Some still do
9 actually. But we want to build on that kind of
10 history.

11 JOSHUA NELSON: And as with all of our
12 RFPs, you know, we anticipate including language
13 promoting local hiring through EDC's Hire NYC
14 Program.

15 COUNCIL MEMBER MENCHACA: Okay, I'm going
16 to pause. I'll be back.

17 CHAIRPERSON KOO: Okay, now I have a
18 couple questions myself. Can you tell us who is
19 going to be in charge of this project, a he or she
20 and what kind of experience does she or she have in
21 managing this kind of special project?

22 ZACHARY SMITH: This asset resides in
23 our-- We have an entire division at EDC dedicated to
24 Asset Management and for our waterfront properties
25 and other properties as well. Joshua Nelson here is

1
2 a Senior Vice President. He oversees a certain
3 portfolio in terms of those city assets. So, he
4 would be essentially on the land line on the
5 management side, the person who would be most
6 directly responsible. And we also have other groups
7 at EDC engaged as well. Andrew here who has a lot of
8 history on this site is an expert in ports of
9 transportation. That's why he runs that group. He
10 will also be instrumental in terms of tapping into
11 what the market needs are, what the industry needs
12 are. You know, the labor component he's already
13 spoken to. And so, this is really a collaborative
14 effort among several groups at EDC, two of which are
15 represented here with me today.

16 JOSHUA NELSON: And also I mean just to
17 add, in addition to that team like approach SBMT is
18 not the only asset that falls into that category. So
19 we manage the lease between the Port Authority and
20 the City at Howland Hook Marine Terminal, which is
21 then subsequently leased to New York Container
22 terminal. There's the 25th Street Pier, also in the
23 Council Member's district, which is leased to
24 LaFarge. That is a maritime industrial facility.
25 Also on the maritime side my group we manage both the

1
2 Manhattan Cruise Terminal and the Brooklyn Cruise
3 Terminals, maritime facilities that bring-- Last
4 year it brought 620,000 passengers to New York City.
5 So very large facilities. Very good team that's
6 surrounding them with a lot of experience, and a lot
7 of good connections to the maritime industrial
8 community.

9 CHAIRPERSON KOO: So, like can you tell
10 us like how long have you worked for EDC and each of
11 you?

12 ZACHARY SMITH: I've worked at EDC for
13 about 3-1/2 years.

14 ANDREW GENN: I'm the older timer. I
15 started in 1997 about 18 years. Proud.

16 JOSHUA NELSON: It will be seven years
17 for me in July.

18 CHAIRPERSON KOO: The reason I asked is
19 because sometimes in government we have no
20 continuity [sic] in management. Some people are
21 there for a couple years. They left and then the
22 other guys come in and they don't know what to do.
23 [laughter]

24 ANDREW GENN: What we're trying to do, I
25 hired Josh so we're trying to keep the continuity,

1
2 and you know I think--I think it is important to do
3 that. And we work with institutions that will be--
4 that will succeed us, you know,

5 CHAIRPERSON KOO: You want to make sure
6 that you have the management skills, you know, and
7 experience with maritime users. You don't want
8 somebody that is doing on-the-job training, you know.
9 They manage with such a good skill.

10 ZACHARY SMITH: Yes, we absolute agree,
11 and we believe besides the individual experience that
12 EDC has the institutional experience it's uniquely
13 positioned within the city government to hold this
14 master lease.

15 CHAIRPERSON KOO: We want to make sure we
16 put the City's interest and the community's interest
17 above other things, you know. We have questions by
18 Council Member Greenfield.

19 COUNCIL MEMBER GREENFIELD: Thank you,
20 Mr. Chairman. So, you know, in listening to all
21 this, I certainly don't question the expertise that
22 EDC has. I think overall you guys do generally good
23 work and we're supportive of it, and obviously you
24 come to us consistently. And it's very rare I think
25 in percentage scale, quite frankly, that we turn you

1
2 down. So we certainly have confidence in EDC. I
3 think the concern over here is sort of the cost
4 benefit of a long-term lease versus the--I guess I
5 would say both the transparency and the community
6 input that a shorter term lease would provide. and
7 just, I don't know if I'm completely convinced at
8 this point that the 45-day period just to put it in
9 perspective if we were to approve it this week it
10 would actually be 25 days.

11 So we're not talking about huge sums of
12 time, right, 25 days, 35 days, 45 days. It's just
13 that-- And even with the answers it seems like there
14 is not a very clear plan as to what's going to happen
15 here. And that's okay. I have no problem with that
16 because like I said I have no confidence that you
17 guys are going to work your magic and you're going to
18 make this good. And certainly I think you've got an
19 impressive team of folks. But that's why, you know,
20 when we started off, it was sort of closer to the
21 idea that there were going to be one or two folks who
22 were going to be long-term leases. Then you
23 mentioned in response to Council Member Menchaca it
24 might be as many as ten. All good.

1
2 But I'm not really convinced that the ten
3 are going to happen at the same time, and that
4 doesn't really give you the 20 or 30 or 45 days to
5 come back to us. Do you see what I'm saying? So my
6 concern I think, some of the concern that the
7 committee has is that understandably, there's not a
8 ton of clarity. I think maritime use is different
9 than the other projects that we have because maritime
10 has a much more significant footprint, quite frankly,
11 than the usage of storage space or office space or
12 things like that. And so I don't really like to
13 compare the two even though I know you guys want to.
14 I just don't think it's an apples to apples
15 comparison, to borrow a phrase from my colleague
16 Council Menchaca.

17 So that's really I think the concern that
18 we have. It's not once again, you know, a five-year
19 lease. God bless. I don't think there's a lot of
20 issues over here. I think that, you know, 49 years
21 is a pretty long time. Not really clear what the
22 plan is. Once again, I don't want to be clear--I
23 want to be clear that it's not that I don't believe
24 that you guys can do it. But in all fairness, but a
25 lot of the points that you're making about, you know,

1
2 only if we had the master lease we'd have more
3 flexibility. It's kind of like of your own making.
4 You picked Axis. It was your due diligence. It was
5 your perspective. It's not really fair to come back,
6 and sort of try to blame on the Council and say, Oh,
7 if only we had a 49-year master lease life would be
8 good. And that's I think really the concern.

