

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON FINANCE

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B E F O R E:

JULISSA FERRERAS-COPELAND
Chairperson

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

Jeffrey Lee
Senior Vice President
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Karen Schlain
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New York City Department of Finance

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Deputy Director and Chief Economist
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Michael Simas
Partnership for New York City

[gavel]

CHAIRPERSON FERRERAS-COPELAND Good

afternoon. And welcome to today's finance hearing.

I am Council Member Julissa Ferreras-Copeland and I

chair the committee. We've been joined by Majority

Leader Van Bramer and Council Member Garodnick. I'd

also like to acknowledge our Sergeant at Arms who

keep us safe here in the chambers. I'd like to

thank them. Today the committee's holding a hearing

on a local law which would require the independent

budget office to review and evaluate the city's

economic development to... Okay, I lost my... Okay. The

city's economic development tax expenditures as

identified by the council. This legislation is the

outcome of the council's economic development

taskforce expenditure, tax expenditure taskforce. A

task force was created to explore how the council

would improve its oversight of New York City's

economic development tax expenditures which last

year cost the city nearly 2.8 billion dollars. The

mission of the taskforce was to recommend a formal

process for the evaluation of these specific types

of tax expenditures in order for the public and law

makers to better understand their impact. The

1 taskforce held its first meeting on January 29th,
2 2015 and then held six additional meetings over the
3 course of the subsequent 20 months. Its
4 recommendations represent a consensus from a
5 diverse taskforce membership of experts drawn from
6 a variety of backgrounds including members of the
7 business and development community, Marvin Marcus,
8 Seth Pinsky, and Michael Simas, members of the
9 labor and progressive groups Hector Figueroa of
10 32BJ and Javier Rivas, tax policy experts Michael
11 Dardia, Marylyn Marx Rubin, and James Parrott, and
12 government officials including myself and council
13 member Garodnick. From the onset the goal of the
14 taskforce was to make recommendations about good
15 government practices and fiscal responsibility. We
16 did not take a position on whether a tax
17 expenditure are, are a viable public or tax policy
18 tool or make any comment on the, on the cost or
19 benefit of any particular tax expenditure. In
20 general tax expenditures commonly referred to as
21 tax breaks are revenue losses that result from a
22 special exclusion or deduction given to specific
23 tax payers that exempt them from paying a tax they
24 would otherwise have paid. Economic development tax
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1
2 expenditures where the focus of the taskforce are
3 those provided to induce behavior directed,
4 directly related to producing business and
5 investment income because tax expenditures are
6 revenue losses that if collected could have been
7 spend on a myriad of public services such as
8 education, public safety, or infrastructure
9 ensuring that they achieved their intended purpose
10 is an essential government oversight function.
11 Additionally, tax expenditures represent a
12 significant part of our city's budget in fiscal
13 2016 while the city collected over 59 billion
14 dollars in tax and miscellaneous revenues it gave
15 7.7 billion dollars in total tax expenditures, 2.8
16 billion dollars of which were related to economic
17 development. Historically, tax expenditures have
18 not been subject to the same kind of oversight as
19 other parts of the budget even though they're used
20 as a substitute for direct spending to achieve the
21 same social goals. Pew Charitable Trust an
22 independent organization that is at the forefront
23 of studying practices to evaluate the economic
24 impact of tax expenditures has produced a video
25 that I believe clearly explains the importance and

1
2 benefits of these evaluations which I'd like to
3 show now.

4 UNIDENTIFIED MALE: What's the recipe
5 for successful economic development. Many states
6 are using incentives such as tax credits, grants,
7 or loans given to companies to encourage them they
8 would not otherwise have done. States have
9 dramatically increased spending on incentives. Each
10 year states collectively spend billions of dollars
11 on these programs. Are they worth the price? The
12 answer isn't always obvious. By asking key
13 questions states can evaluate incentive programs
14 and provide the evidence policy makers demand.
15 Let's say a state offers incentives to the food
16 industry. Tax credits go to Bob's Bread Basket and
17 Sofia Snacks. Now, both companies enjoy lower costs
18 and earn a larger profit. Bob plans to expand his
19 building and upgrade his equipment. Sofia lowers
20 the price of her famed Grizzly Bear Granola Bars
21 and hires new employees to keep up with increasing
22 demand. Both companies are expanded. But to what
23 extent were incentives responsible. When the
24 incentive lowered Sofia's cost she hired new
25 employees. But even without the incentive her

1
2 company still would have grown so now all the new
3 jobs that Sofia Snacks are the result of the
4 incentive. Let's go back to Bob. He needed the
5 incentive to expand his building but he had already
6 saved to upgrade his equipment. Another key
7 question to ask, how does the incentive affect
8 other companies in the state. If Sofia sells her
9 granola bars locally Ernie's Energy Bars could lose
10 customers because of Sofia's lower price.
11 Eventually Ernie may let some of his employees go.
12 But if Sofia ships her Grizzly Bear granola bars
13 nationwide she'll bring in money from outside the
14 region and expand the size of the local economy
15 which would be good for local oat farmers who sell
16 to Sofia. And Bob's building expansion creates job
17 opportunities in the local construction industry.
18 But will all these jobs go to local workers?
19 Sofia's profits continue to rise as she increases
20 her national sales and she needs to hire more
21 employees. Some of these jobs will go to unemployed
22 locals. But research suggests that more than half
23 of new jobs will eventually be filled by out of
24 state workers who move into town. So do the
25 benefits of incentives outweigh the alternatives?

1
2 Incentives are just one option for states and they
3 should be compared to other priorities such as
4 spending more on education or transportation or tax
5 cost for all businesses. A dollar spent on an
6 incentive can't be used on something else. So
7 states need to decide whether they are worth the
8 price. All states want the recipe for economic
9 success but only by answering key questions will
10 your state know whether an incentive is the right
11 ingredient for successful economic development. To
12 learn more about how states are effectively
13 evaluating incentives [click here](#).

14 CHAIRPERSON FERRERAS-COPELAND Thank
15 you. Or pay attention to this hearing. New York
16 City is not alone in realizing that evaluating the
17 cost and benefits of tax expenditures is essential.
18 Though it is one of the first cities in the nation
19 to propose such a systemized process many state
20 governments across the country have already created
21 evaluation process earning high marks from good
22 government groups when they did so. The taskforce
23 surveyed the existing evaluation methods distilled
24 the best practices and adapted them to the best fit
25 of New York City's specific needs. The task force

1
2 has made ten recommendations which are available in
3 its final report titled evaluating economic
4 development tax expenditures which is attached to
5 today's committee report. The legislation before
6 the finance committee today is based on those
7 recommendations. It would require IBO to conduct an
8 evaluation of economic development tax expenditures
9 chosen and on a schedule set forth by the council
10 in collaboration with IBO. City's agencies
11 including the Department of Finance and the
12 economic development corporation which will require
13 to cooperate with IBO and provide access to tax
14 data and other necessary information. Upon
15 conclusion of each evaluation of IBO would submit a
16 report to the council. Such a report would include
17 a description of the data considered and the
18 methodology and assumptions used, an analysis of
19 the effectiveness of the tax expenditure whether
20 the tax expenditure is achieving its goal whether
21 these goals are still relevant and recommendations
22 for future evaluations. Before we begin I'd like to
23 offer a special thank you to the Council Member
24 Garodnick for working with me on this taskforce.
25 Dan is the chairman of the council's Committee on

1
2 Economic Development and brought a key perspective
3 to the table throughout this entire process and I'd
4 like to turn the mic over to Chair Garodnick.

5 CM GARODNICK: Thank you very much Chair
6 Ferreras-Copeland for holding the hearing today on
7 how we can create a blueprint for regular
8 evaluation of our city's numerous economic
9 development tax expenditures. And I also want to
10 thank you for serving as the chair of that
11 taskforce that you described and working on
12 relevant legislation here. I was pleased to be a
13 member of that taskforce. Needless to say we owe
14 much to your efforts to bringing us to this day.
15 The city needs to do much more to ensure that it
16 isn't simply throwing away taxpayer money when it
17 offers tax incentives. We deserve regular
18 evaluation and a critical eye before these things
19 go on in perpetuity. And their success is
20 admittedly hard to measure. And the expenditures
21 become popular even if they are no longer necessary
22 or simply wasteful. With our steps today we're
23 beginning to shine a light on a sizable piece of
24 our budget that goes unexamined budget cycle after
25 budget cycle. It is an important step toward

1 increasing transparency in the city's spending. And
2 for future tax expenditure programs we are
3 recommending that they contain explicit statements
4 of the program's goals and metrics by which it
5 should be measured. The absence of goals and
6 metrics in today's tax expenditures practically
7 guarantees that they will continue into perpetuity
8 without challenge. We have laid out a process to
9 evaluate existing tax expenditures today and by
10 defining success in new tax expenditure programs we
11 can add clarity and ease future evaluation of any
12 new incentives. So I want to thank you Chair
13 Ferreras-Copeland for your leadership and we'll
14 look forward to seeing what comes out of the
15 report, legislation, and certainly the witnesses in
16 their testimony. So thank you.

18 CHAIRPERSON FERRERAS-COPELAND Thank you
19 Chair. And we've been joined by minority leader
20 Matteo and Council Member Rosenthal. I'd also like
21 to thank Pew Charitable Trust and the other members
22 of the taskforce and the administration for the
23 advice and guidance as the taskforce grappled with
24 these issues. And of course thank you to the staff
25 of this finance division revenue unit led by Doctor

1
2 Raymond Majesky [sp?] for all their work throughout
3 the course of the taskforce and in preparation for
4 today's hearing including Emera Edive [sp?], Paul
5 Stern [sp?], Maria Nashik [sp?], Kendall Stevenson
6 [sp?], William Chairman, Charimitan [sp?], and
7 Davis Winslow. Lastly thank you to my Committee
8 Counsel Rebecca Chasten [sp?] and Rob Newman [sp?]
9 Samisa Deschmuke [sp?] who drafted the bill. We
10 will first hear testimony from the Economic
11 Development Corporation and the Department of
12 Finance. Then the Pew Charitable Trust and the
13 Independent Budget Office. Going to be sworn in by
14 my counsel and then you may begin.

15 COMMITTEE COUNSEL: Do you affirm that
16 your testimony will be truthful to the best of your
17 knowledge, information, and belief?

