

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON FINANCE

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February 24, 2016
Start: 10:27 a.m.
Recess: 10:57 a.m.

HELD AT: Committee Room - City Hall

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

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

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

Michael Blaise Bacher, Deputy Commissioner
Neighborhood Development
NYC Department of Small Business Services

Jennifer Kitson, Program Director
Business Improvement District

2 [sound check, pause]

3 CHAIRPERSON FERRERAS-COPELAND:

4 Excellent. [gavel]

5 SERGEANT-AT-ARMS: Quiet, please.

6 CHAIRPERSON FERRERAS-COPELAND: Good

7 morning and welcome to today's Finance Committee
8 hearing. I am Council Member Julissa Ferreras-
9 Copeland. I chair the committee. We've been joined
10 by Council Member--Minority Leader Matteo, Council
11 Member Cumbo, Majority Leader Van Bramer, Council
12 Member Rosenthal, Council Member Miller. Today, we
13 have six items on the agenda, two resolutions related
14 to closing the carried interest tax loophole in the
15 federal and state tax system, transparency resolution
16 and one land use item, and two BID items. Let's
17 start with the resolution. With tax season upon us,
18 today we will consider two resolutions that aim to
19 make our tax system more fair and equitable by taxing
20 carried interest at the same rate as ordinary income.
21 Carried interest is a type of compensation that is
22 paid to managers of private equity, venture capital,
23 hedge and other private investment funds. The way it
24 works is that these investment fund managers receive
25 a set percentage, typically 20% of the profits earned

2 on the investments made by the fund as compensation
3 for their service. Although the amount actually paid
4 to each manager may vary based on the success of that
5 year's investment, the compensation essentially
6 functions as a performance based salary for work
7 performed. However, unlike you, me and the vast
8 majority of American workers who are subject to a
9 federal income tax rate of up to 39.6% of paycheck,
10 the private investment fund managers benefit from a
11 tax loophole that allows them to pay only 20%--a 20%
12 tax rate of their earnings. These are individuals
13 who hardly need a handout from the government to
14 protect their wealth. In 2013, for example, the top
15 25 hedge fund managers earned a combined \$11.62
16 billion in compensations with three individuals
17 earning over a billion dollars each. The
18 Congressional Budget Office estimated that closing
19 the loophole would have produced \$17 billion in
20 additional federal revenues between 2014 and 2023.
21 Closing this federal income tax loophole is a matter
22 of fairness to the 99%, the hard working Americans
23 who fully--who are fully taxed on the wages they earn
24 for their labor, and who are not getting a break. In
25 fact, closing this tax loophole is such a reasonable

2 proposal that two of our presidential candidates from
3 opposite ends of the political spectrum can agree
4 that this should be done. Therefore, I have
5 sponsored Resolution 868, which calls upon President
6 Obama to this step in the name of equity and to close
7 the carried interest loophole by executive action.
8 We are also considering a preconsidered resolution
9 sponsored by Council Member Miller that would provide
10 the same measures of fairness in respect to the
11 city's unincorporated business tax. Because of the
12 way the federal government characterizes carried
13 interest as investment income subject to a lower tax
14 rate instead of ordinary income that is taxed at the
15 higher rate. New York City also treats carried
16 interest the way--for purposes of the UBT, which
17 exempts it from tax altogether. Other types of
18 partnerships subject to the UBT, such as law firms,
19 mutual funds or doctors' practices do not receive
20 such preferential tax treatment, and for that reason
21 and for the reasons already describe it does not make
22 sense to single out private investment funds for a
23 tax break. According to the Independent Budget
24 Office, if the carried interest exemptions were
25 eliminated, the city would recognize an additional

2 \$200 million each year in revenue, revenue that could
3 go a long way to fund school construction,
4 homelessness and other vital city services. I,
5 therefore, urge my colleagues to vote in favor of
6 each of these resolutions.

