

CITY COUNCIL  
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

of the

COMMITTEE ON FINANCE

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February 19, 2021  
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HELD AT: Remote Hearing, Virtual Room 2

B E F O R E: Daniel Dromm  
Chairperson

COUNCIL MEMBERS: Daniel Dromm  
Adrienne E. Adams  
Alicka Ampry-Samuel  
Robert E. Cornegy, Jr.  
Laurie A. Cumbo  
Darma V. Diaz  
Vanessa L. Gibson  
Mark Gjonaj  
Barry S. Grodenchik  
Karen Koslowitz  
Farah N. Louis  
Steven Matteo  
Francisco P. Moya  
Keith Powers  
Helen K. Rosenthal  
Jimmy Van Bramer

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

George Sweeting  
Deputy Director  
New York City Independent Budget Office

Elizabeth Brown  
Senior Tax Expenditure Policy Analyst  
New York City Independent Budget Office

Krishna Omolade

Jervonne Singletary

Quincy Ely-Cate

Brian T. Coleman

1  
2 SERGEANT AT ARMS: PC recording has been  
3 set.

4 SERGEANT AT ARMS: Cloud recording good.  
5 Sergeant Leonardo, you may begin with your opening  
6 statement.

7 SERGEANT AT ARMS LEONARDO: Good morning,  
8 and welcome to the New York City remote council  
9 hearing for the Committee on Finance. At this time  
10 we ask that all council members and staff please turn  
11 on their video for verification purposes. To  
12 minimize disruptions throughout the hearing, please  
13 place all cell phones to silent or vibrate. If you  
14 wish to submit testimony you may do so via email by  
15 sending to testimony@council.nyc.gov. Once again,  
16 that is testimony@council.nyc.gov. We thank you for  
17 your cooperation. Mr. Chair, we're ready to begin.

18 CHAIRPERSON DROMM: Thank you very much,  
19 and my name is Daniel Dromm and I'm the chair of the  
20 Finance Committee. Ah, welcome to everyone. Today  
21 we are joined by Council Members Adams, Louis,  
22 Koslowitz, Matteo, Grodenchik, ah, Ampry-Samuel, and  
23 I think others will be joining as shortly, ah, as  
24 well. Um, today the committee, today the committee  
25 is holding an oversight hearing on the Independent

1 Budget Office's evaluation of the New York City  
2 Industrial Development Agency's industrial program.  
3 The evaluation was conducted pursuant to Local Law 18  
4 of 2017, which was, which the council passed in order  
5 to create a formal process for the evaluation of the  
6 city's economic development tax expenditures with the  
7 evaluations conducted by the New York City  
8 Independent Budget Office. Local Law 18 was the  
9 outcome of the recommendations made by the New York  
10 City Council Task Force on Economic Development and  
11 Tax Expenditures. Between 2015 and September 2016  
12 the tax explored how the council could improve its  
13 oversight of New York City's economic development tax  
14 expenditures and provide a systematic process for  
15 evaluating tax expenditures in order to help the  
16 public and lawmakers better understand the impact of  
17 these tax breaks. In general, tax expenditures,  
18 commonly referred to as tax breaks, are revenue  
19 losses that result from a special exclusion or  
20 deduction given to specific taxpayers that exempt  
21 them from paying a tax they would otherwise have to  
22 pay. Tax expenditures make up a large portion of  
23 city spending with nearly 7.2 billion dollars in tax  
24 breaks given out in Fiscal 2021 alone and are used as  
25

1 a substantiate for direct spending to achieve similar  
2 goals. Nonetheless, until Local Law 18 tax  
3 expenditures have not been subject to the same kind  
4 of oversight as other parts of the budget. With the  
5 passage of that law, however, the city became the  
6 first municipality in the nation to adopt a  
7 systemized tax expenditure review process and bring  
8 stronger accountability to these expenditures. The  
9 council, in collaboration with IBO, selected IDA's  
10 industrial program as the second evaluation by IBO  
11 under the local law. Briefly, IDA's industrial  
12 program was established in 1974 to promote the  
13 economic welfare of the city's inhabitants and to  
14 promote, attract, and encourage, and develop an  
15 economically sound commerce and industry for the  
16 purpose of preventing unemployment and economic  
17 deterioration. To accomplish the agency's goals,  
18 IDA's powers allowed it to provide various types of  
19 financial incentives to firms, such as real property  
20 tax exemptions or abatements, sales tax exemptions on  
21 purchases of construction materials, and mortgage  
22 recording tax exemptions. IDA has, also has the  
23 ability to enter into agreements requiring payments  
24 in lieu of taxes or pilots and can provide grants or  
25

1  
2 loans to certain businesses and entities. In fiscal  
3 2020 there were 195 active industrial incentive  
4 projects with the total project amount of 2.4 billion  
5 dollars and the total city cost net of recapture and  
6 penalties, was 37.4 million. Today, of course my  
7 dogs start barking, pardon me, we will now hear  
8 testimony from George Sweeting and Elizabeth Brown  
9 from the Independent Budget Office, followed by  
10 testimony from New York City Industrial Development  
11 Agency. I will now turn it over to our committee  
12 counsel for a few procedural items and to swear in  
13 the witnesses. Thank you very much.

14 COMMITTEE COUNSEL: Thank you, Chair.

15 Good morning. I'm Stephanie Ruiz, counsel to the  
16 City Council's Committee on Finance. Before we  
17 begin, I want to remind everyone that you will be on  
18 mute until you are called on to testify, at which  
19 point you'll be unmuted by the Zoom host. I'll be  
20 calling on panelists to testify. Please listen for  
21 your name to be called, as I will periodically  
22 announce who the next panelist will be. We'll first  
23 hear testimony from the administration, which will  
24 then be followed by questions from the council  
25 members, followed by testimony from members of the

2 public. I will now administer the oath. Please  
3 raise your right hands. Do you affirm that your  
4 testimony will be truthful to the best of your  
5 knowledge, information, and belief? Mr. George  
6 Sweeting?