18 [background comments]

19 JEFFERY LEE:: Good afternoon Chair
20 Ferreras-Copeland and members of the Committee on
21 Finance. My name is JEFFERY LEE: Lee and I'm a
22 Senior Vice President of the Strategic Investments
23 Group by the New York City Economic Development
24 Corporation. I'm pleased to be here along with some
25 of my colleagues to discuss Introduction T20164967

1 which would require the Independent Budget Office
2 to review and evaluate Economic Development Tax
3 Expenditures. After my remarks I'll be happy to
4 take questions. I'd like to begin by giving your
5 brief overview of the New York City Industrial
6 Development Agency and Build NYC Resource
7 Corporation. The IDA is a public benefit
8 corporation formed under state law in the 1970s.
9 It's administered by EDC employees but has a
10 separate legal existence and it has an independent
11 board. The mission of the IDA is to encourage
12 economic development throughout the five boroughs
13 and to preserve existing jobs and to create and
14 attract new quality well-paying jobs. IDA programs
15 provide companies with tax benefits that enable the
16 businesses to purchase real estate, construct or
17 renovate facilities and acquire equipment. All
18 applicants must satisfy eligibility requirements
19 and demonstrate a need for assistance. The IDA
20 supports a wide range of projects across the five
21 boroughs from supermarkets servicing underserved
22 areas in the Bronx to logistics and air freight
23 companies at JFK to office developers in the Hudson
24 Yards area across sectors and building typologies
25

1
2 the IDA can help companies invest in growth, build
3 capacity and capture market share. Besides the IDA
4 [clears throat] the EDC, sorry EDC also administers
5 Build NYC resource corporation. Build NYC was
6 formed in 2011 at the direction of the City of New
7 York. It was organized to create a financing
8 vehicle that would give nonprofit organizations and
9 other eligible borrowers access to tax exempt bond
10 financing. Its administration and application
11 process is similar to that of the IDA. Build NYC
12 serves a wide variety of borrowers including many
13 nonprofit organizations such as cultural
14 institutions and small community based
15 organizations providing vital services and creating
16 local jobs. Since IDA's core business function is
17 to provide discretionary tax benefits our testimony
18 today will focus on the IDA and its processes. One
19 of the key focuses of the de Blasio administration
20 has been retaining and attracting small and medium
21 sized businesses in neighborhoods across the
22 boroughs which in turn create good jobs and would
23 do this in a rigorous process oriented way that is
24 consistent with our role as steward of public tax
25 dollars, a role we take very seriously as part of

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2 the administration of incentive programs under the
3 IDA. The IDA utilizes incentives to foster
4 equitable growth in the outer boroughs while
5 simultaneously encouraging practices that
6 contribute to a sustainable economy such as good
7 employment practices and investment in workforce
8 development. Later in my testimony I'll touch upon
9 how these criteria are integrated into the IDA
10 selection and vetting process. To give you feel of
11 the impact of the work done by the IDA in helping
12 New York City companies grow in scale. I want to
13 share just a few examples of recent projects. Cubit
14 [sp?] Power is an MWBE-owned father and son team
15 that were helping to build a conjen [sp?] powered
16 ice manufacturing facility in Staten Island. It's a
17 project that'll create 19 jobs while also creating
18 a localized electrical micro grid which helps the
19 overall redundancy of the city's power delivery
20 system. Gotham Seafood is a New York Corporation
21 that prepares and distributes fresh and frozen
22 seafood. We're helping them expand and move their
23 operation to a 12,000... square foot facility just
24 north of the Huts Point [sp?] Neighborhood of the
25 Bronx. Building on our investments in the South

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2 Bronx as a hub for the city's food distribution
3 industry. Picture Car Specialist provides New
4 York's Iconic Media and Entertainment Industry with
5 customized vehicles and other automotive rolling
6 stock items. We're helping them acquire new
7 location in the Ridgewood Section of Queens and
8 that's a project that'll create approximately 16
9 new jobs. These companies and many more are like
10 them across the boroughs facing increasing pressure
11 from the rising real estate prices and high cost of
12 construction compared to the competitors and other
13 jurisdictions. If a company can demonstrate that it
14 needs IDA incentives in order to expand its factory
15 floor or buy a larger distribution facility. And
16 without these incentives they would have to scale
17 back and not grow their capacity and not add jobs.
18 And we at the IDA want to assist them. We require
19 all companies demonstrate that the benefits are
20 necessary and will provide good returns on
21 investment including the creation of quality jobs.
22 To incentivize companies to make significant
23 capital investments in industrial facilities the
24 IDA can provide three kinds of tax incentives; real
25 estate tax benefits, sales tax benefits, and

1 mortgage recording tax benefits. These tax benefits
2 were designed to reduce companies' transactional
3 costs and operating expenses helping them to move
4 forward on building new facilities, purchasing new
5 equipment, and renovating and upgrading to remain
6 competitive in today's economy. There are other
7 state authorized incentives that are available to
8 New York companies such as real occasion of
9 Employment Assistance Program, Commercial Expansion
10 Program, or Commercial Revitalization Program. Most
11 of these are administered by the Department of
12 Finance, not EDC or IDA and my colleagues here from
13 the Department of Finance can, can speak more to
14 them. For example, the industrial and commercial
15 abatement program is a program which provides real
16 estate tax abatements for commercial or industrial
17 projects and that's one of the programs
18 administered by Department of Finance. So how does
19 a company go about securing benefits through the
20 IDA? The application is pretty straightforward for
21 the company but we at the IDA then undertake a
22 comprehensive and thorough due diligence process.
23 Applicants must submit a basic seven-page
24 application as well as other background materials.
25

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2 Our economic research and analysis group helps
3 analyze the economic benefits and our staff vets
4 projects and performs diligence to assess whether
5 the project is creating quality jobs paying a
6 living wage providing sick leave, paid sick leave
7 providing healthcare benefits. If the company's
8 application satisfies these requirements, the
9 proposals are subject to a public hearing before
10 being presented to our board of directors at any
11 one of our 11 board meetings convened over the
12 course of the year. We now webcast these hearings
13 and make transcripts available on the IDA's
14 website. Companies seeking discretionary tactics
15 from the IDA must demonstrate the following basic
16 requirements. The need for the benefits, for the
17 project to go forward as proposed, substantial
18 capital investments together with the retention and
19 the growth of employment, substantial increase in
20 tax revenues to the city as a result of the
21 project, the company's ability to pay for their
22 proposed project and to obtain financing from third
23 party sources, a positive fiscal impact coming from
24 increased tax revenue and the number of jobs
25 created or retained. But besides these typical

1
2 quantitative measurements we also take a hard look
3 at the following selection criteria; eligibility of
4 the project under applicable laws regulations
5 including our own uniform tax exemption policy,
6 alignment with EDC's five borough economic
7 development strategy, company's ability to comply
8 with living wage, and here it's important to note
9 that with a 2014 executive order all projects that
10 receive benefits in excess of one million dollars
11 are subject to living wage requirements meaning our
12 incentive programs are impacting the bottom line of
13 every day New Yorkers. We also look at the ability
14 to comply with the prevailing wage and the ability
15 to opt into living wage requirements even when
16 they're not required by law or executive order. We
17 also look at participation in city workforce
18 programs like Hire NYC, the use of innovative
19 technology and processes in order to keep thriving
20 in a 21st century business environment. We look at
21 sustainability concerns. We're looking for triple
22 bottom line goals and outcomes. And we also have
23 environmental review that we take seriously which
24 involves compliance with SECRA and other
25 environmental laws. Then finally we also look at

1
2 the amount of community support and any community
3 concerns that may come along with the project.

4 Following the board approval and closing the
5 approved tax benefits are available to companies
6 subject to the restrictions of their particular
7 agreement. At this point our role shifts to one of
8 compliance and reporting and when necessary

9 enforcing these agreements. We consistently
10 collect, review, and analyze an extensive list of
11 financial and other supporting data for projects
12 actively monitoring over 600 projects at a time.

13 And our compliance group handles the following,
14 handles the ongoing monitoring and reporting
15 functions that help us make sure that these
16 projects achieve their desired outcomes.

17 Furthermore, our compliance department plays an
18 essential role in helping publish our city charter
19 report which provides the public with access to a
20 wealth of information regarding incentive programs
21 and benefits recipients. The city charter requires
22 EDC to submit to the city council, to the mayor,
23 the comptroller, public advocate, city council
24 members, and the borough presidents. An annual
25 report containing descriptive data on a selective

1
2 group of EDC projects, the amounts of city
3 assistance provided by EDC to those businesses and
4 estimates of the tax revenues generated by those
5 projects. This report includes data on projects
6 aggregated by project type and by borough. EDC is
7 committed to developing our projects through an
8 open and transparent process to ensure our work is
9 held accountable to all New Yorkers and grow strong
10 jobs with good wages across the five boroughs. And
11 to that end EDC has the kind of public information
12 made available in the following ways. We're
13 showcasing an interactive map that details the
14 fiscal impact, the tax benefits, and jobs created
15 for each project. We've enabled live and on-demand
16 video cast and audio casts of our board meetings
17 and our public hearings. We create and publish
18 transcripts of all testimony provided during our
19 public hearings. We also publish detailed
20 information for projects that will be covered in
21 each upcoming board meeting and public hearing all
22 on our website and we also have the ability for the
23 public to sign up and receive IDA and Build NYC
24 email notifications and project information prior
25 to hearings. Furthermore, during the last five

1 years IDA's Board of Directors has approved a
2 series of important reforms to the agency's
3 operating procedures had established guidelines for
4 greater transparency and accessibility. That
5 includes more rigorous job reporting and
6 compliance, compliance requirements broadcasting
7 public hearings and board meetings and
8 dissemination of more project information prior to
9 hearings. These reforms are part of a continuous
10 and ongoing review of policies and procedures to
11 make the IDA more open and efficient. In fact, good
12 government groups have praised the IDA as a model
13 for increased transparency that should be
14 replicated by other IDAs around the state. Case in
15 point upon EDC's rollout of more robust
16 transparency measures in 2014 good jobs New York
17 stated that the suite of transparency measures
18 enacted at the New York City IDA represents steady
19 forward momentum towards increased transparency at
20 this agency. And these particular initiatives
21 increased the opportunity for New Yorkers to engage
22 in the city's economic development process. We
23 applaud these efforts to be more open and hope IDA
24 boards throughout the state will follow the model
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1
2 set at the New York City IDA. In conclusion we
3 agree that evaluation in general is a laudable goal
4 with respect to city incentive programs and here at
5 EDC we've incorporated thorough vetting and review
6 processes coupled with transparency and ongoing
7 reporting measures. On the legislation at hand we'd
8 appreciate the opportunity to work with the council
9 to better define the types of data we'd be asked to
10 provide to the IBO for evaluation. Additionally,
11 we'd want the opportunity to have a thorough legal
12 review on those data requests. Thank you very much
13 for giving us this opportunity to testify. I'm
14 happy answer any questions you may have.

15 KAREN SCHLAIN: Good afternoon
16 Chairwoman Ferreras-Copeland and members of the
17 Committee on Finance. I'm Karen Schlain Associate
18 Commissioner for Tax Policy at the New York City
19 Department of Finance. Thank you for the
20 opportunity to testify about tax expenditure
21 evaluation. Finance has legal constraints on our
22 ability to release information from any specific
23 business income tax returns. Under state law we
24 could not give IBO any information located on a
25 specific general corporation tax, unincorporated

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2 business tax or corporation tax return. However, we
3 can and do provide IBO information specific hotel
4 tax and commercial rent tax returns stripped of
5 identifiers because they are subject to different
6 tax secrecy rules. We understand that IBO may also
7 request RPIE data for this exercise. However, under
8 current law finances prohibited from releasing any
9 information from specific RPIE statements to IBO.
10 Also, we would need to address concerns regarding
11 the release of data including its storage, access,
12 and disposal. For instance, where will data be
13 stored. Who will be allowed access and how will the
14 individuals be trained regarding data security.
15 Will there be an audit trail regarding data access?
16 We do understand that IBO must comply with DoITT's
17 citywide policies and procedures to protect
18 confidential documents and data electronically. I'm
19 happy to take any questions you may have.

20 CHAIRPERSON FERRERAS-COPELAND Thank you
21 very much. I just wanted to take an opportunity to
22 personally thank JEFFERY LEE: and Karen and their
23 staff who have helped greatly as members of the
24 taskforce. And I know these were the... while we have
25 a, a great report these challenges were something

1
2 that we all debated for quite some time. I'm going
3 to give my mic to the co-chair because he has to
4 step out and then I will ask my question. Just
5 don't ask any of my questions.

6 UNKNOWN: I will be very careful to not
7 ask anything relevant. So I really only have... well
8 I have questions but I have to run to the East
9 Midtown Scoping Hearing across the street. My
10 question's for Mr. Lee. We appreciate your
11 testimony about the various component parts of
12 EDC's evaluation of a tax incentive particularly in
13 the examples that you gave IDA specifically. I
14 think really what, what I'm interested in knowing
15 from you is what's the process after the fact.
16 Most, most if not all of your testimony was about
17 the transparency of how you make your decisions,
18 how you qualify, how you're eligible. But what I
19 think that this committee is going for and what
20 we're really interested in achieving is some clear
21 metrics of evaluating whether it was a good call.
22 So really the big picture question and I really
23 think it's like the whole question so I'm sorry
24 Madam Chair so I've done it. Is... how... do you do it,
25 how do you do it, and how should we feel

1
2 comfortable with your process for evaluating that
3 it's not simply wasteful?