7 Next, we have a transparency resolution,
8 which sets forth a designation and changes in the
9 designation of certain organizations receiving local
10 aging and youth discretionary funding, and funding
11 pursuant to certain initiatives in the budget.
12 Organizations appearing in the resolutions that have
13 not yet completed the pre-qualification process
14 conducted by the Mayor's Office of Contract Services,
15 the Council or other entity are identified in the
16 attached chart with an asterisk. As with all
17 transparency resolutions, Council Members will have
18 to sign a disclosure form indicating whether or not a
19 conflict exists with any of the groups on the
20 attached list. If any council member has a potential
21 conflict of interest with any of the organizations
22 listed, he or she has the opportunity to disclose the
23 conflict at the time of their vote. As a reminder,
24 please disclose any conflict that you may have with
25 proposed subcontractors that are used by

2 organizations sponsored by discretionary funding.

3 These disclosures must be made before the

4 subcontractor can be approved. Roham Grant from the

5 General's Office can assist you with any questions or

6 concerns regarding disclosures.

7 We will now consider the LU item, which

8 is Academy Gardens in Council Member Palma's

9 district. This project will serve 467 units of

10 rental housing for low-income households, and will

11 receive a full 40-year property tax exemption under

12 the city's HFDC's program. Council Member Palma

13 supports this project. Next we have the BID items.

14 First--the first BID item, which will be voted on

15 today is Intro 1029 concerning the Fulton Street

16 Business Improvement District also known as the

17 Fulton Area Business Alliance, or FAB Alliance in

18 Council Member Cumbo's District. The Fulton Street

19 BID is requesting the following three changes to the

20 district plan: An expansion of its boundaries to

21 include nine existing properties, one property under

22 construction on the Brooklyn Academy of Music Harvey

23 Theater, as well as the removal of one residential

24 property that was--included an error when the BID was

25 established. A change in the method by the

2 assessment--by the assessments are calculated to
3 include both a front footage rate, and an assessed
4 value rate, and an increase in its annual assessment
5 from \$300,000 to \$500,000. On January 19, 2016, this
6 committee held a hearing to consider the Local Law
7 that would effectually--effectuate the changes of the
8 BID. As required by law, this--that hearing was
9 closed without a vote, and a 30-day objection period
10 began so that property owners affected by the
11 expansion of the BID to formally object to the
12 creation. According to the City Clerk with whom
13 these objections would be filed, no property owners
14 filed a valid objections to the expansion of the
15 Fulton Street BID during a 30-day period.

16 Accordingly, the committee now may vote in favor of
17 Intro 1029 if we can answer the following four
18 questions in the affirmative:

19 Were all notices of the hearing for all
20 hearings required to be held published and mailed as
21 required by law in all the five--and otherwise
22 sufficient? Does all the real property within the
23 district boundaries benefit from the expansion of the
24 district except as exempt as otherwise provided by
25 law? Is all real property benefitted by a district

2 included within the district, and is the expansion of
3 the district in the best interest of the public? In
4 addition, the Committee must determine that it is in
5 the public interest to authorize an increase in the
6 maximum annual expenditure amount that the relevant
7 tax and debt limits will not be--will not exceeded,
8 and there's a notice of the increased proposed
9 expenditure amount was properly published? Council
10 Member Cumbo supports the proposed extension and
11 other changes to the BID.

12 The second BID item a public hearing and
13 vote today on Intro 1047, which would authorize an
14 increase in the budget for Fiscal 2016 of the Fulton
15 Mall special assessment district in Council Member
16 Levin's district. The budget increases have been
17 requested by the property owner within the boundaries
18 of the district, and would be used to enhance the
19 services provided. The requested budget increase
20 would raise the annual assessment from
21 1.5...\$1,537,500 to \$2.1 million. Council Member
22 Levin supports the actions. Representatives of the
23 Department of Small Business Services are here to
24 testify regarding both of these BID items, if anyone
25 has any questions on the BID? You may come up and

2 testify SBS, and Council Member Miller, if you want
3 to say anything on your resolution? [pause]