7 DEPUTY DIRECTOR SWEETING: Yes.

8 COMMITTEE COUNSEL: Next, Elizabeth  
9 Brown.

10 ELIZABETH BROWN: Yes.

11 COMMITTEE COUNSEL: Mr. Krishna Omolade?

12 KRISHNA OMOLADE: Yes.

13 COMMITTEE COUNSEL: And Mr. Jervonne  
14 Singletary?

15 JERVONNE SINGLETARY: Yes.

16 COMMITTEE COUNSEL: Thank you. Um, IBO,  
17 you may begin when ready.

18 DEPUTY DIRECTOR SWEETING: Um, I'll just  
19 quickly say, ah, ah, thank you for the invitation to  
20 testify and present the results of this evaluation.  
21 Um, this is a process, a collaborative process  
22 between IBO and the council. Ah, this is the second  
23 report we've done, and, ah, we're looking forward to  
24 continuing to, ah, to do some of these in the future.  
25 Um, one of the topics I think we'll bring up today is

1  
2 some suggestions on ways that would make it easier  
3 for us to do a more comprehensive analysis of some of  
4 the other projects that, ah, some of the other  
5 programs that right now are difficult for us to, to  
6 take a look at. And, ah, with that I'll turn it over  
7 to, ah, Elizabeth Brown, who did this evaluation and  
8 will present her findings.

9 ELIZABETH BROWN: Thank you. Just making  
10 sure that's, just want to make sure. Rebecca, do I  
11 have control of your?

12 REBECCA: Yes.

13 ELIZABETH BROWN: OK. OK, thank you.  
14 Thank you so much for the opportunity to testify  
15 today. Um, I'll be presenting an overview of our  
16 findings, our evaluation of the IDA industrial  
17 program. In a forthcoming final report we'll have a  
18 lot more details on these findings and also our  
19 analysis and the program. So as was mentioned, um,  
20 [inaudible] gave a little overview of the industrial  
21 program. It provides tax incentives to lower the  
22 cost of constructing, renovating, and owning  
23 industrial facilities in New York City. In fiscal  
24 year 2019, which is the last fiscal year of our  
25 analysis, the cost to the city was around 31.5



1 million and around 200 projects were benefitting in  
2 that year. I'm going to talk a little bit about the  
3 history of the program and its creation, um, as it  
4 relates to the goals of the program and for, this is  
5 how we'll be evaluating the program obviously against  
6 those goals. So for many years the main way that the  
7 IDA provided tax incentives and low-cost financing to  
8 keep industrial firms and other firms in New York  
9 City was through bond financing. And with this bond  
10 financing came tax incentives that were mentioned  
11 earlier, discounts on property tax, ah, discounts  
12 mortgage recording tax, and sales tax benefit. Um,  
13 during the Guiliani administration in the mid '90s  
14 there was some discussion, both with the Guiliani  
15 administration and in the IDA that, um, the economic  
16 development programs of the city were not necessarily  
17 meeting or reaching smaller and mid size businesses.  
18 Um, so in late 1994 the IDA created a new way of  
19 financing for firms to receive benefits without taxes  
20 and fines, because the issuance of those fines can be  
21 fairly costly and time-consuming, and it's harder for  
22 smaller businesses, um, to access. And what this  
23 program was called was a straight lease program and  
24 the way it worked the IDA would take nominal  
25

1 ownership of an industrial or another firm's property  
2 and then lease it back to the firm. And because the  
3 IDA now owns the property the firm is eligible for  
4 the mortgage reporting tax, sales tax, and property  
5 tax benefits of the IDA. Um, so a few months later  
6 in early 1995 the Guiliani administration with the  
7 IDA announced what they called the Straight Lease  
8 Program for Industrial Projects, which would become  
9 known as the Industrial Program. Um, and this  
10 happened at a time when the city was continuing to  
11 lose its manufacturing jobs. Between 1990 and 1995  
12 when it was announced the city lost 21% of its  
13 manufacturing jobs. And, again, this program was  
14 framed as, um, targeting small and mid size  
15 businesses. And so when we look back through press  
16 releases and sort of an initial program description  
17 we wanted to see what the goals of the program were  
18 when it was created in the mid 1990s. And really the  
19 goal was that of the IDA, according to the  
20 announcement of the program, which was to promote and  
21 assist private sector development to thereby advance  
22 job opportunities and the economic welfare to the  
23 people of New York City. Um, 26 years have passed.  
24 And can we go back, ah, 26 years have passed since

1 the creation of the Industrial Program, ah,  
2 Industrial Program. And it's, um, there's been  
3 several mayoral administrations. So we wanted to  
4 make sure that the goals of the program, um, were  
5 still in line with the, you know, were they any  
6 different than when they were created. And so to  
7 look at the current goals of the program, we looked  
8 at the IDA's UTEP, that's the Uniform Tax Exemption  
9 Policy. And it is a, um, a document that was  
10 required of all IDAs across the state. Um, they, um,  
11 it's sort of a basic guidelines of how the IDA should  
12 work and what their programs are, their eligibility,  
13 etcetera. And so there have been a few version of  
14 the UTEP since the program, um, since UTEP started,  
15 and the most recent was released in 2017. And in  
16 this version, unlike prior versions, for each of the  
17 IDA's programs there was a policy, um, objective.  
18 And the policy objective, ah, for the, the Industrial  
19 Program, to get back to it, um, um, I had it on the  
20 screen but I'm going to read it to you right now, um,  
21 at the current goal. So it, the IDA recognizes the  
22 importance of the industrial sector by virtue of the  
23 sector's ability to create living wage job  
24 opportunities by preserving, enhancing, and building  
25

1 industrial space the agency can diversify the city  
2 economy, supporting manufacturers, incentivize and  
3 spark innovation, and create pathways to middle class  
4 for city residents, with the goal of maximizing job  
5 creation relative to the amount of the financial  
6 assistance provided. So it's a lot more detailed,  
7 um, than that goal may be from 1995, but in essence  
8 has, you know, is similar. There's the, the creation  
9 of living wage job opportunities which is the, you  
10 know, living wage is the hallmark of the, the de  
11 Blasio administration. Um, and when we were putting  
12 this analysis together we talked to staff of the IDA,  
13 who said they really saw the program as one of a  
14 preservation of industrial space. There is limited  
15 industrial space in the city. This program  
16 encouraged capital, encourages capital investment in  
17 that limited industrial space for industrial uses and  
18 jobs, etcetera. Make sure I'm actually moving this  
19 myself. Um, so, how do firms get into the program?  
20 I'm going to talk a little bit about who is eligible.  
21 So all of the programs on the IDA are discretionary.  
22 Which means firms must apply and be approved by the  
23 IDA board. There are some basic, ah, eligibility  
24 requirements, however, before you can apply and I  
25