4 JEFFERY LEE:: Sure. Sure. Great
5 question. Just a little bit about what happens on
6 the back end as I touched upon very briefly but
7 I'll elaborate. After a incentive project, an ID
8 incentive project closes. It shifts to a compliance
9 role where there is extensive monitoring and
10 oversight. We receive detailed regular annual
11 information on living wage compliance, prevailing
12 wage requirements, jobs, employment data,
13 insurance, sight conditions, construction. We also,
14 I mentioned the city charter report disclose on an
15 ongoing basis, tax expenditures on each of our
16 incentives projects throughout the term of their
17 agreement. That information has been made public as
18 I mentioned. We're committed to transparency so
19 there's a lot of information out there that can be
20 accessed and can be used to look at the merits. And
21 you know on the merits I think it's useful to just
22 point out that of the past three fiscal years IDA
23 and Build NYC together have assisted 121 business
24 organizations, created or retained over 27,000
25 jobs. We have leveraged 12 billion dollars in

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2 private investment and generated over 4 billion
3 dollars in city tax revenue. On top of that you've
4 got living wage requirements that are imposed on
5 essentially all IDA transactions, you know
6 significant... prevailing wage, Hire NYC workforce
7 obligations. So we think that you know that the
8 performance has been pretty strong and as I
9 mentioned are ongoing monitoring and transparency
10 and data disclosure really provides a robust sample
11 set to evaluate how well they're doing.

12 CO-CHAIRPERSON FERRERAS-COPELAND You
13 gave a figure of how much revenue was generated as
14 a result. Can you just give me that one more time?

15 JEFFERY LEE:: Sure. Yeah, over the past
16 three fiscal years, ID and Build NYC projects have
17 generated over four billion dollars in new city tax
18 revenue. Now what of that four billion dollars do
19 you believe is directly attributable to the tax
20 benefit that the city was awarding. That's a,
21 that's a great question. And I think you're going
22 to... you know the, the question of inducement is
23 always a tricky one. As I mentioned we do do
24 extensive vetting up front to look at to what
25 extent are incentives necessary to move a project

1
2 forward to help a company overcome some of the high
3 costs, some of the transactual costs, some of the
4 hesitancy to move forward. In some cases, that
5 means looking at their ability to move elsewhere.
6 In other cases, it means understanding their
7 financial situation and their constraints they're
8 on that may really necessitate these benefits. So,
9 so I think that you know that's a number that we
10 really think it is sparked and catalyzed by the
11 presence of IDA benefits.

12 CO-CHAIRPERSON FERRERAS-COPELAND Okay
13 well, look obviously that's not a, it's not a
14 crisps mechanism for evaluating like a precise,
15 precise dollar number here. But it is what it is. I
16 mean it is how it is done today. Let me ask maybe
17 in a different way. When your compliance, when
18 things kick into the compliance role portion of
19 this can you give some examples of EDC saying to an
20 entity receiving these benefits; I'm sorry you are
21 not generating the jobs you promised, you are not
22 affording the living wage, you are not employing
23 the people who you promised to employ, and we
24 therefore are going to discontinue these benefits
25 as to you?

1
2 JEFFERY LEE:: Sure. And actually I've
3 got the head of EDC's compliance department that
4 Shin Mitsugi that can help shed some light on that.

5 SHIN MITSUGI: Yeah thanks. Sure. My
6 name is... first name's Shin, S-H-I-N, last name
7 Mitsugi, M-I-T-S-U-G-I and I am the head of the
8 compliance at the New York City Economic
9 Development Corporation.

10 CO-CHAIRPERSON FERRERAS-COPELAND Did
11 you hear the question? Do you want me to do it
12 again?

13 SHIN MITSUGI: Was example of the, sort
14 of the recapture grow back scenario.

15 CO-CHAIRPERSON FERRERAS-COPELAND Yeah
16 tell us... tell us how it works and how often you're
17 getting this information so as it would allow you
18 to make those sorts of decisions.

19 SHIN MITSUGI: Well before go into the
20 details about the, currently IDEA, the compliance
21 percentage it's 70, 97 percent of the projects in
22 compliant with agreements of the projects. And one
23 of the example that I can give you is from the
24 fiscal 16 so the period of ending June 30th, 2016
25 and the EDC recaptured through the IDEA project

1
2 approximately two million dollars in tax incentives
3 due to the, the company's failure to meet the
4 requirements of the agreements. And one of the
5 example without naming the particular company large
6 corporation in base, in Queens. We recaptured
7 approximately 1.5 million dollars in tax incentives
8 the company previously used due to the fact that
9 this company reduced the employment in Queens. As a
10 matter of fact a portion of the employees moved out
11 of New York City and that's one of the... scenario
12 that we go after to recapture the benefits the
13 company received before.

14 CHAIRPERSON FERRERAS-COPELAND I think
15 of it, the chair's going to follow-up on that. I
16 JUST HAVE ONE LAST QUESTION. And it's about the
17 four billion dollars in revenue that's been created
18 from companies that have received the IDA benefit.
19 Between the, the three various types of
20 opportunities, real estate tax, sales tax, and
21 mortgage recording tax. How much money did New York
22 City forego in those three fiscal years in order to
23 allow those companies to generate the four billion
24 dollars in revenue?

25

1
2 JEFFERY LEE:: We certainly have all of
3 that and as I mentioned we share all of our
4 information publicly on any project. It all rolls
5 into our annual city charter reports. I don't have
6 that number off the top of my head but we can
7 certainly give you that number.

8 CO-CHAIRPERSON FERRERAS-COPELAND Okay
9 and I think that's important. I mean I... that's...
10 okay you don't have it on the top of your head. But
11 I, I do think that is, it's a relevant number at
12 least as to the evaluation of one program. But it
13 goes to the, I think the core of what we want to
14 start looking at as to what are we putting in and
15 what are we getting out and do those numbers look
16 like they're productive and useful. Well, let, let
17 me ask... maybe I should ask it this way. If... What
18 dollar amount do you think the city could have
19 invested to generate the four billion dollars that
20 you think would, would have been the right number?
21 Like beyond what number would it start feeling
22 ridiculous right? At four billion dollars it's
23 ridiculous. At three billion dollars it's pretty
24 ridiculous. Like at what, at what point do you
25 think it makes, it would make sense for the city to

1
2 invest that amount of money to generate that level
3 of revenue. That's a great question. Let me first
4 start with just what we do and then I can try to
5 venture into where what might be an appropriate
6 number. But I do want to point out that one of the
7 important criteria, criteria that we look at in
8 assessing whether we want to move forward with the
9 project is the cost benefit analysis and we look to
10 see a, that they're certainly is a positive fiscal
11 impact meaning net tax revenue, a relative to the
12 cost of the tax expenditures. So we do that on
13 every project. That's disclosed on every project.
14 You know back to your question of what would be the
15 right number to get to four billion. You know I,
16 it's hard for me to venture a guess but I would say
17 that it's not uncommon for us to see specific
18 projects where you see a two to one ratio or a
19 three to one ratio of tax revenue generated
20 relative to the cost of benefits.

21 CO-CHAIRPERSON FERRERAS-COPELAND Do you
22 think that, is that a, is that a good outcome, two
23 to one?

24 JEFFERY LEE:: I, I think that's, if a
25 transaction is net positive it means the city is

1
2 winning. And again I'm not an economist but that's...
3 you know my understanding is that you've put,
4 you've put money back into the city coffers net at
5 the end of the day. Obviously the bigger that
6 number is the better but I think the important
7 thing is that it's positive and it's a large
8 number.

9 CO-CHAIRPERSON FERRERAS-COPELAND Okay,
10 alright. Thank you very much Madam Chair. I
11 appreciate the opportunity.

12 CHAIRPERSON FERRERAS-COPELAND Thank you
13 Chair. And I think this highlights the reason why
14 the evaluation process is so important because it's
15 about establishing clear definitions on our tax
16 expenditures which we have found sometimes
17 challenging. But also when you say two to one our
18 perspective may be different when we're doing a
19 budget and we have shortcomings and we're trying to
20 find investments for education and a whole host of
21 other things that are important to our city. While
22 you know your challenge is different than ours is
23 legislature or a, legislative members we have to
24 kind of give a response to these tax expenditures.
25 So I just wanted to follow-up. And this was

1
2 mentioned in the, in the... presentation earlier or
3 in the, in the video. From your perspective do, is
4 any part of your evaluation describe or assess the
5 impact that it has on the overall community. Right?
6 Because I know that you evaluate the project and
7 you know if it's successful or if it's making
8 money. But if business A's expansion is at the
9 detriment of Business B do you have a process as
10 the citywide entity to be able to evaluate that.

11 JEFFERY LEE:: That's a great question.
12 First of all, I want to apologize for just popping
13 a cough drop... [cross-talk]

14 CHAIRPERSON FERRERAS-COPELAND No
15 worries, no worries.

16 JEFFERY LEE:: Sorry. So your question
17 is, is there an assessment of impacts on other
18 businesses that may not be receiving incentives.
19 Great question. You know we are, we certainly and,
20 and I think I touched upon this in the list of
21 eligibility criteria. We look at a host of factors
22 considering a project. Among them are support in
23 the community or any community concerns. We look at
24 the business's ability to innovate and to leverage
25 and develop innovative technologies that will help

1
2 it to thrive. It doesn't mean that we won't do
3 anything for a legacy businesses but we would
4 really like to support companies and support their
5 investment in technologies that are going to be
6 helping them survive not just today but 5, 10, 15,
7 20 years down the road when technology may have
8 evolved and the business climate is different from
9 today. So you know I, I think I, I would answer it
10 by saying that we want to see that they are being
11 smart and thinking about how to innovate and
12 utilizing the value of the incentives to innovate
13 and position themselves in, in a strong way that
14 will not just help them survive today but also help
15 them deal with the changes in the global economy.

16 CHAIRPERSON FERRERAS-COPELAND So you
17 don't do a cross analysis on you know a particular
18 industry of it, if the growth of one particular
19 business which we are supporting with the tax
20 expenditure as opposed to the other one who may not
21 benefit from that. It's kind of just the one that
22 you're... which is fine. I just want to understand
23 that you evaluate that one. Okay. And then my other
24 question is as was mentioned and we're going to get
25 to the Department of Finance in, in a few minutes

1
2 but do you have data limitations that you're not
3 able to access. And if you do how do you deal with
4 that through your evaluative process?

5 JEFFERY LEE:: Sure. Another great
6 question. We do..

7 CHAIRPERSON FERRERAS-COPELAND I hope
8 they're all going to be great today. I really do.

9 JEFFERY LEE:: But this one is
10 especially.

11 CHAIRPERSON FERRERAS-COPELAND Thank
12 you.

13 JEFFERY LEE:: You know we, we collect
14 a, a wealth of information, you know things like
15 audited financial statements, tax returns of the
16 company, financial information and pertaining to
17 the principles of the company. And I could go on.
18 We do our best to disclose as much as possible. For
19 any month you can go on the website and see.. or
20 come to one of our public hearings and you'll get a
21 whole package that discloses a lot of information
22 not only about the company but about the project.
23 You will see that there's some pieces that are
24 sensitive. We don't want to give out bank account
25 information, don't want to give out tax returns. We

1 don't want to give out you know personal financials
2 or audited financials that might give, might put
3 this business at a disadvantage relative to its
4 competitors. So there are some concerns about not,
5 not wanting to run afoul of some of those concerns.
6 And when, how are you, how are you able to ensure
7 that you're preserving. Is there like a special
8 team that's sworn in? Because this is a process
9 that we're engaging in and we can hear from, we'll
10 hear it from different perspectives today. And we
11 need to make sure that the business community and,
12 and just you know taxpayer, taxpaying New Yorkers
13 know that this process will not trigger any leak of
14 data so you know obviously people are, are trusting
15 that the data that they give you is safe. So what
16 does your team look like? The ones that handle this
17 very sensitive data?