4 COUNCIL MEMBER MILLER: Thank you Chair
5 Ferreras-Copeland. It's a pleasure and honor to join
6 you here this morning as we hear these two
7 resolutions, 868 and Preconsidered 430--or 4139 as it
8 relates to carried interest, tax loopholes that exist
9 on federal and city lev--level. The latter requiring
10 state action. Across the nation, this has become a
11 bipartisan issue. The payment of profits derived
12 from wealthy private investment firms ought to be
13 taxed similarly to other forms of compensation..
14 Performance based pay typically is taxed. We can
15 consider insurance agents, persons or ticket agents
16 as an example. There is no logical reason why a
17 money manager should not--should have their
18 compensation excluded from our tax system. These
19 monies and funds derived from these taxes will
20 benefit our communities. With these resolutions we
21 are asking our federal leaders to close these
22 loopholes that carry interest--that carry tax
23 interest loopholes for money managers. In turn, we
24 will raise funds for our communities and create a

2 more equitable taxation system. We look forward to
3 passing this today. Thank you, Madam Chair.

4 CHAIRPERSON FERRERAS-COPELAND: Thank
5 you. You may begin after--as soon as you get sworn
6 in.

7 LEGAL COUNSEL: Do you affirm that your
8 testimony will be truthful to the best of your
9 knowledge, information and belief?

10 DEPUTY COMMISSIONER BACHER: I do.

11 LEGAL COUNSEL: Thank you.

12 DEPUTY COMMISSIONER BACHER: Good
13 morning, Chair Ferreras-Copeland and members of the
14 Finance Committee. I am Michael Blaise Bacher,
15 Deputy Commissioner of Neighborhood Development,
16 Department of Small Business Services. I am joined
17 by a Business Improvement District Program Director
18 Jennifer Kitson. I'm here to provide testimony on two
19 distinct items. One the Fulton Street BID expansion
20 proposal also known as the Five Alliance BID, and
21 support for an assessment increase for the Fulton
22 Mall Special Assessment District. For the first
23 item, today's vote on the FAB Alliance BID expansion
24 I'd like to report on a few items. As required by
25 law, the FAB Alliance BID expansion steering

2 committee mailed a summary of the City Council
3 resolution no less than ten days and no more than 30
4 days before today's hearing to the following parties:

5 To each owner of real property within the
6 existing district, and proposed expansion at the
7 address shown on the latest city assessment roll. To
8 such other persons as are registered with the city to
9 receive tax bills concerning real property within the
10 existing district and proposed expansion, and to
11 tenants of each building within the existing district
12 and the proposed expansion area. In addition, SBS
13 arranged for the publication of the copy of the
14 summary of the resolution at least once in the city
15 record. We would like to report on the result of the
16 objections filed with the City Clerk against the--the
17 expansion of the FAB Bid. At the conclusion of the
18 objection period at 5:00 p.m. on February 18, 2016,
19 and taking into consideration any objections filed
20 the next two business days, through February 22nd
21 2015 no valid objects were filed with the City Clerk.
22 Due to zero objections being filed, this is within
23 the acceptable threshold needed to advance the bill
24 for favorable consideration by the full City Council.
25 SBS requested City Council approve the FAB Alliance

2 BID expansion. At this time we're happy to take any
3 questions on this item, and if there are not, then
4 we'll go onto the second item. [pause]

5 CHAIRPERSON FERRERAS-COPELAND: You can
6 go.

7 DEPUTY COMMISSIONER BACHER: Okay, sure.
8 Moving to the second item, today's hearing and vote
9 on an assessment increase for the Fulton Mall Special
10 Assessment District, I would like to express our
11 support for the law providing an increase in the
12 amount to be expended annually from \$1,537,500 to
13 \$2,100,000. As required by law, Fulton Mall
14 published a notice of the public hearing at least
15 once in a local newspaper having general circulation
16 and in the district specifying the time when, and a
17 place where the hearing will be held and stating the
18 proposed amount to be expended annually. In
19 addition, Fulton Mall certified that they have mailed
20 a letter to property owners informing them about the
21 proposed assessment increase, and the time and place
22 of this public hearing. Finally, Council Member
23 Levin has submitted a letter--a letter of support for
24 the assessment increase. These increases will
25 further expand, reinforce and strengthen existing

2 core services currently provided in the district.