1 have them up here. Um, firms must be acquiring,  
2 constructing, or substantially rehabbing facilities  
3 for an industrial use? What's an industrial use?  
4 It's manufacturing, assembling, processing, etcetera,  
5 of tangible property during the life of the program.  
6 The creation of an intangible assess was added as  
7 that became more of a thing. Um, most of the  
8 projects receiving assistance through this program  
9 are owner-occupied, which means that the industrial  
10 firm, um, constructing or rehabbing a space for  
11 itself. Um, over the life of the program the  
12 benefits available to developers of industrial space  
13 where the, where the tenant would be the industrial  
14 firm has expanded. Early in the program's history  
15 only, developers were only eligible in certain areas  
16 of the city and not for the full complement of  
17 benefits. Currently developers anywhere in the city  
18 are eligible and for all the benefits, um, allowed.  
19 There is a minimum capital investment required. That  
20 is the greater of 1 million dollars, or 15% of the  
21 combined assessed valuation of the land and building  
22 at the time the, the assistance is awarded. So how  
23 does it work? Who gets to stay out of trouble, but  
24 who gets and how they find out about the program.  
25

1  
2 Um, so when talking with the IDA and some of the  
3 beneficiaries who receive assistance from the program  
4 we learned that most firms that enter the program  
5 find out about it through what they call an IDA  
6 consultant. And these are often former IDA employees  
7 that work with the real estate industry to publicize  
8 the program and to help firms apply for a fee. Um,  
9 what might happen is a firm is looking for a space  
10 and they are meeting with an real estate, a lender,  
11 or a lawyer, and they say, OK, there might be some  
12 city tax incentives available to help you afford, um,  
13 this new space, and they refer them to the  
14 consultant. The consultant then assesses the  
15 eligibility for the program or other programs, um,  
16 and then if they feel like their eligible and likely  
17 to actually receive assistance they'll meet with the  
18 IDA staff for another, um, sort of assessment of  
19 eligibility. And if the IDA staff believes that the  
20 board would be likely to approve, they're eligible  
21 and likely to approve, um, the assistance they'll  
22 invite the applicant, the, the firm to submit an  
23 application. And so what is the IDA board looking  
24 for in an application? Well, this is outlined in the  
25 UTEP as well, a guiding document, and there are a few

1  
2 criteria that they are supposed to consider. The  
3 first is inducement, that the project would not go  
4 forward without the help of the IDA, so it might, you  
5 know, a firm might have to move to New Jersey, the  
6 space would be unaffordable, for example, um, or it  
7 would happen to a lesser would happen to a lesser  
8 extent. Um, they also consider the size of the  
9 capital investment the firm would be making, the job  
10 goals, so firms that apply for assistance from the  
11 IDA have to set a job creation goal for three years  
12 after their project is complete. Um, the industry of  
13 the firm, the IDA staff also does a cost-benefit  
14 analysis to the city, which is also considered. Um,  
15 if the, if the application is approved and benefits  
16 are awarded it's all, all of the details of the deal  
17 are, um, put together in the lease agreement. A lot  
18 of the deals, most of the deals are approved because  
19 there is vetting process that happens before  
20 application. One of the benefits of the program, we  
21 mentioned these earlier, there's sales tax exemption  
22 on construction materials, property tax savings for  
23 discounted payments in lieu of property taxes that  
24 last 25 years. There is a phase-out at the end, but  
25 that is often the biggest benefit to the firm and a

1  
2 waiver of mortgage recording tax. There are some  
3 strings that come with these benefits. Um,  
4 assistance from the IDA, including assistance under  
5 the Industrial Program is subject to recapture, um,  
6 in the first 10, usually the first 10 years of  
7 benefit. So what the means if the firm, there's some  
8 sort of adverse event, they call it a recapture  
9 event, that takes place within the first 10 years,  
10 the IDA will terminate the assistance and the firm  
11 will have to repay the assistance they already  
12 received with interest. Um, some of these recapture  
13 events might be selling the facility, for example,  
14 within the first 10 years of benefits, or subleasing  
15 the site so it's supposed an owner-occupied and they  
16 rent it out to tenants, etcetera. There is also some  
17 compliance in reporting, um, that is required. What  
18 I want to mention here is each year firms that  
19 receiving assistance through the IDA and through this  
20 program of the IDA are required to submit what they  
21 call employee benefit reports. And this is data on  
22 the number of employees, their wages and benefits at  
23 all of the project locations. Um, and then the IDA  
24 uses this data for their own required reporting under  
25 local law and state law. And I mention this because



1 these are things that are not recaptured in this sort  
2 of compliance and reporting. I think they're not  
3 necessarily required of other city tax incentives.  
4 So let's talk a little bit about the data and  
5 methodology we use for our evaluation. Um, we have  
6 several source of data. The first is the IDA. They  
7 were able to provide us with a lot of data, including  
8 at least basic data on all the projects that we  
9 received assistance through the program from when it  
10 began through the end of calendar year 2019 when they  
11 delivered the data to us. When I see basic data, I  
12 mean, ah, the name of the project, its location, its  
13 start and dates for benefits. For projects that were  
14 active in the program from fiscal year 2006 forward  
15 they were able to provide, um, a lot more detailed  
16 data. And when I say active from 2006 forward,  
17 fiscal year 2006 forward, I mean as, as long as they  
18 were receiving benefits in those years. So they may  
19 have started receiving benefits earlier, but if they  
20 were still receiving it in fiscal year 2006 we were  
21 able to receive more detailed data, which include,  
22 included taxpayer ID numbers, final cost budgets for  
23 their capital projects, their job creation goals that  
24 they set at application, mortgage recording tax, and  
25

1 sales tax waiver amounts, and some other data. Um,  
2 the data on employment and wages that they collect  
3 through their employee benefits report was also  
4 available to us. Um, that's because it's, ah, made  
5 public under local law. Um, data on employment and  
6 wages is important for this analysis, but we chose  
7 not to use that, um, for a number of reasons, one  
8 being IBO has attempted to use that data in the past  
9 and found it inconsistent, um, both among firms, so  
10 some firms might include tenants in their employment,  
11 while different firms might not, for example. And  
12 there's been changes to what's been required over  
13 time. Um, the City Council has amended the  
14 legislation that requires those employee benefit  
15 reports several times to try fix some of those  
16 inconsistencies, and I do think the, the data has  
17 become more consistent as time goes on, but because  
18 we wanted to go back, we wanted to use a more  
19 independent source of data. And we have access to  
20 the quarterly census of employment and wages, um,  
21 which is employment data through the department, the  
22 New York State Department of Labor. And this is  
23 employment, this data is, um, data on the employment  
24 and wages of any firm in New York City that has to