19 JEFFERY LEE:: Great question again. In
20 my department is the strategic investments
21 department. We are 13 finance and real estate
22 professionals. The compliance department of EDC is
23 similarly sized. There's also EDC's legal
24 department, and then there's EDC's finance
25 department. You know we, we certainly take these

1
2 concerns very seriously in terms of not improperly
3 disclosing information to the public. I can... I
4 would probably have to get back to you after
5 consulting with our general council on what the
6 retention policy is for that information.

7 CHAIRPERSON FERRERAS-COPELAND That
8 would be great. Thank you.

9 JEFFERY LEE:: Sure.

10 CHAIRPERSON FERRERAS-COPELAND Karen. As
11 you mentioned in your testimony the taskforce and
12 the council recognizes there are many limitations
13 in the data which we just discussed. If there are
14 particularly taxes or areas where privacy laws do
15 not prevent DOF from sharing data with IBO
16 alternatively if existing laws were amended to
17 allow DOF to share data with IBO would you then
18 have any other concerns about the process?

19 KAREN SCHLAIN: No, I wouldn't have any
20 other concerns. To clarify we currently do share
21 all data that we are allowed to under the tax
22 secrecy provisions. We share that with IBO. We do...
23 there's a learning curve and using some of these
24 files they're quite complex because they're
25 operational data. They're not like economic

1
2 studies. So we work collaboratively and assist IBO
3 in understanding and utilizing the data
4 effectively.

5 CHAIRPERSON FERRERAS-COPELAND So if we
6 were to advocate to this state for us to be able to
7 have this data shared obviously so that we can do a
8 proper evaluation. Would you be supportive of that?

9 KAREN SCHLAIN: I think we would support
10 that subject to the concerns that I raised in my
11 testimony. So within finance we have a whole
12 infrastructure designed around the protection of
13 data and it's not only about releasing data, it's
14 about even accessing it if you don't have a reason
15 to do so. So we have a lot of protocols and
16 procedures and audit trails in place around tax
17 secret data and we would require assurance that
18 they could be replicated by anyone who had access
19 to our files.

20 CHAIRPERSON FERRERAS-COPELAND Thank
21 you. And JEFFERY LEE: just for... to get this on the
22 record since a lot of these tax expenditures
23 brought us back to clearly stated goals right... so
24 I'd just like to get this on the record. If you
25

1
2 could describe the city's primary overall economic
3 development goal and EDC's process to get there.

4 JEFFERY LEE:: Sure. And, and I think
5 I've touched upon that a little bit in my testimony
6 that you know when we're focusing on the IDA since
7 it's the primary entity for the provision of
8 discretionary tax benefits. Our mission is to
9 encourage economic development throughout all five
10 boroughs we want to preserve existing jobs, create
11 new quality jobs, and we want to enable businesses
12 to move forward on capital projects in order to
13 grow those jobs and grow the city's tax base.

14 CHAIRPERSON FERRERAS-COPELAND Great. In
15 any of your evaluative processes. Do you take into
16 account new jobs that are create for, but people
17 from out of state are coming in to take two,
18 especially when we talk about the very specific
19 industry? Is there a separate... that you can say
20 okay we've created these 20 new jobs, 15 people
21 from out of state took advantage of them and we
22 have five New Yorkers who are working... or working
23 on these jobs? Do you measure that or do you just
24 say 20 jobs were created?

1
2 JEFFERY LEE:: I can say with certainty
3 that we do, first of all on the upfront aspect of
4 our process we look at how many jobs are projected.
5 And then we track the actual numbers of jobs that
6 are produced and we collect that on a regular
7 annual basis. That's a function in the compliance
8 department. I will have to get back to you in terms
9 of whether the... if there's information on where
10 that worker comes from.

11 CHAIRPERSON FERRERAS-COPELAND That
12 would be great and we'll follow-up on the
13 committee. We have been joined by Council Members
14 Cornegy, Cumbo, Gibson, Rodriguez, Johnson, and
15 Miller. And we have a question from Council Member
16 Rodriguez.

17 CM RODRIGUEZ: Thank you. My question is
18 related to how those dollars that we invest... are
19 addressing you know what I know is very important
20 for this administration which is the inequality
21 that we have our city. Like how many jobs does they
22 dollars amount that we provide incentives create?
23 And especially how many of those jobs are created
24 in the outer boroughs area?

1
2 JEFFERY LEE:: I think the, the first
3 thing I just want to mention is absolutely echo
4 your thoughts in terms of the priority for quality
5 jobs. And with the passage of the executive order
6 on living wage every single use of whether it's IDA
7 or Build NYC incentives that is valued over a
8 million dollars triggers a living wage
9 requirements. So what that means is for any, any
10 standard projects the jobs, the jobs that are being
11 created or the jobs that are existing just under
12 the terms of executive order must be living wage
13 jobs. So we've got living wage executive order
14 requirements that apply to our projects. We have
15 prevailing wage law requirements that'll sort of
16 apply to our projects. And we also require that
17 projects participate in local workforce programs to
18 ensure that there are local job opportunities to
19 the extent that there is construction or hiring
20 opportunities that are, that are, that are material
21 and that are significant.

22 CM RODRIGUEZ: How, and of course like
23 you know I got to give credit.. administration we
24 recently opening a workforce center in Washington
25 Heights. The... that I represent but for me a more

1
2 interesting of knowing how much clarity do we have
3 on our goal to address to connect the millions of
4 dollars that we are providing incentives to create
5 jobs. Especially in area where own employment is
6 double compared to other. Like I... State comptroller
7 he did a study last year in my district and he find
8 out that many people who live in... they got to
9 travel an hour, an hour and a half to go to work.
10 So they don't... make town all over Manhattan when
11 they can say we take a bike or walk the 15 or 20
12 blocks. And I know that this is important for the
13 vision of this administration. But at the end of
14 the day when we leave we have to... everything's
15 going to be about numbers. So are we providing any
16 specific incentive for businesses to create jobs in
17 underserve community and if so what haven't done...
18 what are the type of incentive, how much money,
19 what program do we have for those business to
20 create jobs especially in underserved communities.

21 JEFFERY LEE:: Yeah let me... so one of
22 the things I want to touch upon is the city's fresh
23 program which is the food retail expansion to
24 support health. It is the city's and the IDA's
25 program to specifically focus on underserved areas

1
2 and to help bring about the renovation or creation
3 of full line grocery stores. Just two weeks ago my
4 team was up in the Melrose neighborhood of the
5 Bronx opening up at the grand opening of a food
6 bizarre. Fresh supermarket projects through the IDA
7 specifically are underserved areas and are looking
8 to create you know not only food access but also
9 quality jobs in those areas. And I also just want
10 to mention that you know again Hire NYC is
11 something that is a, a piece of all of our
12 incentive transactions where there's an incentive
13 for the recipient of those benefits to hire using
14 local workforce programs.

15 [background comments]

16 CM RODRIGUEZ: There have been an equal
17 distributional resources in area where again
18 unemployment in Manhattan is double above 96 street
19 and that's what we inherit. And I just hope to see
20 where by the time when we leave agencies of
21 government we can come back and say when the board
22 of director come and testify and is here we were
23 able to reduce unemployment. You know for me I
24 would like to see tech, I would like to see signs.
25 I would like to see more than is like the \$15.00 an

1
2 hour and I know that the intention is there. But I
3 would like to see how we can put the dollars where
4 those specific challenges we face which is
5 underserved community have been left out for
6 decades. There's a new vision now. I'd like to see
7 more... specific on this is how many jobs we're
8 creating is good jobs especially in underserved
9 areas.

10 JEFFERY LEE:: And, and to the extent
11 there are any businesses or entrepreneurs in your
12 community that may be potentially eligible for tax
13 incentives? A big challenge of ours is simply
14 spreading the word and having them understand our
15 programs we'd be more than happy to engage them and
16 we'd love to find a, a way to support them.

17 CM RODRIGUEZ: Great. Thank you.

18 CHAIRPERSON FERRERAS-COPELAND So I just
19 have a small follow-up. The evaluative process and,
20 and we want to be clear. This is about structure
21 and oftentimes what we're learning is that it might
22 not necessarily be clearly stated. Right? There's
23 pros and cons, what it incentivized, what it didn't
24 incentivize. But in your experience has there been
25 perhaps an expenditure or a company where you can

1
2 recognize and I don't what you to disclose who they
3 are but just for, for our knowledge to better make
4 sure that we make the process as best as possible.
5 That has... didn't meet your goals, that you know
6 after you went through the evaluation you said we
7 worked with this company or this industry and this
8 expenditure just, does... they're not meeting their
9 goals. And then what happens, what, what... you know
10 has that happened? And what happens after that?

11 JEFFERY LEE:: And just so I'm clear are
12 you talking about a situation where there was an
13 award of tax benefits but after monitoring we
14 realized that there is the... the desired goal was
15 not being achieved.

16 CHAIRPERSON FERRERAS-COPELAND Intended
17 to be incentivized wasn't.

18 JEFFERY LEE:: Sure. Yeah and... and I
19 would defer to my colleague Shin Mitsugi here. I
20 think there are a lot of situations... you know we,
21 we quoted the, the dollar amount that is
22 recaptured. And what that means is through our
23 ongoing monitoring process some deals there are
24 lots of details in any particular agreement if they
25 do not meet the ones that are material then

1
2 according to the terms of the deal. We can go after
3 them and say hey you said you're going to deliver
4 this. You didn't do it. Maybe there's a grace
5 period. And if you still didn't do it now we have
6 to bring down the hammer. Now we have to bring it
7 down to the default process and you're either going
8 to pay back those benefits or we're going to haul
9 you into court. So we do that unfortunately on a
10 regular basis, thankfully as Shin pointed out the
11 percentage of those businesses is a very small
12 relative to our total portfolio. But yes we've got
13 a number of projects that we are you know actively
14 either we're defaulting or we've got them in court
15 and we are but we have concluded that and have
16 obtained recapture of benefits because they didn't
17 do what they said they're going to do.

18 CHAIRPERSON FERRERAS-COPELAND And that
19 is, that is made public through your evaluative
20 process or...

21 JEFFERY LEE:: We can get back to you on
22 that.

23 CHAIRPERSON FERRERAS-COPELAND Okay.
24 Thank you. And I don't think we have any further
25 questions for this panel. We have a couple of

1
2 things we're going to be following up with you on
3 JEFFERY LEE:. Thank you very much for your
4 testimony today. We're going to call up the next
5 panel, Joshua Goodman from the Pew Charitable
6 Trust. Thanks. Hello, welcome, you may begin your
7 testimony.

8 JOSH GOODMAN: Great. Well good
9 afternoon Madam Chair and members of the committee.
10 Thank you so much for inviting me to have this
11 opportunity to test if. My name is Josh Goodman and
12 I'm an officer with the Pew Charitable Trust
13 economic development tax incentives project. Pew is
14 a public charity that provides research and
15 technical assistance at the local state and federal
16 levels. And my project helps cities and states make
17 evidence based reforms to their economic
18 development tax incentives. To do that one of the
19 most important steps is to set up a process for
20 regular evaluation, precisely what this legislation
21 would do. Law makers across the country are looking
22 for ways to create jobs, raise wages and help the
23 local economy thrive over the long term. Tax
24 incentives are one of the primary tools that states
25 and cities use to try to do just that to achieve

1
2 those goals. Tax incentives also collectively cost
3 governments many billions of dollars every year.

4 Regular rigorous evaluation is a proven way to
5 ensure that tax incentive programs are serving the
6 needs of your budget, economy, and taxpayers.