3 Representatives from Fulton Mall are present to
4 answer any questions. However, I'm happy to take any
5 questions you might have.

6 CHAIRPERSON FERRERAS-COPELAND: Council
7 Member Cumbo would you like to make any statement on
8 your BID?

9 COUNCIL MEMBER CUMBO: Thank you. Just
10 want to add my continued support, and to urge my
11 colleagues to vote yes. This is really a very
12 important expansion for our district as the merchants
13 continue to grow, and our businesses become more
14 popular and more people are making the Fort Greene
15 Community a destination. It's important that we put
16 in all of the infrastructure to make sure that the
17 experience that the local residents enjoy as well as
18 new residents, and those that are coming for tourism
19 related purposes are able to also enjoy all of the
20 amenities that the district has to offer. Thank you.

21 CHAIRPERSON FERRERAS-COPELAND: Thank
22 you, Council Member. Do we have any additional
23 questions? I will now ask the Billy Martin,
24 Committee Clerk to call the roll.

1 COMMITTEE ON FINANCE 15

2 CLERK: William Martin, Committee Clerk,
3 roll call vote Committee on Finance. Chair Ferreras-
4 Copeland.

5 CHAIRPERSON FERRERAS-COPELAND: I vote
6 aye.

7 CLERK: Van Bramer.

8 COUNCIL MEMBER VAN BRAMER: [off mic] I
9 vote aye.

10 CLERK: Gibson.

11 COUNCIL MEMBER GIBSON: I vote aye.

12 CLERK: Cornegy. [pause]

13 COUNCIL MEMBER CORNEGY: Aye.

14 [background comments, laughter]

15 CLERK: Cumbo.

16 COUNCIL MEMBER CUMBO: Aye.

17 CLERK: Levine.

18 COUNCIL MEMBER LEVINE: Aye.

19 CLERK: Miller.

20 COUNCIL MEMBER MILLER: I vote aye.

21 CLERK: Rosenthal.

22 COUNCIL MEMBER ROSENTHAL: Aye.

23 [pause]

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1 COMMITTEE ON FINANCE

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2 CLERK: By a vote of 8 in the
3 affirmative, 0 in the negative, and no abstentions,
4 all items have been adopted.

5 CHAIRPERSON FERRERAS-COPELAND: We're
6 going to keep the roll open for the next ten minutes.
7 So staff, if your members are not here yet, please
8 let them know we're going to keep the roll open for
9 ten minutes.

10 [background comments]

11 COUNCIL MEMBER ROSENTHAL: Um, uh, could-
12 -could my name be added to two [laughter] of the
13 resolutions. I don't need to know if I--I'd like it
14 to be added to Council Member Ferreras-Copeland's and
15 Council Member Miller's resolution. Thank you very
16 much. Awesome job.

17 CLERK: Council Member Matteo.

18 COUNCIL MEMBER MATTEO: No. on Reso 868
19 and Preconsidered Reso 4139, and yes on the rest.
20 [pause]

21 CLERK: Continuation roll call the
22 Committee on Finance. Council Member Johnson.

23 COUNCIL MEMBER JOHNSON: I vote aye.
24 Thank you.

25 COUNCIL MEMBER: Thank you.

1 COMMITTEE ON FINANCE

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2 [pause]

3 CLERK: Continuation roll call of the
4 Committee on Finance, Council Member Rodriguez.

5 COUNCIL MEMBER RODRIGUEZ: Aye.

6 CLERK: The final vote in the Committee
7 on Finance now stands at--all items have been adopted
8 on today's agenda by a vote of 11 in the affirmative,
9 0 in the negative and no abstentions with exception
10 of the following items: Resolution 868 and
11 Preconsidered Resolution in relation to the business
12 tax--[pause]--have been adopted by a vote of 10 in
13 the affirmative, 1 in the negative and no
14 abstentions. Thank you.

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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 February 25, 2016