9 And I want to be clear about that for
10 yourself, and for folks that are watching this, that
11 we're not questioning the expertise of EDC. We're
12 not questioning that you have the best interest in
13 the city. We're not questioning that you have the
14 capability. We're a little bit worried about the two
15 issues, which are transparency because that plan
16 doesn't exist yet, which I think you would admit to.
17 And the issue of community input, and we're not
18 really sold that 25, 35 maximum-- Just to be clear,
19 45 is maximum time. If you don't act in 45 days the
20 law says you get what you want. So there is no
21 further possibility that you can't really work within
22 that timeframe to establish a long-term lease. And I
23 think that's-- You know, I just want to try to focus
24 where we are at this point in the conversation.

1
2 JOSHUA NELSON: Sure. One thing just to
3 clarify, with all due respect, EDC is not here
4 placing blame at the City Council's feet with respect
5 to the Axis lease at all, and that process. We were
6 certainly well involved in that process, and
7 advocates of that process. So to be crystal clear
8 that we are not laying any blame as far as that's
9 concerted.

10 COUNCIL MEMBER GREENFIELD: I appreciate
11 that. To be fair, honestly, that was the
12 implication, at least sort of what it sounded like
13 early on. And certainly the testimony seemed to
14 appear that, you know, it was council based. So I
15 just wanted to clarify that point, but I appreciate
16 that. Thank you.

17 JOSHUA NELSON: And as far as the, you
18 know, you Council Member highlighted the issue with
19 respect to the timeframe, and yourself said if we
20 were to have ten potential users on the site, they
21 would not likely not come to the Council at the same
22 time. And that's probably true. So then we would
23 have ten separate processes in which we would have to
24 go and take those users through the Council Process.
25 So similar to how we operate Brooklyn Army Terminal

2 we have the ability to move forward, and quickly
3 execute leases, agreements with companies without any
4 sort of 45-day time period, et cetera. So, again, I
5 just--

6 COUNCIL MEMBER GREENFIELD: [interposing]

7 I certainly understand the preference, and I don't
8 blame you. If I was EDC, I'd want the same thing.
9 I'm just trying to sort of clarify what the competing
10 interests are over here, and I'm not saying at this
11 point I'm got make a judgment but just to explain
12 that in my perspective, 45 days is not that
13 cumbersome, quite frankly. Ten contracts is not that
14 many contracts. We do this regularly. In fact,
15 we're the only committee in the City Council that
16 actually meets on a regular basis exactly for this
17 purpose. So that when EDC or HPD or anything other
18 government agency has an issue, they can come to us.
19 We act very rapidly on these issues, as you've seen
20 in this case. You guys even came to us this on
21 Thanksgiving Even and you're already here and we're
22 happy to work with you.

23 So my point is not the preference, not
24 that it would make your lives a little bit easier.
25 I'm just not convinced that your business model that

1
2 you proposed so far requires waiving that 45 days,
3 which is helpful for us as a Council in terms of
4 oversight and community involvement. And that's what
5 I'm saying. I'm not making a judgment. I'm just
6 simply laying out I think the pros and cons of the
7 argument, which is something that we're going to have
8 to discuss internally I would say.

9 ZACHARY SMITH: And if I could add, and
10 again, this could be the last time [laughs] we say it
11 I promise. But it was my testimony. I just want to
12 be clear for the record, we were not blaming the
13 Council on Axis. Now Axis is still instructive in
14 terms of this point that I think that you're making,
15 and the flexibility that we are looking for. Axis
16 was a victim, and we were a victim as much by the
17 Recession as anything else. And that Axis lease
18 certainly because there is just one. That was part
19 of it, but also because there was a master lease with
20 a separate entity it really tied our hands in terms
21 of what we can do with the site as a result. The
22 market has changed. Anything can happen in the
23 economy over the next 5, 10, 49 years. And we need
24 to be able to mix and match, amend--

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COUNCIL MEMBER GREENFIELD: [interposing]

3

And to plan.

4

JOSHUA NELSON: --amend fences for

5

instance, not just--

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COUNCIL MEMBER GREENFIELD: [interposing]

7

To be clear, what is your point. We don't disagree

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with the master lease. It's just a question of how

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much time the master lease should be.

10

CHAIRPERSON KOO: We have some questions

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from Council Member Barron.

12

COUNCIL MEMBER BARRON: Thank you, Mr.

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Chair. I didn't hear all of your testimony so I

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apologize if my question is repetitive. In your

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presentation you talk about good paying jobs, and my

16

colleague Council Member Menchaca talked about the

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labor that will be generated from here. And I want

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to know what is the plan to ensure that the community

19

is available to apply for these good paying jobs?

20

What is your goal in terms of hiring community

21

people? How do you expect your tenants to comply

22

with that? And what is your goal for the MWBEs?

23

[pause, background comments]

24

ANDREW GENN: What I can speak to,

25

Council Member, it's a great question. We in the

1
2 past when we worked with the lease with Axis and also
3 with the more recent lease that we did in Red Hook
4 with a company called Phoenix Beverages, we wrote
5 into the lease and Josh mentioned Hire NYC. That's
6 one mechanism, but I think more importantly what we
7 did was we forged relationships with both the
8 Teamsters and the ILA. Because those are the two
9 unions, the two trade unions that typically work the
10 piers. So a great example I think is what has
11 happened in Red Hook where an entity, a beverage
12 distributor, Phoenix, came in under a lease both with
13 EDC and the Port Authority. They working with their
14 Teamsters operate in that--the warehouse facilities
15 in Red Hook, and they quickly joined the Board of the
16 Southwest Brooklyn Development Corporation. So that
17 they were very much when they moved from Queens into
18 Brooklyn, they became very savvy with sort of what
19 types of job programs were in the local community.
20 In the case of Axis, what we did was we connected
21 that company with the United Puerto Rican
22 Organization of Sunset Park with the Fifth Avenue
23 Committee with SPDC [sic] with a number of other
24 local development corporations. And as well as with
25 the ILA and the Teamsters. And made sure that they

1
2 would have a hiring plan that reflected the
3 community.

4 COUNCIL MEMBER BARRON: Thank you. Can
5 you give me a percentage as to how many of the jobs
6 that were created were, in fact, jobs that were given
7 to community people? What's the percentage, and
8 what's the income range? What's the salary range of
9 those jobs that were generated?