7 Evaluations have provided reliable information on
8 the economic impact of incentives. Including the
9 extent to which they are successfully influencing
10 business behavior. These studies have also
11 uncovered flaws in the design or administration of
12 incentives and if it recommended improvements. This
13 information makes a difference. In some cases,

14 policy makers have used high quality evaluations to
15 make wholesale changes to incentive programs. For
16 example, a series of evaluations found that

17 California's 750 million dollar a year enterprise
18 zone program was doing little to boost employment
19 and instead was simply moving jobs from place to
20 place within the state. In response lawmakers

21 replaced the program in 2013 with other incentives
22 designed to address its flaws. In other cases,

23 evaluations have helped policy makers make subtle
24 changes to incentives to greatly improve their
25 effectiveness. For example, a 2015 evaluation

1
2 described a Maryland tax credit for rehabilitating
3 historic buildings as a model program because of
4 its strong fiscal protections. But the study also
5 pointed out ways the tax credit could be improved.
6 For example, the evaluation noted flaws in the
7 scoring system state officials used to determine
8 which commercial projects would qualify for
9 incentives. In response lawmakers extended the
10 program for another five years while also adjusting
11 the scoring system. Until recently however
12 lawmakers across the country have often lacked this
13 type of information. In many states and cities
14 incentives have been evaluated inconsistently or
15 superficially if they have been studied at all and
16 at the city level reliable studies on incentives
17 have been less common than at the state level. As a
18 result, law makers have little choice but to make
19 decisions on incentives on the basis of anecdotes
20 or incomplete information. Thankfully the situation
21 is starting to change. Since the start of 2012 more
22 than 20 states have enacted laws either requiring
23 evaluation of tax incentives or improving existing
24 evaluation requirements. These laws generally
25 create processes where professional staff study

1 major tax incentives regularly and then report the
2 findings to elected law makers. Many of the laws
3 require incentives to be studied on a rotating
4 multi-year cycle with different groups of
5 incentives reviewed each year that way both the
6 evaluators and the legislators can study a subset
7 of incentives in detail each year. We are also
8 seeing growing interest and evaluation at the city
9 level. Most notably the city council in Washington
10 DC approved legislation in 2014 requiring
11 professional staff in the city's chief financial
12 officer's office to evaluate incentives on a
13 regular cycle. And in almost every case in states
14 evaluation legislation has received strong
15 bipartisan support. These bills have also brought
16 together supporters of incentives and skeptics
17 alike who agree on the need for better information.
18 These laws are each different. Each jurisdiction
19 has customized the evaluation process to its own
20 needs and circumstances. But successful evaluation
21 processes usually share some common traits. For
22 example, it's important to have an evaluation
23 office that is capable of producing high quality
24 analysis. The ideal office has a nonpartisan
25

1
2 perspective, a willingness to provide policy
3 guidance and experience studying the details of
4 government programs or measuring economic and
5 fiscal impact. It's also important to have a clear
6 role for elected lawmakers. Because the purpose of
7 evaluating incentives is to help inform economic
8 development policy. The legislation before you
9 today reflects national best practices by giving
10 the city council central role in the process. The
11 council is responsible for identifying a list of
12 economic development tax expenditures to be studied
13 and for developing an evaluation schedule. Then the
14 independent budget office which possess both
15 independence and expertise will provide you with
16 high quality evaluations. In this way the process
17 is designed to serve your needs. Once evaluations
18 are published you can hold hearings on the results,
19 consider what actions are necessary, and work with
20 state lawmakers to improve the effectiveness of
21 incentive programs. As a result, this legislation
22 stands to make New York City a national leader in
23 this area. New York City has an opportunity to be
24 one of the first American cities to adopt the
25 process for regular evaluation of tax incentives.

1
2 In doing so you'll be able to ensure that
3 incentives are providing the best possible results
4 for the city's economy budget and people. I commend
5 the taskforce on economic development tax
6 expenditures and the finance division staff for
7 their work to study how to design an evaluation
8 process. And I also commend the council on this
9 committee for giving this issue the attention it
10 deserves. Thank you so much and I'm happy to take
11 any questions.

12 CHAIRPERSON FERRERAS-COPELAND Thank
13 you. I just wanted to highlight something that you
14 said in your testimony, that it's not always about
15 saying whether it works or not or getting rid of it
16 or not.

17 JOSH GOODMAN: Right.

18 CHAIRPERSON FERRERAS-COPELAND But just
19 tweaking and improving is vital to a lot of this
20 also where elected officials can, or policy makers
21 can just say well we probably need to tweak this
22 because this was happening at that time and now
23 that it's five years later perhaps this is how we
24 can improve a certain tax expenditure, correct?
25

1
2 JOSH GOODMAN: Yeah that, that's
3 absolutely right. And many of the best examples of
4 states or cities using evaluations have not been
5 sort of this brand judgement on the merits of the
6 program. They've found some, you know these are
7 often complex programs. And so if you find one or
8 two ways to improve it can really make a difference
9 in terms of the economic impact of the program.

10 CHAIRPERSON FERRERAS-COPELAND Now we've
11 been working together now for two years through the
12 taskforce. And the great members of the taskforce,
13 we kind of debated many points. So to get to these,
14 evaluate these 10 priorities is, is a huge
15 undertaking for all of us but given Pew's work with
16 states that already have an evaluation process in
17 place can you provide some insight on what New York
18 City has ahead of it? Right? So what are some of
19 the things that, pitfalls that we should watch for
20 in this first evaluations or you know positives and
21 negatives that we should expect just with our first
22 one, or first couple of ones so that we are not
23 one, discouraged, or two, overly confident as we,
24 we begin to implement the structure of this
25 process.

1
2 JOSH GOODMAN: Sure. I think one thing
3 that's, that's important is having a reasonable
4 timeframe for getting evaluations started and, and
5 having a, a schedule that, that sort of takes into
6 account that it takes time to, to ramp up for doing
7 these evaluations. We've seen some cases where
8 states really just sort of hit the ground running.
9 So Indiana in 2014 they passed an evaluation law,
10 evaluations are out by the end of that year and
11 then already the next year the lawmakers are using
12 those evaluations to change policy. That's sort of
13 the ideal situation. I think it's more common to
14 say you know it'll take a year to produce
15 evaluations. You might not want to start with that
16 many in the first year. Many of the questions we've
17 heard about data are hardest the first round and
18 then you know each program that you're evaluating
19 is a little bit different but they become somewhat
20 easier overtime because you have a process in
21 place, you have procedures in place, those sorts of
22 things. So I think you know starting out with a
23 reasonable time frame can, can help you make sure
24 that the first evaluations are really high quality

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2 and, and you know give you a process that you can
3 build on going forward.

4 CHAIRPERSON FERRERAS-COPELAND So just..
5 off of your, what you just said when it comes to
6 data, like this is the biggest challenge. Because
7 unlike a state where their requirements are
8 different our city's very much limited by
9 information that's shared. However, we're in a very
10 special place because the city also has access to
11 certain taxes that maybe other municipalities may
12 not have at all. So what do you see as the
13 challenge that New York City may face with the data
14 sharing as it is now.

15 JOSH GOODMAN: Yeah. First of all, I
16 think always with data it's important to strike a
17 balance between you know making sure that the
18 evaluation office and then ultimately the public
19 and the council has the information that they need
20 to evaluate the programs and then share those
21 evaluations with the public. At the same time there
22 are very reasonable confidentiality concerns. Both
23 things that are in law. And so what we've seen is,
24 is place is kind of striking a balance between
25 those two things and to the extent it is permitted

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2 by law it's helpful we've seen in some cases for
3 the evaluation office and the agencies with data
4 whether that's tax or economic development to you
5 know form a constructive partnership. And so in
6 some cases that's meant coming up with formal
7 memorandums of understanding where they say okay
8 this is the data we will share, these are the
9 procedures we will use to make sure that that data
10 is protected, that the agency standards are, are
11 followed by the evaluation office so that there's
12 no concerns about things that are, should be
13 confidential being released publicly. And so I
14 think it's also a case where in, if there isn't
15 legal authorization we have seen some cases like
16 Nebraska where they passed an evaluation law last
17 year. This year they went back and passed new
18 legislation that adjusted data sharing requirements
19 because the evaluation office was finding that they
20 just didn't quite have the information they need.
21 So that's a place where an evaluation process can
22 build over time and if it takes another round of
23 legislation that is, that is something some
24 jurisdictions have done. And from your experience
25 what is the best way to bridge between the

1
2 evaluation results and policy making? What is the
3 best way to bridge that information that we're
4 getting with the actual process is where obviously
5 the finance committee is the one that's, or a
6 committee within the council? But I guess in your
7 experience where have you seen the best example of
8 going from results to policy?

9 JOSH GOODMAN: Mm-hmm. So one approach a
10 lot of places have done is to designate some kind
11 of legislative committee to both oversee the
12 evaluation process and then be the place where the
13 information goes from the evaluations that are
14 published to consider, consider those
15 recommendations and make policy changes. So in many
16 cases it has been a committee like this committee
17 that, that's been charged with that role and those
18 committees hold hearings. They hear from the
19 evaluators; they also hear from business
20 organizations or executive branch agencies who have
21 a perspective on these programs. And using that
22 information they make changes to, to policy. One
23 example of that is in Oregon where they have
24 something called the joint committee on tax
25 credits. And that committee during sessions will

1
2 hold you know perhaps 10 or, or 15 hearings to dig
3 through you know lots of tax credits that have been
4 studied and in each, each year that that committee
5 has worked it's led to sort of wholesale changes to
6 tax credits that are up for review. Some are, some
7 are continued, some are modified, some are allowed
8 to end. And so that kind of robust legislative
9 review really holds tax incentives to the same
10 standards as you know your, your regular government
11 spending programs which is one of the purposes of a
12 process like that. Obviously what makes New York
13 City a little bit different is state policy makers
14 have a role in determining what happens with
15 incentives. And so I think you know there are
16 opportunities to explore... are there ways to, to
17 provide this information to state policy makers to
18 have them potentially hold hearings on these
19 evaluations? Those are, those are options that are
20 worse considering as you move forward.

21 CHAIRPERSON FERRERAS-COPELAND Great.

22 COUNCIL MEMBER: Thank you Madam Chair.

23 So what additional resources including human
24 capital do, do you foresee that, that we'd have to...
25 what kind of investments were necessary for us to

1
2 really get the affected outcome that we're looking
3 for here. In terms of best practices what have you
4 seen throughout the city? And too, and, and
5 obviously a city of this size what are we looking
6 at?

7 JOSH GOODMAN: Yeah that, that's, that's
8 a great question. One thing about this legislation
9 is it keeps the council in charge of the evaluation
10 schedule, both what programs are considered and you
11 know are you going to do this on a three-year
12 cycle, four-year cycle, five-year cycle. And so
13 there's a lot of flexibility for you in terms of
14 how much resources it would take to do these
15 evaluations because if, you know if, if evaluating
16 every incentive on a four-year cycle would cost too
17 much you can go to a five-year cycle. Or if you
18 want to say not study some smaller or less
19 important incentives that will cut down the amount
20 of analysis. What we've seen in states is that
21 generally it's the sort of like in the range of one
22 to FTEs is what's required to do good evaluations
23 but it really does vary based on how many programs
24 they're studying and how frequently they're
25 studying them.

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2 COUNCIL MEMBER: So yeah I, that, that
3 is something that as a council we certainly want to
4 be able to consider knowing going in. Have we been
5 able to... have you seen nationally aware of... work
6 throughout the country. Have you seen this data
7 kind of... This is kind of a, a post analysis. But
8 have we seen this same information be able to use
9 in a pre-analysis as to determining whether or not
10 these programs may or may not work impact on
11 communities and so forth as to you know kind of
12 additional tools in a toolbox in evaluating the
13 words of some of these businesses that want to set
14 up shop.

15 JOSH GOODMAN: Absolutely. I think that
16 after, after the programs have been in effect
17 there's more data to study their results but many
18 of the questions that you ask sort of up front are
19 the same. So questions like is the incentive
20 successfully influencing business behavior, you
21 know what is the fiscal impact, how much will this
22 cost the city's budget, and, and can we afford
23 that. You know what is the goal of the program and
24 is it well designed to achieve that goal? And so I
25 think from, from looking through the, the kinds of

1
2 questions you would ask after the fact you can ask
3 those upfront and you can at least have a
4 conversation about you know will it achieve these
5 goals, why do we think it will achieve these goals
6 and is it the best use of our resources. And so I
7 think many of the practices that come from after
8 the fact of evaluation can be applied upfront as
9 well.