1 pay into the unemployment insurance system. Um, and  
2 we have that data going back from 2000 to 2018. And  
3 what that allowed us to do is for those firms who  
4 received detailed data on their taxpayer ID we could  
5 create a database, um, on those firms' employment  
6 from 2000 to 2018. So any firm that received  
7 assistance from 2000 forward we could look to see,  
8 OK, um, you know, are they creating these living wage  
9 jobs and we could track employment, um, and wages  
10 before, for some firms before when they received  
11 benefit and then after they received benefit. We  
12 could also use the, that data to compare, um, the  
13 employment, the jobs they create to their goal, um,  
14 they [inaudible] application were they meeting those  
15 goals. And we also used the QCW data, the employment  
16 data, to look at what was happening in the, in the  
17 city's employment in those sectors that are impacted  
18 by the program writ large to sort of provide some  
19 perspective to what was going on. Um, one of the  
20 things that we don't have in this analysis that is a  
21 limitation is a comparison group. So ideally when  
22 you're doing an analysis like this would have a, a  
23 group of assisted firms and a group of unassisted  
24 firms that are very similar and compare the outcomes  
25

1  
2 between them both to see what was the, the, isolate  
3 the impact of the program. Um, we were limited in  
4 our data to create a comparison group. Um, our first  
5 idea was to use rejected applications, so firms that  
6 were eligible for the program, interested in the  
7 program, but for some reason did not receive assess.  
8 Um, as I described earlier, the sort of vetting  
9 process that happens and before a firm submits an  
10 application meant that according the idea there  
11 really weren't that many, um, rejected applications,  
12 enough to create a comparison group. Um, we were  
13 also limited in what we know about cities that are,  
14 ah, firms that are unassisted from the city  
15 otherwise. Um, I'm going to talk a little bit about  
16 at the end, and George talked about it earlier, about  
17 some data that might be helpful for us in the future  
18 to maybe create a comparison group. With that being  
19 said, I think a, you know, a look at what's happening  
20 in the [inaudible] outcomes for at least the assisted  
21 firms is helpful in evaluating the program. Um, we  
22 also looked at this idea of the preservation of  
23 industrial space and how much are firms investing in  
24 the city and where. And of course at what cost to  
25 the city and for that we received data from the

1  
2 Department of Finance on the payment in lieu of  
3 property taxes, the payment, the property taxes  
4 they're paying that are, that are discounted. So  
5 first I want to talk about program participation.  
6 Um, this graph here shows you the number of new  
7 projects entering the program since it began. Um,  
8 and I put some black lines on here that represent  
9 mayoral administrations so you could sort of orient  
10 yourself. Um, and what's sort of easy to see here is  
11 that, you know, the, the most projects were entering  
12 the program during the early years, um, during the  
13 Guiliani administration. So from, ah, 1994 to 2001  
14 we have an average of 21 projects entering the  
15 program a year. Um, that number falls during the de  
16 Blasio administration to around 14 projects a year,  
17 and then continues to fall during the, um, Bloomberg  
18 administration, and continues to fall during the de  
19 Blasio administration to eight projects a year. Um,  
20 and there can be a number of reasons of why program  
21 participation has fallen. Um, I talked to, you know,  
22 some of the IDA consultants who help publicize the  
23 program and, and help firms apply, um, and, you know,  
24 there was some discussion that maybe the Guiliani  
25 administration was the most aggressive in marketing

1 the program. Um, but what I heard most from the IDA,  
2 from the consultants I spoke to, beneficiaries,  
3 etcetera, was that, you know, the, the real, maybe  
4 underlying cause is the increasing unaffordability of  
5 industrial space in the city. Um, and again there  
6 could be a few reasons for that. Um, you know,  
7 during the Bloomberg administration there was  
8 significant rezoning in the city and the areas of the  
9 city rezoned for manufacturing, um, which is  
10 basically, you know, really constrains where these  
11 types of products can be located was, you know,  
12 impacted, depending on how you measure it. The city  
13 lost between 7% to 9% of its acreage zoned for  
14 manufacturing during the Bloomberg administration.  
15 More recently with the increasing popularity of e-  
16 commerce, um, industrial sites are facing increased  
17 competition, um, for the last-mile distribution and  
18 other uses, um, that can drive up the cost of the  
19 industrial sites. And so whereas earlier in our  
20 study, early in the program's history, the incentive  
21 provided by the IDA may have been able to make the  
22 difference between a parcel being affordable or not,  
23 that increasingly may less likely be so. Um, I will  
24 say no matter what the reason, the fact that fewer  
25

1 projects are participating in the program in any  
2 given year or entering the program in any given year,  
3 does impact the program's ability to meet its goals.  
4 So despite fact that we have, you know, fewer  
5 projects entering the program each year, because of  
6 the 25-year length of the tax benefit we actually  
7 still have a fair number of projects receiving  
8 benefits. So you [inaudible] seeing in 2019 we had  
9 around 200 projects who are still receiving benefits,  
10 even though of only a handful entered that year,  
11 projects that received benefits are still receiving  
12 benefits. Um, on the flip side, on the other side of  
13 entrance to the program and on the terms of  
14 participation, we also looked at terminations. So I  
15 just mentioned there was a 25-year, um, length of  
16 benefit for these, ah, projects mostly, some of them  
17 are a little bit shorter. Um, and we found a fair  
18 number of firms actually terminate or their  
19 assistance was terminated or they terminated  
20 assistance before the 25-year mark, before they  
21 reached maturity. Um, and I grouped those, those  
22 projects in two categories, those where assistance was  
23 recaptured and those where it was not. And I talked  
24 about recapture a little bit earlier. We found  
25

1 around 19% of projects, um, of all projects that were  
2 in the program had, had their assistance recaptured.  
3 And, again, what that means is they had a sort of  
4 they call recapture event within the first 10 years  
5 of benefits. So you can see the average years of  
6 termination for a project where assistance was  
7 recaptured was around seven, it was an average of  
8 seven years. Um, another 23% of projects terminated  
9 their assistance before 25 years, but the assistance  
10 was not recaptured, and that's because, um, you know,  
11 this, this, this termination was outside of the 10  
12 year, um, sort of recapture period, and you can see  
13 the average year's termination was 13 years. Um, and  
14 the reasons for termination could be similar for both  
15 these groups. It's just, you know, one might happen  
16 in the, the recapture period and another might not.  
17 And the IDA was able to provide us, um, for reasons  
18 for termination when the assistance was recaptured  
19 for those that [inaudible] set of projects and you  
20 can I've listed some of the reasons here. Um,  
21 selling the location was the most common reason. So,  
22 again, if you sold the location within the first 10  
23 years you do have to repay the assistance with  
24 interest. Um, for the projects we renew the total  
25