10 ANDREW GENN: Well, one of the things I
11 think when Phoenix moved into Red Hook it was
12 exciting because they immediately had to hire new
13 people. And they working again with SPDC were able
14 to identify new positions either within sort of the
15 Catchment area of the Red Hook Terminal. Or, the
16 next step would always be sort of the borough. So
17 they worked also with the Workforce Center, and with
18 the Brooklyn Chamber of Commerce so that they were
19 constantly getting applicants when positions opened
20 up. But I came as close to the facility as possible,
21 which is a good thing because when it snows those are
22 the people who show up to work I think. So it's good
23 for the company. It's good for the community.

24
25

1
2 COUNCIL MEMBER BARRON: Can you give me a
3 percentage of how many jobs went to the community
4 people, and what's the salary range for those jobs?

5 ANDREW GENN: The percentage I'll
6 probably defer to another panel because you'll have
7 the opportunity to talk to the folks from that
8 company in subsequent testimony. In terms of the
9 salary range, as we said, the starting salary is
10 typically in that sort of \$40,000 range with
11 benefits. And then for warehouse work it goes up,
12 you know, as you build skills. The longshoremen are
13 a little bit of a higher wage in the entry level,
14 probably in the 50. But typically longshoremen wages
15 can climb to \$80,000 easily and higher for that type
16 of union. And the health benefits are excellent.

17 COUNCIL MEMBER BARRON: Thank you.

18 CHAIRPERSON KOO: [off mic] Council
19 Member Menchaca.

20 COUNCIL MEMBER MENCHACA: Thank you,
21 Chair, and I'll follow up on the job speech before I
22 go to my final question. But the skills necessary
23 for maritime jobs are higher than a retail job. And
24 so, in light of Council Member Barron's questions
25 would EDC be open to building a capacity project, a

1
2 program maybe with SUNY or a middle educational
3 institution to help build that base in anticipation
4 of this big project that you're kind of sharing with
5 us today?

6 ANDREW GENN: I appreciate that question
7 because one of the things that I think that we've
8 been building at EDC are those relationships with
9 SUNY Maritime College. But more importantly what
10 we've started are these relationships with the
11 Harbors School on Governors Island, with McKee Career
12 and Tech School on State Island because that's
13 important because a lot of our tug and barge
14 companies and ship yards are around Staten Island.
15 And then, exciting for me is on I'm on the Board of
16 the Urban Assembly School of Global Commerce, which
17 is teaching kids the supply chain field. In fact,
18 this very morning, we were meeting with the school,
19 and a bunch of folks on the Advisory Committee
20 including CSX Railroad, and others to talk about what
21 do we have to teach in that school so that the kids
22 who graduate can work in the industry? So that's by
23 far the most exciting thing that we're doing.

24 COUNCIL MEMBER MENCHACA: Thank you for
25 sharing that, and we'd love to continue that

1
2 conversation in how we can be supportive separate and
3 apart from this conversation, but I think related.
4 And finally, I really want to kind of get a sense of
5 the environmental review process. And if you can
6 kind of share with us the scenario or a scenario that
7 would trigger different environmental analysis than
8 what is currently set for SBMT.

9 JOSHUA NELSON: Certainly. Thank you
10 question. So as far as the Axis lease is concerned
11 in 2006, Axis submitted an environmental assessment
12 for review associated with a particular program that
13 was proposed at South Brooklyn Marine Terminal.
14 Programs of this type are generally a function of
15 volume, truck traffic, and/or annual ship calls to
16 create potential impacts. The environmental
17 assessment was subsequently reviewed. And in April
18 of 2006, a negative declaration was issued as a part
19 of that environmental review. It determined that the
20 project would not have adverse, significant adverse
21 environmental impact. And I'll just read from the
22 negative that more specifically that the project as
23 proposed would not have any significant adverse
24 impacts on land use or the character of the
25 surrounding community. That the project as proposed

1
2 would not result in significant adverse traffic,
3 parking noise or air quality impacts.

4 That the project as proposed would not
5 result in significant adverse impacts on historic
6 resources. The project as proposed would not result
7 in significant adverse impacts on open space. And
8 furthermore no other significant affects upon the
9 environment that would require an environmental
10 impact statement are foreseeable. Because the master
11 lease that we are proposing here proposes no material
12 change in permit conditions or the scope of permitted
13 activities, it is therefore considered a Type 2
14 action pursuant to New York Codes, Rules and
15 Regulations. Therefore, additional environmental
16 review is not necessary. What that means in terms of
17 our ability to execute leases and agreements without
18 any additional further environmental review is that
19 they'll come in under the thresholds that were
20 identified as a part of that environmental
21 assessment. If for any reason we were to propose the
22 use of a facility that exceeded those, it's my
23 understanding that EDC would have to enter into a
24 separate environmental review process associated with
25 that lease.

1
2 COUNCIL MEMBER MENCHACA: Can you give us
3 an example of what triggered that, and what the
4 Council's role would be?

5 JOSHUA NELSON: What would trigger that
6 that we know are a series of thresholds that are
7 identified in the Axis EA. An example is 40 vessel
8 calls a year. That's less than one ship a week, for
9 example. Another example was 280 tug boat trips a
10 year. The idea being two tug boats assisting a large
11 vessel into the facility. So if for any reason we
12 were to introduce a new program that was much more
13 intense than that potential use, our understanding is
14 that we would have to trigger a new Environmental
15 Assessment process. As far as the Council's official
16 role, I'm a little less versed on what that would be.
17 Generally an EA goes through the Mayor's Office of
18 Urban Environmental--

19 COUNCIL MEMBER MENCHACA: [off mic] This
20 would be an EA?

21 JOSHUA NELSON: It would be an EA.

22 COUNCIL MEMBER MENCHACA: [off mic] This
23 would be an EIS.

24 JOSHUA NELSON: Well, if it triggers the
25 secret thresholds it would be an EIS, but I'm just

1
2 saying the thresholds identified in the EA. So it
3 may be that just another EA is required with an
4 additional program added to that.

5 COUNCIL MEMBER MENCHACA: Okay. Thank
6 you.

7 CHAIRPERSON KOO: Council Member Barron,
8 do you have another question?

9 COUNCIL MEMBER BARRON: Thank you, Mr.
10 Chair. So, you don't anticipate that there would be
11 more than one vessel per week coming in as you're
12 talking about expanding and having all these other
13 projects and tenants come in? It still would not
14 generate more than one per week?