10 COUNCIL MEMBER: Yep. And, and, and
11 finally have you seen... can, can we kind of take,
12 use this data to drill down on particular
13 demographics, MWBEs in different sectors and, and
14 so forth. Have you seen that as well?

15 JOSH GOODMAN: So the first thing we, we
16 tell any office that's evaluating incentives is
17 it's important to know the goal of the program and,
18 and identify that. And so I think if, if the goal
19 is to help a particular sector that should be
20 defined upfront and then in evaluations have
21 studied you know whether it's effectively achieving
22 that goal.

23 COUNCIL MEMBER: Thank you so much.
24 Thank you Madam Speaker.

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2 CHAIRPERSON FERRERAS-COPELAND Thank you
3 Council Member. Thank you for partnering with us.
4 Thank you for doing what you're doing and you know
5 we're very excited here and we hope to make history
6 in New York City so that other municipalities can
7 replicate what we think will be a great step in the
8 right direction so thank you for coming to testify.

9 JOSH GOODMAN: Great, thank you.

10 CHAIRPERSON FERRERAS-COPELAND Great.
11 And now we will have the next panel; Mr. George
12 Sweeting [sp?] from the Independent Budget Office.
13 Thank you. And you may begin your testimony.

14 GEORGE SWEETING: Red is on right?
15 Backwards, but okay. Good afternoon Chair Ferreras-
16 Copeland and members of the Finance Committee. I'm
17 George Sweeting, Deputy Director of the Independent
18 Budget Office. And I should note that the director
19 Ronnie Lowenstein would have been here except she
20 has the happy occasion of her son being married in
21 the next couple days. And so you get me instead.
22 I'm also joined by IBO's general counsel Lisa
23 Neary. We want to thank you for the opportunity to
24 testify before you regarding this important
25 legislation. The legislation before you today

1
2 builds on the recommendations of a taskforce made
3 up of New Yorkers with deep experience in economic
4 development policy. IBO was a formal advisor at the
5 taskforce meetings. I would like to take this
6 opportunity to compliment the chair, the council
7 finance staff, and the members of the taskforce for
8 their work over the last year and half to review
9 the current status of tax expenditure oversight and
10 to develop recommendations to create a new
11 structure for ongoing evaluation of the city's
12 economic development tax expenditures. A regular
13 review of these programs to test whether the goals
14 of the programs are still being met, whether the
15 goals are still relevant, and determining what is
16 the cost of meeting those, those goals will provide
17 policy makers with critical information when
18 determining whether to extend existing programs or
19 to create new ones. IBO Director Ronnie Lowenstein
20 and the rest of us at IBO are greatly appreciative
21 of the confidence and the quality and independence
22 of our work that's demonstrated by the decision to
23 propose our office take on the role of economic
24 development tax expenditure evaluator which is a
25 very long title. It would be, it would bring

1
2 interesting analytic challenges to our office and
3 the opportunity to contribute to the council's
4 important oversight role. IBO has worked with
5 council staff in drafting the language regarding
6 the additional responsibilities IBO would assume
7 under the proposed legislation. Providing
8 independent nonpartisan fiscal and economic
9 analysis is the core of what IBO does. Staff from
10 IBO and the council have worked out a collaborative
11 process that have spelled out in the legislation to
12 identify the economic development tax expenditures
13 to be evaluated each year. The schedule for the
14 evaluations in the criteria that will be used in
15 the evaluations in a way which respects IBO's
16 independence in setting its overall researcher's
17 agenda and priorities. To do these evaluations will
18 require access to tax and other city data ideally
19 at the individual taxpayer level. While IBO
20 currently receives some taxpayer data under
21 existing law including data from the property tax
22 system, commercial rent tax, hotel tax, as well as
23 employment data access to business income tax and
24 sales tax data remain a, remains elusive, excuse
25 me. Language has been added to the bill that

1
2 strengthens IBO's existing authority under the city
3 charter to access tax data. But even if the de
4 Blasio administration is fully cooperative it will
5 probably be necessary to seek state legislation to
6 fully resolve the tax data initiative. As this will
7 be ongoing work IBO will need to ensure that
8 resources will be available in the future as we
9 make commitments of staff and other support to
10 carry out this work. Our concern is motivated by
11 the need to ensure that IBO can continue to fulfill
12 the city charter mandates to provide budget
13 reports, information, and fiscal analysis to
14 various elected officials and the public while also
15 taking on this new responsibility. The current plan
16 would be to hire one senior researcher to, to
17 direct the evaluation work. And we would supplement
18 that with existing IBO staff and support as needed.
19 It was noted during the taskforce meetings that the
20 quality and utility of tax expenditure evaluations
21 is likely to take some time to develop that was
22 also reiterated here earlier today. With
23 improvement coming through practice thus stability
24 and continuity in staffing are important to the
25 success of this effort. As I indicated earlier we

1
2 are excited by the prospect of taking on this, the
3 new role of evaluating economic development tax
4 expenditures in support of the council's oversight
5 responsibilities. Once again thank you for the
6 opportunity to testify and we'd be happy to try to
7 answer any of your questions. Thank you.

8 CHAIRPERSON FERRERAS-COPELAND Thank you
9 very much. And again we want to congratulate Ronnie
10 on her, her son's marriage. So successfully
11 evaluating tax expenditures will require the
12 cooperation among multiple governmental offices and
13 agencies due to the range of responsibilities
14 involved such as providing data, having the skills
15 necessary for evaluation, and passing reform
16 legislation. The council, the IBO, and the tax
17 administrating agency will all need to cooperate.
18 Do you have any thoughts about how to make this
19 partnership work effectively?

20 GEORGE SWEETING: Well first of all I
21 think it, there, there's already a basis of, of
22 good experience with... we work with a lot of data
23 and information from the city finance department as
24 described earlier you know how, how that access has
25 been arranged over the years. And you know we learn

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2 a lot from the finance department as we try to work
3 our way through their data and you know there's
4 experience, a cooperative experience there. I think
5 we've also you know had very good experience
6 working between IBO and city council particularly
7 on the finance committee side, it's, it's
8 particularly strong. And so I think that gives us a
9 good, good basis to start with. You know there
10 probably will be a need to deal with economic
11 development corporation. I think there are, that's
12 a new relationship. We've been trying, we've been
13 working over the years. There has been some success
14 but I think that's an area we're going to have to
15 work on in order to... you know as, as some of those
16 tax expenditures come up for renewal or, or for
17 review you know we're going to have to work on
18 that.

19 CHAIRPERSON FERRERAS-COPELAND Great.

20 And you know this is great because then it also
21 helps us to start those relationship building and
22 bridging earlier than expected. And how do you
23 anticipate being able to present the evaluation
24 results in a way that policy makers can use. And I
25 know that you know you have a history of presenting

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2 a lot of statements for us with pros and cons are
3 you know one would say democrat republican
4 perspective. But it has spoken to the credibility
5 of the organization and that you are a fair and
6 balanced. And it's probably why very few people if
7 anyone balk at you know IBO being the evaluator.
8 But from your perspective and experience what is
9 the best way to roll out an evaluation of this
10 nature?

11 GEORGE SWEETING: Well I think, first of
12 all, these, these evaluations as, as Josh indicated
13 earlier the very... it's, it's going to be unlikely
14 that they're going to come down to something that
15 is very clear cut. And you're going to come down to
16 something that's very clear cut and you're going to
17 say this is really bad, we should get rid of the
18 whole thing or this is really great and we should
19 keep it. There is going... in many cases there are
20 going to be things in between; small improvements
21 in terms of the, the thinking about what the goals
22 are, maybe updating the goals. Sometimes
23 improvements in process that can be identified. And
24 I think we've, we would one, one thing I would
25 envision as doing is, is borrowing from the

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2 experience we have with our... with our budget
3 options. It's one of the publications we do each
4 year. And in there that's I think the example you
5 refer to where we say you know here are the... here,
6 a proponent... we make it, we identify an option and
7 then we say proponents would say that you could do
8 these three... you know it, it would, it would have
9 these benefits. Opponents would say it would have
10 these negative consequences. They're, in many, most
11 cases they're both true. I think in the case of
12 the, the budget options we force ourselves to do it
13 in one page. I don't envision that, that these
14 reports are going to be one page. We'll try to make
15 them as presentable and...

16 CHAIRPERSON FERRERAS-COPELAND Maybe you
17 could do a one page summery. Yeah.

18 GEORGE SWEETING: But the... [cross-talk]

19 CHAIRPERSON FERRERAS-COPELAND Actually
20 we're going to write that in the legislation.

21 GEORGE SWEETING: We could try. But the,
22 the flavor of... you know because... of you know they,
23 there will be good things to say about many of
24 these programs and there'll be areas to, that you
25 can identify improvement. And I suspect that that,

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2 that similar way of thinking about of these policy
3 questions will, would be part of our work.

4 CHAIRPERSON FERRERAS-COPELAND And I
5 have a, a data sharing question. But before we get
6 to that is there any other concerns that you may
7 have as us identifying you as a potential
8 evaluator? Are there any concerns with the
9 evaluation process as we've laid it out today?

10 GEORGE SWEETING: I think we've, you
11 know we've, we've, we've had useful discussion.
12 There have been some, the current version of the
13 bill I think you know addresses the concerns we had
14 earlier on in terms of making sure it's a
15 collaborative process. I'm envisioning this as an,
16 an annual event that we, we will sit down with you
17 I guess the, the tax administration offices also
18 and have a... just you know what are the three, what
19 are the two or three candidates to look at this
20 year. What are... you know are there any constraints
21 in the way that, for this year that might make it
22 hard to do? Maybe, maybe this tax expenditure
23 really does require some of this income tax data
24 that we know we can't get until we, we, we deal
25 with Albany. So maybe we put that off and we put in

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2 a couple of the ones that we could, we could begin
3 to address with, with data that we have now so the...
4 To me that's what, what's referred to as the
5 collaborative process which I think that language
6 is, is in the current draft. So that, that has
7 really... you know that was one of our, our concerns
8 about how you... how you would, how our concerns
9 about what's possible today given our resources,
10 demands on our office, access to data as it stands
11 today. And I think we've got a process that can
12 deal with that.

13 CHAIRPERSON FERRERAS-COPELAND And can
14 you just speak briefly, you know there... there is
15 the concern of sharing data. Can you just speak to
16 how you've handled secured data in the past and
17 what that could potentially look like.

18 GEORGE SWEETING: Yeah. I don't, I don't
19 see that as... I, I think those are, that's a totally
20 solvable problem. If I, if I could I'd like to
21 start by... there was some discussion with the...
22 economic development corporations testimony where
23 they talked about you know you wouldn't want to
24 reveal individual tax... I can't imagine that you
25 would ever need to do that in these tax expend... in

1
2 these tax expenditure evaluations. I mean we
3 routinely report on summarized data and that's,
4 that's what you're going to use to present the
5 results of this work. You're going to... you, ideally
6 you're going to work at the individual taxpayer
7 level. But when it comes time to actually publish
8 tables, publish results, it's going to be
9 summarized. I don't think there's any issue with
10 the possible exception of some of these one-off
11 expenditures such as Madison Square Garden. We
12 can't summarize a way the fact that Madison Square
13 Garden is one, one entity or the, the, the Chrysler
14 Building. But on these, these other programs that
15 have multiple taxpayers we would never... I can't
16 imagine ever revealing individual taxpayers. On the
17 security issue we have experience currently with...
18 I'll, I'll start with some of the tax data on the
19 commercial rent tax, the hotel tax, and the real
20 property transfer tax. That's all data that we've
21 worked out agreements with the Department of
22 Finance that we've signed documents you know laying
23 out the, the steps we need to take. I think perhaps
24 the more relevant examples, or the most relevant
25 example would be for a highly sensitive data. When

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2 we received additional responsibilities around
3 education work back when, in 2009 when mayoral
4 extension was originally... or mayoral control was
5 originally extended. We were given under state law
6 access to student level information. And the, the
7 department of Education said okay you know the
8 state law says we have to do this. But we need a
9 lot of protection built in so that there, there's
10 no, we have to comply with the state, the city
11 education department... has to comply with federal
12 education laws, the FERPA, Federal Education
13 Records Protection Act.