1 cost of the, um, the total cost of the project to the  
2 city and we knew the recapture amount on average, it  
3 was about a 70%, um, that you'd have to pay back of  
4 what you received. That's not exactly an apples to  
5 apples comparison because, as I mentioned, the  
6 recapture amount can include interest and some  
7 penalties which might be, might be a significant  
8 amount. OK, I'm going to talk a little bit and move  
9 on to our, um, employment and outcomes findings. So  
10 the first thing we found, um, were most of the firms  
11 that are participating in this program are already  
12 doing business in New York City when they receive  
13 assistance. So this is more of a retainment program  
14 than necessarily attracting new firms to New York  
15 City. Um, according to our analysis, around 94% of  
16 firms already had employment in New York City in the  
17 year they received assistance, and about 6% would  
18 have been new to the city or just new firms. Um, and  
19 of those firms that received, that received  
20 assistance that already had employment, most of them  
21 were small. Um, here the average number of  
22 employees, it was 154. Um, the median was 34. There  
23 were some fairly large, larger employees that sort  
24 of, ah, made the average a little bit higher. But if  
25

1           you look at the distribution in the chart below that,  
2           um, the first two rows are the number of, ah, firms  
3           with employment under 100 employees, and that's  
4           around 78%, 79%. So we know at the beginning, um, I  
5           talked about how the, when the program was created  
6           was targeting small and mid size businesses and that  
7           does seem to be sort of borne out who is, who is  
8           taking part in the program. So I mentioned we, we  
9           used this database we created of employment for firms  
10          that are benefitting to look at what was happening to  
11          the firms before they received the benefit. And we  
12          saw that the majority of firms, um, were actually  
13          expanding before they received the benefit from the  
14          IDA. The way we define that is we looked at the  
15          average annual growth in the three years before  
16          benefit. And if it was greater than 3% we said they  
17          were expanding. If it stayed somewhere between 3%  
18          growth and 3% loss, um, we said they were stable, and  
19          a greater than 3% loss contracting. So we found that  
20          61.4% of firms were expanding, another 17% around,  
21          were staying around the same size, and 22% were  
22          contracting. And this finding isn't particularly  
23          surprising given the way, you know, the program  
24          works, um, a firm is, or, or entering the program  
25

1 because they're renovating or buying a new space and  
2 that might be because they're expanding their  
3 business, which could mean expanding the number of  
4 employees. So what happens after the benefit? Um,  
5 so here, ah, we compared the employment of firms in  
6 the year they entered the program to three years  
7 after their capital project was completed. Um, and  
8 the reason we used that timeframe is because this is  
9 the timeframe the IDA sets in its application for the  
10 firms to make their job creation goals, and this way  
11 we can compare how they were doing to their goals.  
12 And, again, we used the same standard, if you grew by  
13 more than 3% we said you were expanding, etcetera.  
14 And so we found, um, just over half of the projects,  
15 around 54%, expanded post assistance. They added  
16 jobs. The average number of jobs they added was 32,  
17 the median nine. Another 9% stayed around the same  
18 size, um, and around 37%, um, contracted, got smaller  
19 or the average jobs lost for those firms was 34, the  
20 median 11. So I mention we use this metric so we can  
21 compare, um, the firms to the goal they set at  
22 application, and we found about a third, just under a  
23 third, met the goal, their goal they set at  
24 application after three years of [inaudible]. The

1 average, um, creation, job creation goal was 22 jobs.  
2 Um, so about 32% met, met or exceeded that goal. Um,  
3 but we did see in the previous slide that there were,  
4 you know, a fair number of firms that stayed around  
5 the same size or actually contracted. If we limit  
6 this to, um, the number of firms that expand, the  
7 firms that expanded, we find around 59% [inaudible],  
8 um, met or exceeded their goal. And for those that  
9 didn't, the average missed, you know, how many jobs  
10 didn't they met, it was 11 jobs. Um, so when, we  
11 [inaudible], you know, how we looked at these  
12 projects and firms in few ways, and I'm going to talk  
13 today about sector. We want to see if there was sort  
14 of a pattern to the sectors and who was expanding and  
15 who was not, what firms were expanding, were not, and  
16 there are a few sectors that make up the industrial  
17 sector in New York City, um, and I have them here.  
18 Um, the manufacturing sector, wholesale trade,  
19 construction, transportation and warehousing, and  
20 retail trade. I'm going to concentrate on  
21 manufacturing and wholesale trade because these are  
22 the two sectors that, um, most of, the projects that  
23 receive assistance through this program are part of.  
24 Um, around 60% of the firms are in, are manufacturing

1 firms and around 20% wholesale trade. You can see  
2 here, um, for manufacturing around 45% of the  
3 projects the manufacturing firms expanded during, um,  
4 post assistance at three years after completion.  
5 Another 15% were stable and 40% contracted. For  
6 wholesale trade we see somewhat better outcomes, um,  
7 74% expanded post assistance, whereas none were in  
8 that stable group, and 26% contracted. And one of  
9 the reasons we looked at that this way is because we  
10 don't have a comparison group. We did want to  
11 provide perspective, though, on what was happening in  
12 the city, um, and so we looked at employment in the  
13 sectors impacted by the Industrial Program and here,  
14 this chart here shows you manufacturing and wholesale  
15 trade employment is writ large for the city over our  
16 study period. And I'm going to take the  
17 manufacturing first, which is the orange solid line,  
18 um, and you can see a fairly precipitous decline in  
19 manufacturing jobs during the earlier part of our  
20 study period, from 2000 to 2009. Um, it stabilizes a  
21 little bit more towards the end of our study period.  
22 Um, and the average annual loss over the whole thing  
23 was about 5% of manufacturing jobs. For wholesale  
24 trade, um, it is relatively more stable compared to  
25