15 JOSHUA NELSON: So it's one ocean going
16 vessel. Just to give the Council or the
17 Subcommittee, excuse me, an example. At our cruise
18 terminals a ship that's making a call a week
19 generally with dry dock time and other things that
20 take it out of service, you usually see uses of about
21 44 annual calls a year. So it's a pretty intense use
22 of a vessel or service that would bring there. These
23 are big--these are big ships and the 40 vessels a
24 year are quite large and involve a lot of activity in
25 loading and unloading.

2 COUNCIL MEMBER BARRON: [interposing]
3 Right.

4 JOSHUA NELSON: So it's feasible that
5 they're there. That whole process takes about a
6 week.

7 COUNCIL MEMBER BARRON: And how many
8 trucks are associated with each vessel?

9 JOSHUA NELSON: It really depends on what
10 the vessel is carrying and how much product is coming
11 off of that vessel.

12 COUNCIL MEMBER BARRON: What's the range?

13 JOSHUA NELSON: I could give you an
14 example of-- Do you have a--?

15 ANDREW GENN: I think when we were
16 looking at the Axis lease and that was the basis for
17 this--for the environmental assessment, we were--
18 Typically, we're looking at sort of the same range of
19 activity that you had typically seen in that SBMT
20 today. When most of the uses involved automobile
21 transportation in and out of the site. So, it was
22 far less than 50 truck trips in an hour. So more
23 probably in the range of 15 to 20 was the typical
24 range. So we were specifically looking for types of
25

1
2 uses that would not overwhelm the local
3 transportation network.

4 JOSHUA NELSON: Right.

5 COUNCIL MEMBER BARRON: You said 50 per
6 hour.

7 JOSHUA NELSON: No, not 50 per hour.

8 ANDREW GENN: No, we weren't seeing that.
9 We were seeing far less than 50.

10 COUNCIL MEMBER BARRON: Okay, what would
11 be the range?

12 JOSHUA NELSON: So I can again mention
13 because it's specific to automobiles what was
14 identified in the Axis EA was approximately 60 truck
15 trips per vessel call. So you imagine that a vessel
16 was there for a period of 24 to 48 hours. Over that
17 48 hours approximately 60 truck trips.

18 COUNCIL MEMBER BARRON: Because there was
19 an attempt for Walmart to come into my community and
20 part of the concern was the truck traffic that would
21 be generated, and the noise, the pollution. It's an
22 area that had a high level of asthma, as well as the
23 wear and tear on the streets. I think that looking
24 at the volume of truck traffic would be essential to

2 understanding what the real environmental impact
3 would be on this community. Thank you.

4 [Pause]

5 JOSHUA NELSON: Right, and just to follow
6 up on that. You know the carbon--

7 COUNCIL MEMBER BARRON: [interposing]

8 And that was a part of the reason why we were able to
9 defeat it, just a small part, another part.

10 JOSHUA NELSON: This process and this
11 project is intended to eliminate truck trips.
12 Because the cargo is going to come to Brooklyn,
13 Queens, and Greater Long Island no matter what. It
14 has to get here. It has to get to our stores. It
15 has to get to our construction sites, et cetera. We
16 would prefer it not arrive to those boroughs and to
17 Greater Long Island on truck, but rather that it
18 arrive on a ship. And, you know, that's from a
19 regional perspective. A ship is much more efficient
20 in terms of carrying capacity, and in terms of
21 environmental impacts when you look at it in the
22 aggregate compared to those associated truck trips.

23 COUNCIL MEMBER BARRON: Yes, but then
24 once it gets there you need a truck to move it from
25 the ship.

2 JOSHUA NELSON: Certainly, certainly by
3 truck and rail. Rail is another big part of SBMT.

4 ANDREW GENN: I think it's important to
5 stress what Josh is saying that we see SBMT as really
6 a port serving the needs of New York City of our
7 community. And what we're also trying to say is that
8 there are other ports like Philadelphia that would
9 love to be our port, and some trucks across the
10 region to Brooklyn, Queens and Long Island. What we
11 think is a better model is to have the ships bringing
12 the cargo that's coming for our market anyway. And
13 then, you know, have the last mile be distributed by
14 truck. But, you know, ideally it would be a
15 different kind of truck. And that's something that
16 we've sort of worked on with our partners at Phoenix
17 Beverages where we've done conversions of trucks to
18 natural gas. And to recognize that. But, you know,
19 it's a better paradigm for moving goods through an
20 open area.

21 COUNCIL MEMBER BARRON: And how does your
22 plan incorporate the use of rail to get the products
23 out?

24 JOSHUA NELSON: So, it just depends on
25 the particular users. We've invested upwards of \$25

1
2 million in new railroad infrastructure to connect
3 South Brooklyn Marine Terminal to the National Rail
4 Network. Depending on the type of commodity anywhere
5 from 10 to 15% of what's aboard a vessel would be
6 what we call rail eligible. Meaning it's headed to
7 markets that are outside of the city that--or even
8 onto Long Island that can compete from a cost
9 perspective with truck trips.

10 COUNCIL MEMBER BARRON: And have you
11 designated those rail lines so that we can look to
12 see because I want to know if any of them are going
13 to come through my community.

14 JOSHUA NELSON: The rail network in New
15 York City is pretty limited, and so it's much more
16 focused on particular areas. It would depend on the
17 routing of the commodity, and where a particular
18 shipper was interested in sending that to determine
19 that rail line or that rail car would go.

20 COUNCIL MEMBER BARRON: Would it include
21 the rail line that exists, although it's not readily
22 used, although sometimes it is used. That parallels
23 the L-line in Brooklyn, which goes through Brownsville
24 and Canarsie?

1
2 JOSHUA NELSON: You're referring to the
3 Bayridge branch--

4 COUNCIL MEMBER BARRON: [interposing]
5 That's correct, that's correct.

6 JOSHUA NELSON: --on the New York
7 Atlantic railway?

8 COUNCIL MEMBER BARRON: Right.

9 JOSHUA NELSON: It is very possible that
10 yes it would utilize that corridor.

11 COUNCIL MEMBER BARRON: Okay. So I'm
12 really perked up and interested now because that's a
13 part of my community.

14 JOSHUA NELSON: But again, you must
15 realize the alternative is truck trips. So one box
16 car of freight is equivalent to four truck trips.