14 CHAIRPERSON FERRERAS-COPELAND Rights of
15 Privacy Act.

16 GEORGE SWEETING: Right, okay, thank
17 you. So in order to comply with... I mean the
18 Department of Education was willing to share the
19 data with us as long as we took the steps necessary
20 to make sure that they were complying with FERPA.
21 And that was serious business because if, if the
22 city is found to be violating FERPA they lose their
23 title one money which is, I think it's a couple
24 billion dollars. It's at least a billion dollars.
25 It's... so in order to do that we have set up a

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2 segregated part of our land. I can't, I can't look
3 at it. Only the people who actually need to look at
4 it on a regular basis have access to that part of
5 our land. We've installed extra security in our
6 land room. We've taken steps. We handle our backups
7 for, for the education data separately than, than
8 from the rest of our data systems. You know so
9 we're used to dealing with this. We found a way to
10 deal with it. It was you know... It's a series of
11 steps and you go through them.

12 CHAIRPERSON FERRERAS-COPELAND Great.
13 And I think that was just very important for us to
14 get into the testimony because you, you and I, the
15 committee, the staff, we've all been engaging in
16 this process and I think it just shows that very
17 sensitive data can be preserved. You have data that
18 one could deem even more incentive than what would
19 be shared on the, on the, on this level at least.
20 And would you be supportive of us going to the
21 state to advocate for the access to data that is,
22 is vital to some of this evaluation?

23 GEORGE SWEETING: Well we're supportive
24 of getting, getting the data that we would need to
25 do these reports.

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2 CHAIRPERSON FERRERAS-COPELAND Okay we
3 can stay like that.

4 GEORGE SWEETING: And if that, if it, if
5 it's determined that that requires data... I'm sorry
6 state law, change then you know we'll...

7 CHAIRPERSON FERRERAS-COPELAND Great.

8 GEORGE SWEETING: We would work with
9 what, we would do whatever's necessary to make that
10 happen.

11 CHAIRPERSON FERRERAS-COPELAND So what
12 are your thoughts of us kind of doing, beginning
13 this process absent of having that legislation on
14 the state level? You know how do you feel... is it
15 something that we can do just to begin to show
16 examples of what we could potentially get if we
17 only had more information.

18 GEORGE SWEETING: Absolute... I think
19 there are, there are... I mean some of the programs
20 that are on the list in the taskforce before don't
21 involve this data that's, that's protected under
22 the state law. Some of it involves the commercial
23 rent tax. You know so we could begin with some of
24 those programs and you know give everyone some
25 experience in working on this we probably would

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2 learn something useful about exactly how you go
3 about it. The other things although I'm, I would be
4 the last person to turn down data. There... you know
5 some of what we... you know some of what you need to
6 do to do these evaluations you don't need the most
7 granular data. And you know there'll be, there'll
8 be made as you set up the evaluation for each one
9 of these particular programs. Some of them you'll
10 decide maybe you know we can work with the
11 employment data and we can find a way to leverage
12 some of the property tax data that's already... You
13 know there, there will be ways to deal with at
14 least some of these. On the other hand some of this
15 I think you'll, you'll never be able to do a good
16 job without access, direct access to the business
17 income tax data.

18 CHAIRPERSON FERRERAS-COPELAND And while
19 we go through this process you don't see... well we
20 also can probably... or you will be able to identify
21 if there were challenges within the report, like
22 you can specifically said we've made this
23 evaluation with this metrics or this level of
24 information that we had.

25

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2 GEORGE SWEETING: Absolutely. And I, I
3 believe that's called... that's spelled out in the
4 legislation...

5 CHAIRPERSON FERRERAS-COPELAND Yes.

6 GEORGE SWEETING: ...report that one of,
7 one of the assignments to us or to the evaluator is
8 to report on how the available data constrained of
9 the rapport what would be, what would be additional
10 data that, that would be useful to make a more
11 thorough report. And that would be part of the
12 report we would give to you at the, at the end of
13 the process.

14 CHAIRPERSON FERRERAS-COPELAND Great.

15 Thank you very much for coming to testify today.

16 GEORGE SWEETING: You're welcome.

17 CHAIRPERSON FERRERAS-COPELAND And we
18 will keep talking. Alright. And now we will have...
19 call up the next panel; Mr. James Parrot Fiscal
20 Policy Institute, Mike Seemas from the Partnership
21 for New York City, and Clementine James SCIU 32BJ.
22 And again before you begin I just want to thank you
23 all for being taskforce members. Your voice
24 perspective was vital to our recommendation and I
25

1
2 thank you for coming today and testifying. You may
3 begin in whatever order you think is appropriate.

4 CLEMENTINE JAMES PARROTT: Good

5 Afternoon. My name is Clementine. I'm a member of
6 SCIU 32BJ. Thank you to the committee for the
7 opportunity to testify here. SCIU represents 1,000
8 155,000 members in 11 state and Washington DC. In
9 New York we are 70,000 strong. Our members are the
10 hardworking men and women who clean and protect our
11 city buildings, stadiums, and schools. I, myself,
12 am assigned to an HRA building. I ensure that the
13 public and the workers in the building have a safe
14 environment to receive and give service in. We
15 applaud Councilwoman Copeland for her leadership.
16 We thank the taskforce for taking this process
17 seriously and for working to create more
18 transparency and accountability in public spending.
19 President Hector Figueroa was proud to sit on the
20 taskforce and we support their recommendation. We
21 also support Councilwoman Copeland bill to
22 implement the work of the taskforce. The city spend
23 billions of dollars every year in tax break. At the
24 HRA Office I see the positive side of public
25 spending, people come there to get support for

1
2 their needs. For example, for housing, childcare,
3 Medicaid, and SNAP benefits. Any spending in the...
4 in that any spending that is not in the city budget
5 should be subject to accountability process. We
6 also encourage the council to extend evaluation
7 process more broadly to housing development,
8 financial assistance too. Housing development,
9 financial assistance should be scrutinized for the
10 development's ability to create affordable housing
11 as well as ability to create good middle class
12 jobs. We support the recommendation that tax
13 expenditures should be valuated beyond whether or
14 not they meet their goals. Each time on economic
15 development tax expenditure is reviewed. It should
16 be evaluated for whether or not it meets the goals
17 of combatant publicly and creating family
18 sustaining jobs. Most importantly if money's going
19 to developers instead of directly to communities we
20 should have a say in the process as communities
21 that could be affected by a particular development.
22 We need to have our voices heard. Our public
23 spending should be, benefit should result in a
24 benefit of... community, particularly good jobs.

1
2 Thank you for the opportunity to testify here
3 today.

4 MICHAEL SIMAS: Thanks Chair. Am I on?
5 Is that good? Can you hear me? Is that better? And
6 members of the committee for the opportunity to
7 testify today. The Partnership for New York City
8 represents the city's business leaders and largest
9 private sector employers. We work together with
10 government labor and the non-profit sector to
11 promote economic growth and job creation in New
12 York. We support a well-run and fiscally
13 responsible government which is achieved in part by
14 implementing data driven outcome based programs. In
15 2010 the Partnership led successful efforts to
16 overhaul the state's approach to economic
17 development resulting in the enactment of the
18 excelsior jobs programs and the end of the wasteful
19 Empire Zone program. Excelsior is targeted to
20 certain industries with the highest job in economic
21 multipliers and post-performance based data that is
22 publicly available online. I was pleased to serve
23 on the council's taskforce on economic development
24 tax expenditures which recommended a structure to
25 evaluate the city's economic development tax

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2 expenditures on a regular basis. The structure
3 outlined by the taskforce recommends that
4 evaluations be conducted by an independent entity
5 with sufficient technical expertise. It would
6 further require the council to identify the goals
7 of the city's tax expenditures for the evaluator to
8 measure against and include an analysis as to
9 whether the tax expenditures for the evaluator to
10 measure against and include an analysis as to
11 whether the tax expenditure is the best approach
12 for achieving the programs desired results.

13 Finally, the taskforce recommended that all future
14 legislation creating or extending tax expenditures
15 should contain explicit statements of goals and
16 metrics by which they could be measured. The
17 partnership supports this legislation and the
18 leadership of Chair Ferreras-Copeland on this
19 initiative. Data driven analysis around clear goals
20 and metrics will allow business and government to
21 make better decisions about investment in public
22 policy and help ensure that tax expenditures
23 deliver on the goal of building a stronger economy.

24 Thank you.

1
2 JAMES PARROTT: Thank you Chair
3 Ferreras-Copeland for the opportunity to testify.
4 James Parrot is my name. I'm with the fiscal policy
5 institute. Congratulations on your leadership of
6 the taskforce over these many months of
7 deliberations. I also want to applaud the superb
8 work of the staff and thank the, the other city
9 staff members from the Economic Development
10 Corporation, the Finance Department, OMB, and the
11 IBO for their expert assistance. And finally I'd
12 like to, to thank my fellow, fellow members of the
13 taskforce for an engaging and enlightening
14 discussion over several months. As the taskforce
15 report notes the city and the council has
16 particular need to improve its oversight of the
17 2,800,000 dollars in annual economic development
18 tax expenditures. These tax expenditures
19 effectively represent taxpayer resources just as
20 tax levy budget dollars do over which the council
21 closely deliberates each budget season. Unnecessary
22 business tax incentives distort the tax system and
23 sense large companies tend to disproportionately
24 benefit their continuation reinforces cynicism
25 towards city government amongst smaller businesses.

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2 Taskforce discussions noted that the city has a
3 Hodge podge of tax expenditures that have evolved
4 over the last four decades and that they need to be
5 systematically reexamined. There is significant
6 opportunity cost in the status quo. Evaluation
7 should be done in terms of current economic
8 development, in terms of current economic
9 conditions and needs and with a clearly articulated
10 set of city economic development goals and
11 objectives in mind and informed by public hearings.
12 The evaluation method in the, that's recommended in
13 the taskforce report is a workable method. And the
14 legislation lays the basis for a regular program of
15 such evaluations. I'd like to go beyond the
16 taskforce recommendations though and add my own
17 personal recommendations and suggestions based upon
18 discussions that occurred in taskforce medians. I
19 think there is some improvements that could be made
20 in the city's annual tax expenditure report and I
21 will forward those to the administration for their
22 consideration. The tax expenditure report should
23 compile in one table all economic development
24 related tax expenditures as the task force report
25 does in Appendix 2. It should also provide greater

1
2 and more revealing data and detail on the tax
3 breaks authorized by the city's industrial
4 development agency and the economic development
5 corporation. And finally I believe that tax
6 expenditure report should also identify and report
7 company specific tax expenditure beneficiaries in
8 cases where companies receive tax benefits
9 exceeding in the aggregate some threshold amount,
10 five million dollars for example in any given year.
11 I note that article in this past Sunday's New York
12 Times about the 885 million dollars in city tax
13 breaks that Donald Trump has received over the
14 years. I think if we looked at other beneficiaries
15 in New York City we would find that Mr. Trump is
16 certainly not alone in that category. And I, I
17 think it would be instruct... for city taxpayers to
18 have better information on this. Regarding company
19 specific disclosure, we were pleased to join the
20 partnership for New York City and supporting
21 companies specific, deal specific public disclosure
22 in our respective comments to the governmental
23 accounting standards regarding their proposed
24 statement on tax abatement disclosures. We had more
25 than one discussion in taskforce meetings about the

1 Hudson Yard's property tax breaks authorized by the
2 New York City IDA in 2005 at the time of the
3 rezoning and the establishment of the Hudson Yard's
4 Infrastructure Corporation to finance the expansion
5 of the number seven subway line. I think the public
6 has a right to know what those tax breaks are
7 costing the city and how much that cost will rise
8 in the years and decades ahead. I'm not aware that
9 any city entity whether it's the council staff, the
10 finance department, the city comptroller, or the
11 independent budget office has prepared such
12 estimates. I recall back in fall of 2014 when JP
13 Morgan Chase sought a billion dollars in subsidies
14 from the city to build a new headquarters in Hudson
15 Yards. At the time the city responded that the
16 Hudson Yard's property tax breaks already in place
17 would provide a total of 600 million dollars in
18 reduced taxes from the discount scheme put in place
19 in 2005. If you looked at the entire Hudson Yards
20 area and projected out what the tax breaks are
21 likely to be. I think we all know that they would
22 be substantial. I... so therefore I would urge the
23 council to convene a hearing on the rising cost of
24 the Hudson Yards tax breaks and explore whether
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2 they're justified. For far too long there's been a
3 culture of entitlement among large corporations and
4 real estate developers when it comes to local tax
5 breaks, supposedly granted to spur the local
6 economy. For nearly two decades New York City has
7 boasted one of the most vibrant local economies
8 anywhere in the world. Our highly valued real
9 estate reflects that economic vibrancy. Thank you
10 for the opportunity to testify. Be happy to take
11 any questions.