1 manufacturing, although there are still an average  
2 annual decline of about 1% a year over the study  
3 period. And so what this shows us, um, if you think  
4 back to the, the, the sort of the graph I showed you  
5 previously where we saw around 45% of manufacturing  
6 firms were expanding, another 15% were stable, um, so  
7 60% either expanding or stable, and 74% of wholesale  
8 trade firm expanding is that it, it appears that the  
9 firms that are taking part in the Industrial Program  
10 are doing better, um, than, you know, sort of the  
11 industry, industry-wide in the city. We can't say,  
12 because we don't have a comparison group, that this  
13 is because of the Industrial Program, um, and we also  
14 know that many of these firms were expanding before  
15 they entered the program. So what it might show us  
16 is that the IDA is selecting firms that are expanding  
17 and, you know, and hopes to keep those firms in the  
18 city and keep those jobs in the city. We also looked  
19 at the wages paid by firms participating in the  
20 Industrial Program and, um, this is the average wage  
21 paid by firms after assistance, um, in constant 2018  
22 inflation-adjusted dollars. And you can see it's  
23 pretty stable around \$61,000 a year. It does go  
24 below a little bit at the end, um, and we saw, you  
25

1 know, the policy objective of the program talks about  
2 creating living wage jobs in the city, and this is,  
3 um, a living wage. I think a living wage annualizes  
4 around \$21,000 a year. Um, it also met the standard  
5 that the de Blasio administration set in a plan it  
6 put out in 2017, which was called a good paying, um,  
7 it's a New York work plan and they created this  
8 standard called a good-paying job, which is around,  
9 pays around \$50,000 a year, so, um, these wage does  
10 meet the living wage job, ah, standard and also this  
11 sort of higher standard of a good-paying job. Um,  
12 similar to what we looked at employment, we wanted to  
13 compare the wages paid by firms in this program sort  
14 of sector-wide, what was going on this sector. Um,  
15 and they've done that for manufacturing and wholesale  
16 trade here because they are the two sectors most  
17 impacted. Um, and you can see the dotted blue line  
18 is the sector, the wage paid by firms within the  
19 Industrial Program and the orange solid line is the  
20 sector average during our steroid period. And for  
21 manufacturing, which is on the left, you can see that  
22 early in the study period, um, the firms  
23 participating [inaudible] were paying on average a  
24 little bit less than the sector average. In 2012 it  
25

1  
2 sort of switches and the, the firms in the program  
3 paying a little bit more, and now is sort of on, on  
4 par, um, with the sector average. For the wholesale  
5 trade sector, um, we see fairly consistently over the  
6 study period that the firms that are participating in  
7 the program do pay on average less than the sector  
8 average. So while we found that these firms are  
9 paying a living wage, um, even a good-paying wage, at  
10 times and in some years for some sectors it is less  
11 than the average, the sector average as a whole. So  
12 I'm going to switch here a little bit. For now I'm  
13 moving from employment outcomes to, um, looking at  
14 where these firms are invested in the city and for  
15 how much. So this is a map of where the Industrial  
16 Program projects are in New York City. Um, the blue  
17 dots represent the projects and I've tried to color  
18 in a sort of lime green, the, the [inaudible] zone  
19 for manufacturing in the city, because most of these,  
20 um, these projects are sort of constrained by zoning  
21 and have to be in those sorts of areas. So, you  
22 know, it's not particularly surprising, um, look at  
23 where these projects are. They're mostly in these,  
24 um, manufacturing zoned areas in the city. Um, the  
25 top neighborhoods with the most projects includes



1 Hunter's Point in Sunnyside in Queens, Hunt's Point  
2 in the Bronx, Sunset Park West in Brooklyn, Mott  
3 Haven in Fort [inaudible] in the Bronx, and East New  
4 York in Brooklyn. Um, we also looked at the, the  
5 types of the building class, the sites, um, to get a  
6 little more of a sense of, you know, where this  
7 investment is happening and so we looked at the, the  
8 building class, the building use, um, of, ah, the  
9 sites when the assistance was granted and then five  
10 years after to see if, um, there had been a change.  
11 And so the building use, it started generally, um, it  
12 was, you know, not surprising, was [inaudible]  
13 majority factor in warehouses. Around 8% were vacant  
14 at the time of assistance, um, and then five years  
15 later not, not that many changed uses, about 19%  
16 changed uses, and it was mostly among the sort of  
17 most common uses of [inaudible] warehouse, a vacant  
18 parcel became a factory, etcetera. Um, and so we  
19 also looked at the amount of investment and we found  
20 that the program resulted in more than 3.1 billion  
21 dollars of investment. This is exclusive of  
22 acquisition cost. I say more than 3.1 billion  
23 because we were missing, um, from projects early in  
24 our study period their invested amount. So if you  
25

1  
2 were going to go back all the way to 1995 it would be  
3 higher than that. Um, the average investment amount  
4 was about 9.5 million, the median 1.1 million, which  
5 is around, um, was required to, to enter the program  
6 right now. Um, I want to say these are all based on  
7 final cost budgets. We didn't have, um, data on the  
8 actual costs. Um, so take that with a grain of salt.  
9 Um, and the reason, the difference between the  
10 average and the median, there's a pretty big  
11 difference there, and that's because there were a  
12 handful of projects that had much higher cost  
13 budgets, um, that sort of drew up the average, about,  
14 there were about eight or 10 of those. So let's talk  
15 about the cost to the city. So I mentioned earlier  
16 that there are several tax benefits that are  
17 available to, um, projects that are taking part in  
18 this program, and so I've outlined them here. Um,  
19 the property tax benefit, the discounted property tax  
20 is the blue diagonal portion. The mortgage recording  
21 tax benefit, um, is the horizontal orange stripe, and  
22 it's harder to see because it's smaller relative to  
23 those two, but a green polka dot for sales tax, and  
24 then blue for energy taxes. And energy taxes are  
25 benefits that were available to some of the, um,

1 projects in the program in earlier years. Um, but  
2 what I want you to take away here, um, first of all,  
3 is how the, you know, the property tax is greatest  
4 share of the tax expenditure in any given year and  
5 for most projects. Um, for example, in fiscal year  
6 2019 we found that the cost of the program was around  
7 31.5 million dollars, and, um, there are about,  
8 almost all, 31 million of that was property tax  
9 expenditure. The mortgage recording tax expenditure  
10 is the second greatest, um, and that really is  
11 dependent on the number of projects that closed, what  
12 their mortgages are, um, and when, you know, when  
13 they receive the mortgage. Um, for the property tax  
14 benefits, though, I want you to also to notice that  
15 it's grown [inaudible]. Um, some of that is  
16 artificial. From 2000 to 2005 we were missing pilot  
17 data on about 20% of the projects, so this is  
18 actually a low estimate, um, but the Department of  
19 Finance didn't have data for those older projects.  
20 But from 2006 through 2019, um, where we had much  
21 more complete data, you can still see that the  
22 property tax expenditure is growing in each year.  
23 And there's two reasons for that. One, we are adding  
24 new projects, so, you know, projects made for 25