17 COUNCIL MEMBER BARRON: Right.

18 JOSHUA NELSON: So you're looking at
19 either a train that's pulling several rail cars-- Say
20 a train pulling ten rail cars that equals 40 truck
21 trips. And that's what we're trying to make sure
22 that we limit those environmental impacts. If it
23 doesn't go by train, it will go by truck.

24

25

1
2 COUNCIL MEMBER BARRON: Right. And so
3 how many train trips do you anticipate for each ocean
4 liner vessel?

5 JOSHUA NELSON: Again, it depends on the
6 commodity. Ideally one. A locomotive can pull
7 several rail cars, and so 15 to 20% or 10 to 15% of
8 the commodities are coming off and are rail eligible.
9 They're all headed to the same location. One
10 locomotive or one train can take all of that
11 capacity.

12 COUNCIL MEMBER BARRON: Thank you.

13 CHAIRPERSON KOO: Any more questions. So
14 we thank you, Mr. Smith, Mr. Nelson, and Mr. Genn.

15 CHAIRPERSON KOO: And we have one more
16 panel.

17 ANDREW GENN: You're sitting here
18 waiting.

19 CHAIRPERSON KOO: So there are no more
20 questions.

21 JOSHUA NELSON: Thank you very much.
22 Thanks for your time.

23 ANDREW GENN: Thank you.

24 CHAIRPERSON KOO: Now we have Michael
25 Stamatis from Red Hook Community Terminal; Pat

1
2 Simeone from Phoenix Beverage; and Roland Lewis from
3 Metropolitan Waterfront Alliance; and Louis Pernice
4 from Local 1814 ILA. Would you please take your
5 seats, and identify yourselves, and start

6 [background comments]

7 CHAIRPERSON KOO: I told you about the
8 delay of the meeting, and each of you will speak for
9 two minutes.

10 [Pause]

11 PATRICK SIMEONE: Good afternoon, my name
12 is Pat Simeone.

13 FEMALE SPEAKER: You're not on the mic.

14 [Pause]

15 PATRICK SIMEONE: Good afternoon, my name
16 Patrick Simeone. I am the Director of Facilities for
17 Phoenix Beverage, which is a distribution company
18 that has operated in Brooklyn Marine Terminal Pier 7
19 for almost five years. Our company relies on direct
20 maritime service, and we have always worked very
21 closely with the various stevedores and have operated
22 the container terminal. Through our joint efforts,
23 we have been able to stabilize the Red Hook shipping
24 business, and are poised to inaugurate an innovative
25 joint container barge service with Port Newark

1
2 Container Terminal that will eliminate truck traffic
3 from bridge crossings. I am here in strong support
4 of the master lease agree at SBMT. By securing a
5 lease, the city will be able to compete for shipping
6 services that might otherwise go to ports outside of
7 New York resulting in freight being trucked into the
8 city.

9 Before operating out of Red Hook,
10 Container Terminal Phoenix operated from two
11 locations, one in Long Island City and one in the
12 larger location in Port Newark. The infrastructure
13 and continuity of service in Red Hook allowed us to
14 move our business back into New York City, employ
15 more than 600 people. And thanks to the maritime
16 infrastructure in New York City, all of the people
17 are working in New York City, and in the Hudson
18 Valley. This would not be possible without the
19 commitment from the Port Authority and the New York
20 City Economic Development Corporation for sustaining
21 and growing the maritime industry in New York City.
22 Stability is crucial in the shipping industry having
23 one agency improve dock licenses in an efficient
24 manner. And know that a defined license permitting
25 system is in place demonstrates to the supply chain

1
2 managers that New York whether it be Red Hook or
3 SBMT, is ready, willing and able to handle cargo. By
4 approving this lease, the Council will send a strong
5 message to the shipping world that New York City
6 believes in a working waterfront and is ready to
7 compete.

8 [Pause]

9 MICHAEL STAMATIS: Good afternoon,
10 Chairman Koo and members of the Subcommittee on
11 Landmarks, Public Sitings and Maritime Uses. My name
12 is Michael Stamatis [bell]. I am President of Red
13 Hook Container Terminal, a Terminal Operator and
14 Stevedore. We have been operating the Container
15 Terminal in Red Hook and the terminal in Port New
16 York and New Jersey for almost three years. Our
17 company was originally formed to be a temporary
18 operator for the Red Hook Container Terminal.
19 However, over the subsequent years, we have signed an
20 Operating Agreement with the Port Authority to
21 operate the terminals both in Red Hook and Newark on
22 a multi-year term.

23 We are here in strong support of the
24 Maritime Lease Agreement at SBMT. By securing the
25 lease, the city will be able to compete for shipping

1
2 services that might otherwise go to ports outside of
3 New York resulting in freight being trucked back into
4 the city. The reason that a lease with the EDC is
5 important is that it provides stability with an
6 organization that is geared to maritime commerce.
7 Our experience in stabilizing the terminal in Red
8 Hook and going into joint business between the Red
9 Hook and Newark Terminals was a multi-year lease with
10 the Port Authority. This provided clarity to
11 shipping lines, break bulk shippers, project cargo
12 shippers, and container customers that there would be
13 stability and continuity and operations in Red Hook.

14 The importance of this cannot be
15 understated. Shipping services whether container,
16 railway, break bulk need clarity and continuity at
17 terminals. The assets that they are operating ships
18 are expensive to purchase, and even more expensive to
19 operate. They cannot or will not accept missed calls
20 or to have the possibility of a terminal shutting
21 down. And must find a new terminal mid-contract.
22 Because of the long-term nature of many of these
23 contracts, it takes a long time to develop a viable
24 terminal business and attract enough services to get
25 the economies of scale needed to run a terminal. For

1 instance, a cross-harbor container barge, which has
2 been talked about in Red Hook for more than a decade,
3 has just become a reality in the last six months.

4
5 The alignment of terminal operators,
6 shipping lines, and various government agencies has
7 taken a long time to come to fruition. However,
8 thanks to the Port Authority, the EDC, Customs and
9 Congressman Nadler, this will determine a [bell]
10 reality in 2015. It is an example of how stability,
11 continuity, and a public commitment have to come
12 together to make projects viable. This is especially
13 true in Brooklyn where the maritime industry has lost
14 scale, and needs to build it back up to become viable
15 again. As far as scale is concerned, Red Hook is a
16 small port facility, but it has the advantage of
17 being equipped with ship to shore cranes that handle
18 container ships and barges.