12 CHAIRPERSON FERRERAS-COPELAND Thank you
13 very much for testifying. In your testimony you
14 suggested improvements with the Department of
15 Finance annual tax expenditure report. Among your
16 suggestions is a change in reporting of IDA and EDC
17 granted tax benefits. The council has worked to
18 improve the reporting of these benefits most
19 recently through local law 62. What are you seeking
20 that is not already included in the Local Law 62
21 report?

22 JAMES PARROTT: Certainly the council
23 has made significant improvements in the, in, in
24 requiring EDC and IDA to report regarding the
25 benefits it provides. However, if when one looks at

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2 the local law 62 report it's not as transparent and
3 as accessible as it could be. There needs to be a
4 good summary analysis in presentation of what those
5 benefits really are against the taxes that the
6 companies might pay. Furthermore, the tax
7 expenditure report that the finance produces is
8 really the place to bring that data together. As I
9 suggested I think it would be very beneficial to
10 have the, the tax expenditure report have one table
11 that summarizes all of the economic development
12 expenditures as is in appendix two and the
13 taskforce report. And, and along with that have
14 provide more detail and some analysis of the
15 various IDA tax breaks. Right now it's one line in
16 the tax expenditure report.

17 CHAIRPERSON FERRERAS-COPELAND Okay.
18 Thank you. And we wanted to make sure we have that
19 on the record. Now from the partnership's
20 perspective I know that when certain businesses
21 hear about we're evaluating, some flags go up, and
22 it produces anxiety. As you know as a taskforce
23 member we were very diligent in making sure that
24 there isn't one group benefitting over another or
25 that we were really providing the structure. I'm

1
2 sure some of your businesses are in different
3 states, maybe even states that are evaluating
4 expenditures. In your support of our structure what
5 do you, what do you think the, the benefits could
6 be? And I think you... much into it but you know the
7 benefits of evaluating this process, what could
8 that be for the business community.

9 MICHAEL SIMAS: Sure I think any time
10 you use data to analyze a program, it can result in
11 more information. You could target investments more
12 effectively on things that are working, reduce
13 investments on things that aren't working, scale
14 good programs. I think once you have the data you
15 can look at it and figure out where you want to
16 focus resources but having a consistent process to
17 analyze the programs is a good first step we
18 believe. As I noted excelsior when we put that in
19 place and advocated for that that included a pretty
20 robust reporting structure to transparent program
21 and it works well at targets, industries that in
22 jobs that have big economic multipliers. So if
23 you're going to invest in jobs growth life sciences
24 gets you almost four jobs for every one you put in
25 New York City. So figuring out where the

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2 investment makes the most sense has the most
3 positive impact on the economy should be part of
4 the analysis as far as we're concerned.

5 CHAIRPERSON FERRERAS-COPELAND Or also
6 as you made mention in your testimony it might be
7 one expenditure that no longer makes sense and how
8 to kind of have it evolve into something that makes
9 sense for today which I think you both stated in
10 your, in your statements about timing. You know
11 what may work or may, what might have worked 10
12 years ago in the economy that we are in at that
13 moment of evaluation may no longer work. So do you
14 both think that this is the best tool to be able to
15 use to assess that.

16 MICHAEL SIMAS: I think it's a good
17 tool. I think you need the structure in place to,
18 to begin with and then yes you've got to
19 understand.. life sciences 20 years ago probably
20 would haven't been on the list of things we were
21 looking to grow in New York. So yes it's got to be
22 responsive to the economy, responsive to the
23 market. I don't know that there's a sense of
24 entitlement that exists currently within the
25 corporations generally in this city. I think there

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2 are programs that exist. People participate in them
3 and it's on government to figure out if they're the
4 most effective use of public dollars.

5 CHAIRPERSON FERRERAS-COPELAND James,
6 your perspective on...

7 JAMES PARROTT: Certain, certainly I
8 would, would, would echo that. I think that you
9 know we've had some programs that have been around
10 for a long time. The world has changed since then.
11 New York City's in a much better and much different
12 position than it was 40 years ago when some of
13 these programs were put into place. It may be that
14 there's some programs that are working across,
15 across purposes because they emerged at different
16 points in time. So I guess the, the one caveat I
17 would have about the taskforce report is that.. and,
18 and the legislation being proposed is that it
19 suggests that these evaluations be, be done, sort
20 of rolled out over a series of years. I guess I
21 would, I would like to see a healthy process in the
22 beginning to prioritize which are the most
23 important and significant programs that need to be
24 looked at as soon as we can get to them. And some
25 of the programs that maybe are not, or maybe

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2 there's not a concern that, that they're not as, as
3 problematic, go to the end of the line, and we take
4 up later.

5 CHAIRPERSON FERRERAS-COPELAND Well that
6 was my next question. So to both of you what do you
7 think should be our process to kind of figuring out
8 which ones to evaluate first. We've had some
9 discussions on it but is there, is there one that
10 rises to... and you know we probably would base it on
11 timing, which ones are going to sunset but from
12 your perspective is there one or is there a system
13 by which... And I think James you already kind of
14 spoke to this that we should take into account when
15 identifying the first ones to evaluate.

16 MICHAEL SIMAS: I don't know if there's
17 an exact system. I think looking at the programs
18 that exist, those with a lot of participants that
19 would make it easier to aggregate the data and
20 understand more clearly exactly what the benefits
21 are where those aren't clear currently would be a
22 good place to start. But I think we could have a
23 conversation. It sounds like the committee may hold
24 hearings or have public conversation about what
25 potentially should be reviewed for that to be part

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2 of the process again. The structure we think is a
3 good idea determining what's good and what's bad
4 will be a product of looking at data and figuring
5 out how to take next steps.

6 JAMES PARROTT: As I indicated in my
7 testimony I think you should have a hearing on
8 Hudson Yards on Monday. I'm available at 10:00. I'd
9 be happy to come back and talk about that. I think
10 that as a program that, that the cost will be so
11 enormous that people will be shocked when they hear
12 those numbers. The sooner we do that and get that
13 information out the better off we all are. You know
14 if you, if you look at the 2.8 billion dollars in
15 tax expenditures now that's grown rapidly over the
16 last dozen years or so. Since the early 2,000s it's
17 grown three times as, as... it's grown twice as fast
18 as the tax spade... as the tax face of the city and
19 it's tripled in value. As rapid as that kind of
20 growth is the Hudson Yards numbers are going to
21 really jack those numbers up. So we need to take a
22 look at that ASAP. The other things that you know I
23 think there... we had a discussion about certainly if
24 some of the tax programs are coming up for renewal
25 in Albany that it's good to think ahead and do an

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2 evaluation so that the city is prepared to make a
3 recommendation to our leaders in Albany for their
4 consideration that. So we, we certainly need to
5 look at that calendar and figure that out. But I,
6 but I... I think the Hudson Yards issue is so
7 paramount that we should drop everything and look
8 at that right away.

9 CHAIRPERSON FERRERAS-COPELAND Monday.

10 JAMES PARROTT: Monday.

11 CHAIRPERSON FERRERAS-COPELAND Thank
12 you.

13 JAMES PARROTT: Unless you want to do it
14 tomorrow.

15 CHAIRPERSON FERRERAS-COPELAND Council
16 Member Miller.

17 CM MILLER: Thank you Madam Chair. So
18 good afternoon to everyone. And I have had the
19 opportunity to kind of browse the testimony and,
20 and... so had the opportunity and also had the
21 opportunity to work with just about everybody over
22 there in the panel in the past and I applaud you
23 for the work that you have done and that you
24 continue to do. And this is most important...
25 considering the environment that... development and

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2 new business that is going on here that we kind of
3 be able to wrap our hands around. And they are not
4 the folks who have testified and participated on a
5 panel and as part of the committee. Probably the
6 most qualified... persons in the city that I know of.
7 So I... I appreciate, appreciate your work. But could
8 you speak to kind of anyone... and professor I know
9 this is kind of something that we hear from you
10 often. In terms of a purposes, stated goals, and
11 whether or not they are, are we pre-evaluating the
12 public good in assessing the program as to who
13 determine, what determines what really is in the
14 best interest of communities that are being
15 impacted, you know.

16 JAMES PARROTT: Well I don't know if
17 there's any, if there's any ready way to answer
18 that. Again, because these programs have evolved
19 you know from, from different circumstances over a
20 long period of time. I think it would be useful at
21 some point to sort of sit down and, and look at
22 what purposes are served by each of the programs
23 and consider that in the context of what this
24 council and what this administration believes the
25 current economic development priorities and goals

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2 are for the city because my sense is that there's
3 not a good, that, that doesn't match up that well.
4 And that's understandable. That's nobody's fault.
5 It just occurred that way over many years. But
6 knowing that then we have a responsibility to try
7 and address that and fix that so that we, we can
8 make sure that the limited pot of economic
9 development resources are used in the most
10 effective way because I think all of us you know
11 although our, our criticism of the programs may
12 differ all of share a common, common priority in,
13 in wanting the city to get the best bang for its
14 buck, provide good jobs for city residents, and
15 ensure that New York City is a profitable and
16 productive and desirable place for businesses to
17 be.

18 CM MILLER: Did... any of the other panel
19 wanted to add to that? Typically, we kind of wanted
20 to hear from a laborer's perspective.

21 CLEMENTINE JAMES PARROTT: I think from
22 a labor perspective we are always concerned when
23 tax payers' money is being used and we are all very
24 much interested in how workers are paid, are they
25 receiving the prevailing wage and things like that.

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2 So we are very concerned. And from... we are, looking
3 at the communities that the... and buildings that
4 they bring buildings into our communities. How does
5 it affect the schools and the infrastructure, the
6 infrastructure there to our committee, the building
7 so we are concerned about things like that?

8 CM MILLER: Thank you.

9 MICHAEL SIMAS: Happy to chime in too.
10 And as the representative of the taxpayers up here
11 we're also concerned that the resources get spent
12 efficiently. So agree with James. At the end of the
13 day we want good jobs if what we do want to focus
14 our resources in areas where the economy is headed,
15 where we have opportunities to scale things more
16 quickly than we could without public assistance or
17 dollars.

18 CM MILLER: Thank you. Thank you again
19 Madam Chair.

20 CHAIRPERSON FERRERAS-COPELAND Thank you
21 very much for coming to testify. Thank you for
22 being a part of our taskforce. Your perspectives
23 were very important. And as was recommended we are
24 going to continue what the taskforce mission was to
25 provide the structure we also acknowledged the

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2 importance of this group continuing to meet even
3 after. So again thank you for coming today. Thank
4 you for testifying. And thank you to the staff once
5 again of this. And we're looking forward to
6 continuing our engagement of conversations on, and
7 passing this bill very soon. Thank you again. And I
8 call this hearing to a close.

9 [gavel]

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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 September 27, 2016