1 years. Some leave early, as we've talked about. Um,  
2 but, you know, we are adding new projects each year.  
3 But we also found that [inaudible] for each project,  
4 the amount of the property tax expenditure, um,  
5 actually grows over the life of the benefit until it  
6 starts to decline during a phase-out. And that's  
7 because the, the way the pilot structured, the pilot,  
8 which is what the property, what the firms actually  
9 pay, um, grows at a slower rate than what they would  
10 have paid, um, without the benefit, which makes the,  
11 the tax expenditure increase for each project over  
12 time. And so I want to talk a little bit about how  
13 the pilot is calculated. Um, so there are, as you  
14 probably know, two parts of your property tax, the  
15 tax on land and the tax on building improvements on  
16 the land or, um, the building. And so this program  
17 provides a discount on both of those. Um, for many  
18 years the way that the discount on land was  
19 calculated was based on the number of employees. So  
20 it was \$500 times the number of employees that you  
21 had when you entered the program. During the life of  
22 the, the program they changed it. Um, and you would,  
23 every five years they would check on your number of  
24 employees and if you grew then your land abatement  
25

1 would become bigger and you would pay less, um,  
2 [inaudible]. If you lost employees you ended up  
3 paying more property taxes on your land. Um, in 2017  
4 they changed it completely and now the land pilot is  
5 based on your investment amount. So, um, you know,  
6 the more that you invest went into your capital  
7 investment, the, the less that you have to pay land  
8 taxes. And this is sort of more similar to some of  
9 the ways other city tax incentives are structured.  
10 The tax on the, the discount you get on the building  
11 has been fairly consistent over the life of the  
12 program and, um, building taxes are stabilized at the  
13 amount, um, when you enter the program. So you're  
14 not paying additional taxes on improvements you make  
15 because of the, the project you're doing under the  
16 program. Um, if you make improvements later on  
17 outside of what, you know, what got you into this  
18 program, you do have to pay full taxes on that  
19 portion and that's for the additional improvements  
20 pilot. And also if you are renting out a large  
21 portion of your space you, um, may have to pay what  
22 they call a subtenant pilot, so full taxes on the  
23 square footage, um, that you're renting out. So  
24 conclusions from future research. Um, a summary of  
25

1  
2 our findings. So is the program meeting its goal to  
3 create living wage jobs in New York City? Um, we  
4 found, you know, over half, 54% of firms did expand  
5 three years after completion compared to starts, so  
6 they were creating some jobs. Another 9% stayed  
7 around the same size. Um, of those green jobs,  
8 though, we did find that, you know, 41% didn't meet  
9 their goal. However, we saw that the sectors served  
10 by the program were generally contracting during the  
11 study period. So these firms did seem to be doing  
12 better than the industry overall, even if not all of  
13 them were creating jobs. Um, however, we found that  
14 most participants were expanding before assistance.  
15 So we cannot say, as I mentioned earlier, that this  
16 program caused these firms to, to create jobs. Um,  
17 and it might be that the IDA is selecting firms that  
18 are expanding, um, to participate in the program.  
19 Um, we found that the average wage of [inaudible]  
20 firms can be low than the sector average, but is  
21 still a good, um, living wage. Is the program  
22 helping to diversify the city economy and preserve  
23 industrial space? I think here is where the fact  
24 that fewer firms are participating is really, you  
25 know, having an impact because you're obviously

1 preserving less industrial space if fewer firms, um,  
2 if you're assisting fewer firms to actually make  
3 investments in those spaces. And that's similar with  
4 diversifying the city economy. There's, you know,  
5 that will be fewer industrial jobs in the city. Um,  
6 the legislation that requires our evaluation also  
7 asked us to look at whether the goals of the program  
8 are still relevant and do they align with current  
9 policy goals. I do think the goals of the program  
10 are still relevant. Um, the industrial sector is  
11 more stable than it was when this program was created  
12 back in 1995, but at a lower level. There are still  
13 fewer industrial jobs in the city. Um, we do see  
14 increasing competition for industrial space. There  
15 is perhaps still a need to provide assistance to  
16 these industrial firms. And then, you know, and this  
17 is a pre-COVID finding, but, you know, industrial  
18 jobs, um, are still paying a higher wage on average  
19 than jobs that, than the portions of the economy that  
20 were expanding pre-COVID, um, retail, leisure and  
21 hospitality, education, health sectors, for example.  
22 And I do think at least the de Blasio administration  
23 and this City Council are interested in preserving,  
24 um, the industrial sector in early, early in the de

1  
2 Blasio administration the initiative to work with the  
3 City Council to release the Ten-Point Industrial  
4 Action Plan, which talked about modernizing the  
5 industrial sector and preserving, preserving space  
6 for the industrial sector, and also, as I mentioned,  
7 um, the New York Works Plan, which had a specific  
8 shout-out to programs of the IDA, um, talking about  
9 because they discretionary the city can target  
10 companies through these programs that will use their  
11 benefits to further city policy goals, like good-  
12 paying, creation of good-paying jobs. Um, the  
13 [inaudible] that requires our analysis also asked us  
14 to talk about recommendations for data collection  
15 that, for future evaluations of this program that  
16 might allow for, um, um, a better evaluation. And so  
17 the first, um, first recommendation I talked about a  
18 little bit, but it would be really helpful to have a  
19 comparison group, um, of firms so collecting data on  
20 firms that are eligible but don't apply. So, you  
21 know, I talked about the application process and so  
22 even if firms aren't submitting an application, if we  
23 could, you know, when the IDA is meeting with the  
24 firms, um, you know, collecting some data there, and  
25 then maybe we could have a comparison group. Um, it