19 SBMT provides swing space so that as Red
20 Hook gets busier, ships with non-containerized cargo
21 like vehicles, salt, and certain oversized project
22 cargos will have a place to go. SBMT also has the
23 advantage of rail float service with connections to
24 the National Freight System. By approving this
25 lease, that intermodal link between water and rail

1
2 transport can be activated sooner. The importance of
3 having these shipping options cannot overstated. For
4 New York City businesses that distribute within the
5 city, having the connection to international and
6 domestic water and rail services is key to a
7 successful business model. It makes from an
8 environmental perspective because the modes are
9 inherently more efficient.

10 It also makes sense because it keeps good
11 quality blue-collar jobs in the city. We have a
12 workforce that is almost entirely made up of New York
13 City residents. Most are represented by the
14 longshoremen and they have excellent wages and
15 benefits. Additionally, we have always worked
16 closely with Congressman Joe Nadler, who through his
17 tireless efforts has helped secure federal resources
18 to modernize SBMT, and its unique freight
19 transportation infrastructure. By approving this
20 lease, the Council will send a strong message to the
21 shipping world that New York City believes in a
22 working waterfront. It is ready to compete. Thank
23 you for your time today and I am happy to answer any
24 questions.

25 CHAIRPERSON KOO: [off mic] Mr. Lewis.

1
2 ROLAND LEWIS: I'm Roland Lewis,
3 President of Metropolitan Waterfront Alliance, and I
4 will echo everything Mike just said. We are, too, in
5 favor of the lease. And I want to actually start by
6 addressing the issue that Council Member Menchaca
7 started with about engaging communities with a
8 working waterfront. It's an issue that the
9 Metropolitan Waterfront Alliance cares deeply about
10 and is working on with a new project called
11 Waterfront Edge Design Guidelines, which I hope when
12 we release it on January 22nd, will be a tool for
13 communities to intelligently engage with the working
14 waterfront. And the working waterfront to tell the
15 good work that they do to create jobs, to improve the
16 environment to getting trucks off the road. And the
17 other wonderful things that this great community
18 provides the city, a common dialogue. And also a way
19 for the permitting for these important facilities to
20 go forward. So look for that as a way to answer that
21 earlier question you had. And I think an important
22 one because it's a matter of communication and better
23 communication between our communities and these
24 businesses that we all need.

1
2 As far as the issue before the committee,
3 Chairman Koo, we do--we are in favor. This facility
4 has lay dormant too long. We all understand the
5 reason why it did. And I think the new master lease
6 is a common sense way to remedy the situation for
7 short-term and long-term lease that will enliven this
8 facility, create jobs, and again get trucks off the
9 road, which I think is very important. It can't be
10 emphasized enough. We have worked with the City,
11 actually in your district, Carlos, with the Dock NYC
12 project, which I know is still in discussion on a lot
13 of facilities. But the bottom line is it has worked
14 wonderfully to activate a number of facilities around
15 the city from Harlem to Staten Island, Brooklyn, and
16 other parts of Manhattan. I think that's an example
17 of how using more innovative techniques the EDC is
18 now working to enliven the waterfront and use it for
19 more jobs and access. I'll stop right there, and I
20 encourage the committee to approve this.

21 CHAIRPERSON KOO: [off mic] So we have
22 one more person. [bell] So you may start. [sic]

23 LOUIS PERNICE: Good afternoon, Chairman
24 and members of the committee. My name is Louis
25 Pernice. I'm President of Local 1814 in the ILA.

1
2 The local headquarters is on 20th Street in your
3 area. We represent longshoremen in the Brooklyn
4 facilities and in Staten Island all the maintenance
5 work that's done by our people out of Local 1814. I
6 am here in strong support of the master lease. There
7 are many issues that have not yet been answered, and
8 I understand that. This is something new for all of
9 us. And the agreement with South Brooklyn Terminal
10 by securing this lease would give the city better
11 ability to compete for shipping services, which I am
12 interested in. Shipping services.

13 I'm not interested in warehouses. I'm
14 not interested in storage. I'm interested in
15 shipping services. All right, and the issues that
16 were raised about a short-term lease or a long-term
17 lease I mean it was an issue that was raised. I
18 guess it is important, but the criteria for that is
19 going to be how much of an investment will the late
20 tenant for his business. That's going to be the
21 factor that you have to look because as far as the
22 shipping industry is concerned, there are a lot of
23 variables he has no control over. The shift of
24 cargo, a revolution somewhere. That has a dire
25 affect on the shipping industry for which we have no

1
2 absolutely no control, no control. So there are
3 going to be a lot of leeway here and a lot of
4 learning that we're going to have to do [bell] over
5 this master agreement hoping it works.

6 And I say this only because the Local
7 over the past years in working for the Community
8 Board when Axis was involved I had Community Board
9 meetings. With the local heads from the Community
10 Board came down to my office and we sat and we
11 discussed the possibility of jobs for the local
12 community. And I made it very clear then, very clear
13 that the jobs that we were talking about would first
14 be restricted to those individuals living in the zip
15 code area. It's the best we could do. The next is
16 up to you. We cannot, we cannot and I say it again,
17 we cannot go out and hire a longshoreman to work with
18 us. It has to through the Waterfront Coalition. And
19 I depend on you individuals because everyone that's
20 working on the waterfront gets a waterfront pass.

21 And in order to secure that waterfront he
22 has to go through a background check. That's very
23 vital. Drug testing, which we will not allow, not
24 allow whatsoever. These are the areas that fell
25 short. You guys you want it to work, you have to

1
2 cosponsor, if it comes to that, that we need
3 longshoremen. You have to make it with us and
4 convince the Waterfront Commission why they should
5 select people within the Sunset area code for jobs
6 that are available at Sunset Park. I mean what's
7 this big deal all about. We don't have jobs. Until
8 we get the jobs, and until you can participate, we're
9 offering you an opportunity. And another thing that
10 really, really annoys me because I came up here today
11 with--annoyed. you have--

12 CHAIRPERSON KOO: [interposing] Okay.

13 LOUIS PERNICE: --you have a--

14 CHAIRPERSON KOO: [interposing] Please
15 don't shout.

16 LOUIS PERNICE: All right, shall I
17 continue--

18 CHAIRPERSON KOO: [interposing] Yeah,
19 you're time is up.

20 LOUIS PERNICE: --or did you hear enough?

21 CHAIRPERSON KOO: Your time is up, yeah,
22 yeah.

23 LOUIS PERNICE: What was that?

24 COUNCIL MEMBER MENCHACA: Your time is
25 up.

1
2 LOUIS PERNICE: My time is up?

3 CHAIRPERSON KOO: It is time, yeah. We
4 are limited to four minutes now from five yeah. So
5 we have another panel is there?

6 COUNCIL MEMBER BARRON: [off mic] No, we
7 don't.

8 CHAIRPERSON KOO: Do we have anyone for
9 questions?

10 COUNCIL MEMBER BARRON: [off mic] Yes.

11 CHAIRPERSON KOO: Council Member Barron.

12 COUNCIL MEMBER BARRON: Yes.

13 CHAIRPERSON KOO: You ask your question
14 and then Council Member Menchaca.

15 COUNCIL MEMBER BARRON: Thank you. Thank
16 you for coming to provide testimony on this topic.
17 My question is regarding the jobs. What does it
18 take? I heard you say that you have to be hired
19 through the Waterfront Commission. So how does an
20 individual apply for a position as a longshoreman?
21 What does it take? How long is the process? How do
22 you get union whatever, and how do you maintain that?
23 Who can explain that to me, that process.

24 LOUIS PERNICE: I could.

25 COUNCIL MEMBER BARRON: Thank you.

1
2 LOUIS PERNICE: I cold explain. It's a
3 long process.

4 COUNCIL MEMBER BARRON: Yes.

5 LOUIS PERNICE: And we have--and this
6 goes back quite a few years when we had a---more
7 longshoremen that doesn't work. So now we have what
8 we call restrict bid [sic], registers. And that
9 means that an individual who is interested in
10 acquiring a job as a longshore person on the
11 waterfront, there's a process he has to go through.
12 He makes an application essentially with our Local.
13 There's a question there. We submit it to the
14 Waterfront Commission. They in turn process it. We
15 have no input, absolutely no input from that point
16 forward. The Waterfront Commission, as they deemed
17 fit, they make the selection as who goes forward in
18 the process. And that's usually based on the need
19 within the port. Now, since most of the workers
20 moved over to Jersey, we have lost quite a few
21 registered qualified longshoremen to Jersey. They
22 have the right to do so, to look for work. So right
23 now, the availability for additional people and the
24 Brooklyn and Staten Island area is not much because
25

1
2 the activity that we had in the past is no longer
3 there.

4 COUNCIL MEMBER BARRON: Are all--

5 LOUIS PERNICE: [interposing] The ship
6 calls have been diminished.

7 COUNCIL MEMBER BARRON: Right. Are all
8 applications forwarded or is there a limited number--

9 LOUIS PERNICE: [interposing] No we don't

10 COUNCIL MEMBER BARRON: --that you're
11 seeing?

12 LOUIS PERNICE: No, we don't limit
13 anything. No.

14 COUNCIL MEMBER BARRON: Okay, and then
15 once the application is submitted, if it should be
16 accepted and approved, what is the next step?

17 LOUIS PERNICE: They have a hearing.
18 They go up before the Commission. They get an
19 interview. So long as they've passed the physical
20 and the drug test that's required and a background
21 check. Then they get called. They'll be
22 fingerprinted. They're fingerprinted before, and
23 then they become what they call a registered
24 longshoreman. And then he's placed into a seniority
25 system by section, and I might also add talking about

1
2 our current contract, about the wages. Yeah, listen,
3 we have without a doubt there is no better health
4 benefit plan than ours. A longshoreman pays nothing.
5 You hear me? Nothing for his benefits. He has 16
6 paid holidays. Today is the distribution of our
7 container royalty check, which was 22? \$22,000 for
8 each eligible longshoreman. So this is just to give
9 you an idea of what we could offer. So I would say
10 this much to you is that, of course, we're interested
11 in doing something in the neighborhood because if
12 it's going to help us, and the carrier that comes in
13 there, it's going to be beneficial to not only us but
14 the neighborhood.

15 COUNCIL MEMBER BARRON: So how many
16 applications were received let's say in the last year
17 and how many were actually processed and became
18 longshoremen?

19 LOUIS PERNICE: I've got the-- Frankie?
20 How many applications did you get?

21 FRANKIE: [off mic] Last year?

22 LOUIS PERNICE: Yes.

23 COUNCIL MEMBER BARRON: Well, I think you
24 may have to come.

2 LOUIS PERNICE: No, no, no, it's-- I'll
3 repeat it.

4 COUNCIL MEMBER BARRON: Okay.

5 FRANKIE: [off mic] In the past year, I
6 would have to say 50 or 60.

7 LOUIS PERNICE: 50 or 60 applications.

8 FRANKIE: [off mic] That were processed.
9 [sic] So far, we only had 18 individuals that were
10 approved.

11 LOUIS PERNICE: [interposing] 18
12 individuals that were approved.

13 COUNCIL MEMBER BARRON: Okay, only about
14 50 or 60 applied and 18 were approved. And what is
15 the salary range for a longshoreman?

16 LOUIS PERNICE: The entry level is--

17 COUNCIL MEMBER BARRON: [interposing] A
18 longshore person?

19 LOUIS PERNICE: The entry level is \$20.
20 Then they reach a maximum hourly rate over three
21 years, which is in excess of \$30 an hour.

22 COUNCIL MEMBER BARRON: And do you have--
23 is there a certain number of hours that you must work
24 in order to maintain--

1
2 LOUIS PERNICE: [interposing] We have
3 what we call qualifying hours. Everything that a
4 longshoreman earns today is for benefits next year.
5 They are based on qualifying hours, anywhere from 700
6 to 1,000 up to--

7 FRANKIE: [off mic] [interposing] 1,300.

8 LOUIS PERNICE: 1,300 hours. Now, and I
9 give you that only because the level of hours you
10 make for purposes of eligibility is determined on
11 what kind of benefits you receive. Like in the
12 health benefit plan, we have three different tiers.
13 So a guy that first comes in who doesn't earn much in
14 the way of hours, he's eligible under the 700-hour
15 program, would be eligible for a lower tier of
16 benefits. And, of course, it goes up as he earns
17 more. And that's within the contractual year. So
18 hours--hours are very important. Also, it also
19 determines what his pension plan is. And currently,
20 today's pension plan we have probably one of the few
21 still existing, and it's still very healthy. We have
22 a defined benefit plan, which means now today's
23 rate.

24 COUNCIL MEMBER BARRON: Right, and when
25 that time comes--

1
2 LOUIS PERNICE: [interposing] Retirees,
3 retirees are--

4 COUNCIL MEMBER BARRON: One last
5 question. What percentage--

6 LOUIS PERNICE: [interposing] I'm not
7 done.

8 COUNCIL MEMBER BARRON: But you're
9 cutting me off. [laughter]

10 CHAIRPERSON KOO: Well, we're running out
11 of time.

12 COUNCIL MEMBER BARRON: We're running out
13 of time.

14 LOUIS PERNICE: Okay.

15 CHAIRPERSON KOO: We're running out of
16 time.

17 COUNCIL MEMBER BARRON: One last
18 question. What is the percentage of Black and
19 Latinos who are part of your union?

20 LOUIS PERNICE: Well, I couldn't give you
21 the exact figure, but I would say we have a very good
22 share. Some action was taken against us, but it was
23 a miss--dismissed.

24 COUNCIL MEMBER BARRON: Thank you.
25

1
2 CHAIRPERSON KOO: [off mic] Council
3 Member Menchaca.

4 COUNCIL MEMBER MENCHACA: Thank you.
5 Thank you, Chair, and really as a comment so I won't
6 go into questions, as a comment on the line of
7 questioning with Council Member Barron we want those
8 jobs, too. We want to activate this site. We are on
9 the same page on all that.

10 LOUIS PERNICE: You have to participate.

11 COUNCIL MEMBER MENCHACA: And we are
12 participating, and we are actively participating,
13 believe me, in making sure that that site becomes
14 what it needs to become. And so that's a general
15 statement. So I don't think that's in contention
16 here. So why are we here? And I think what brings
17 us to this table is a set of parameters that--that
18 we're discussing here openly. And what I'd like to
19 hear from all of you, or one of you. Maybe the Red
20 Hook Container Port is-- How in relationship with
21 the City and the Council, how you've been kind of
22 guaranteed that you could kind of move forward with
23 the local jobs? And was City Council at all
24 important in that advocacy for-- And I think this is
25 more of a labor component, but how the Council is a

1
2 positive partner in this. And I'll stop with that
3 question.

4 MICHAEL STAMATIS: I'm not sure I can
5 speak to specifically your question regarding how the
6 Council's help in facilitating the jobs. But what I
7 can speak to is for the past three years I've had the
8 opportunity to work with Andrew Genn, Josh Nelson,
9 and the group out of EDC regarding helping Red Hook
10 Container Terminal create business, and bring jobs,
11 and in the--

12 COUNCIL MEMBER MENCHACA: [interposing]
13 And how many of those are local jobs? I'm just
14 curious.

15 MICHAEL STAMATIS: Well, they're all
16 local jobs and at Red Hook Container Terminal here in
17 Brooklyn we generate a payroll annually of
18 approximately \$10 million, which equates to over
19 300,000 man-hours. And those are all very good
20 paying union jobs that are in New York City. You
21 know, quite frankly over the past 20 years, the Port
22 of New York has become the Port of New Jersey.
23 Anyone who works in our industry knows that if you're
24 on the Brooklyn side of the port business, capturing
25 and attracting business has become a very, very

1
2 difficult task indeed. So we are actively working on
3 a daily basis to maintain the business that we have
4 and always looking for new opportunities.

5 The EDC has been a tremendous partner in
6 this, and I can tell you just for example most
7 recently we finally got permission after a year
8 almost from U.S. Customs to start a container barge
9 service between Red Hook and another terminal in the
10 Port Newark of New Jersey, one of the larger
11 facilities. That's a competitor of ours, and it took
12 a lot of doing to get that competitor to agree and
13 join us in starting this service. So the EDC
14 immediately is working with the Federal Maritime
15 Commission and MARAD to start what is called a marine
16 highway between Red Hook and Port Newark Container
17 Terminal. And they are fully supporting it. They
18 are actually filling out the paperwork, talking to
19 the federal managers--

20 COUNCIL MEMBER MENCHACA: [interposing]
21 And just in the matter of time and just because I
22 have a lot of other questions. We're going to
23 continue this conversation.

24 MICHAEL STAMATIS: Sure.

1
2 COUNCIL MEMBER MENCHACA: We're going to
3 continue with this in a big way. I just want to
4 define local jobs that is New York City jobs, but
5 local Red Hook, local zip code jobs.

6 MICHAEL STAMATIS: Well, I can't give you
7 those specific numbers, but we have people everyday
8 who live in the community, walk to work, within
9 blocks of the terminal and they have been there for
10 many, many years.

11 COUNCIL MEMBER MENCHACA: I just want to
12 say that that's a very important component of this
13 conversation here. So let's continue to have that,
14 and just get a better sense about what that means for
15 us in Red Hook. We have a huge public housing
16 constituency in Red Hook, and I would like to kind of
17 see how many of those are connected to these jobs.
18 And that can help define for us what local means, and
19 it doesn't mean just New York City--

20 MICHAEL STAMATIS: [interposing] Correct.

21 COUNCIL MEMBER MENCHACA: --employees.
22 So that will help us understand what you're talking
23 about.

24 MICHAEL STAMATIS: I can't tell you
25 specifically how many people live in Red Hook that

1
2 work at our terminal. They're all part of the Local
3 ILA 1814.

4 COUNCIL MEMBER MENCHACA: Right.

5 MICHAEL STAMATIS: So that's where they
6 started their career. Many of them may have moved on
7 to other places, but at one point or another they
8 were living in the Red Hook community.

9 COUNCIL MEMBER MENCHACA: Well, we'll
10 follow up on those just to help us understand.

11 MICHAEL STAMATIS: Sure.

12 COUNCIL MEMBER MENCHACA: Thank you so
13 much. All of you.

14 CHAIRPERSON KOO: Thank you. So anyone
15 else want to testify? Thank you, gentlemen. So
16 seeing none, I will close the public hearing on this
17 item. We are not voting on this item today, and this
18 committee will be adjourned. It's adjourned.

19 [gavel]

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SUBCOMMITTEE ON LANDMARKS,
PUBLIC SITING AND MARITIME USES

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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 23, 2014