1  
2 would be helpful if the IDA could provide data on  
3 actual project costs. We used final cost budgets for  
4 this, ah, report, and that's especially true now that  
5 the pilot, the land, the land pilot is based on  
6 investment amount. I didn't talk about this much  
7 during the presentation, um, but it would be helpful  
8 if the, ah, Department of Finance could report pilots  
9 billed and paid through its data systems. IBO has  
10 access to the Department of Finance's property tax  
11 data systems, which is very useful for us. We don't  
12 have to request data. We're used to using that data  
13 all sort of, um, set for us. But for some reason  
14 pilots are not included in that data, so we had to  
15 make a request for the Department of Finance for that  
16 data. It came in spreadsheets that were a little  
17 cumbersome, um, and a little more time-consuming to  
18 match with our property tax data, and so it would  
19 just be, you know, easier to do the analysis and also  
20 just much more transparent if pilots were included in  
21 those data systems. And lastly, um, access to  
22 business tax records, and this is something the City  
23 Council has been, um, advocating on IBO's behalf, um,  
24 which we appreciate. So IBO does not have access to  
25 business tax records. Um, this is due to state

1  
2 legislation to allow us to. And so just a few weeks  
3 ago, um, some legislation was introduced in, in this  
4 state to give IBO access to these resources, um, and  
5 what that would allow us to do is just have a much  
6 fuller picture of both the firms that receiving  
7 benefits through this program as well as many other  
8 tax expenditure programs in the city, um, so we can  
9 know more about the profitability and just more about  
10 those firms. But it would also give us a lot more  
11 information about unassisted firms, so that in the  
12 future we could maybe create a comparison group, that  
13 would help us create a comparison group. And that's  
14 it from me. Um, happy to take questions on this  
15 analysis.

16 CHAIRPERSON DROMM: I think we're going  
17 to move right into EDC. Good. Counsel, did, did you  
18 swear them in, or?

19 COMMITTEE COUNSEL: Yes, they've been  
20 sworn in, so EDC can begin when ready.

21 CHAIRPERSON DROMM: OK, so, yep. EDC is  
22 there?

23 KRISHNA OMOLADE: Ah, yes, um, yes. I  
24 wasn't able to unmute myself. I was just, ah,  
25 allowed to do so.

CHAIRPERSON DROMM: Oh, OK.

KRISHNA OMOLADE: Hi, ah, so, yeah, thank you, thank you, everyone. Um, good morning, Chairman Dromm and members of the Committee on Finance. Ah, my name is Krishna Omolade and I am the vice president in the Strategic Investments Group at the New York City Economic Development Corporation, or EDC. I am also the executive director of the New York City Industrial Development Agency, or IDA. And on behalf of the IDA I would like to thank you for the opportunity to offer our perspective on the Industrial Program, and after my remarks my colleague, Jervonne Singletary, and I will be happy to answer any questions the you may have. So the IDA is a public benefit corporation formed under state law in 1974 to prevent unemployment by promoting or retaining, attracting, encouraging, and developing a sound economy in New York City. The IDA supports a wide range of companies and projects from a diverse mix of sectors across the five boroughs, from supermarkets in underserved areas across the city to logistics in air freight companies at JFK Airport. The IDA can assist non-industrial companies and projects, however, given today's topic my discussion

1 will focus on our assistance to industrial and  
2 manufacturing companies. The IDA provides assistance  
3 to eligible projects in a rigorous process-oriented  
4 way that is consistent with our role as a steward of  
5 public tax dollars, a role we take very seriously as  
6 part of the administration of incentive programs. To  
7 incentivize companies to make significant capital  
8 investments in industrial facilities, the IDA  
9 provides three kinds of tax incentives, which, ah,  
10 Elizabeth mentioned during her presentation:  
11 Property tax abatements, sales and use tax exemption,  
12 and a mortgage recording tax abatement. These tax  
13 benefits were designed to reduce companies'  
14 transactional costs and operating expenses, helping  
15 them to build new facilities, purchase new equipment,  
16 and renovate existing facilities to remain  
17 competitive in today's economy. All benefits through  
18 the IDA are discretionary. To receive IDA assistance  
19 a company must demonstrate it needs our incentives to  
20 expand and that without these incentives it would  
21 have to either scale back or forego their expansion.  
22 Each applicant is assessed based on that need and the  
23 economic impact of the proposed project. After the  
24 execution of the agreement, our role shifts to  
25

1 compliance and surveillance. Our compliance team  
2 monitors the project's compliance with the  
3 requirements under the agreement and, when necessary,  
4 recaptures benefits. Approximately 2.1 million  
5 dollars was recovered in fiscal year 20 from  
6 noncompliant projects and more than 120 million  
7 dollars has been recovered since fiscal year 2003.  
8 The overwhelming majority of projects are compliant,  
9 with only [inaudible] projects currently facing  
10 enforcement action. Over the last few years we have  
11 incorporated a series of important changes to both  
12 expand opportunity and improve transparency. We've  
13 instituted M/WBE goals for IDA projects to encourage  
14 benefit recipients to procure services provided by  
15 certified contracts. We continue to encourage local  
16 hiring by connecting our projects to the Hire NYC  
17 program. We provide the City Council with a summary  
18 of the projects and an explanation of its benefits  
19 prior to the project's public hearing, and during the  
20 pandemic we have posted virtual public hearings and  
21 board meetings that are open to the public in order  
22 to allow anyone to learn about our projects. We've  
23 begun to partner with local nonprofit organizations  
24 who serve small industrial and manufacturing  
25

1 businesses, such as the Greenpoint Manufacturing and  
2 Design Center, also known as GMDC, and Evergreen in  
3 north Brooklyn to meet the growing needs of small  
4 industrial businesses and entrepreneurs that are  
5 looking for affordable and flexible space. In 2019  
6 we relaunched the Accelerated Sales Tax Exemption  
7 Program, or ASTEP, in order to provide sales and use  
8 tax exemptions to industrial manufacturing,  
9 commercial, and food retail businesses that are  
10 looking to construct or renovate space in underserved  
11 communities in New York City. The IDA recognizes the  
12 critical role of the industrial [inaudible] place in  
13 New York City's economy by creating good job  
14 opportunities for New Yorkers. Today the industrial  
15 ecosystem expands manufacturing and goods  
16 distribution, employs thousands of New Yorkers, and  
17 provides many access points to good-paying jobs.  
18 Median wages are over \$50,000 a year and over 60% of  
19 jobs within the sector do not require a college  
20 design. Many offer a component of on-the-job  
21 training. Further, nearly half of all New Yorkers  
22 working in industrial and manufacturing jobs were  
23 born outside the United States, making it an  
24 important pathway [inaudible] immigrants to become  
25

1 part of New York City's economy. The IDA is an  
2 integral part of the city's strategy to increase the  
3 quality, to increase quality accessible job  
4 opportunities. By preserving, enhancing, and in  
5 building industrial space throughout the five  
6 boroughs, we believe that IDA helps diversify the  
7 city's economy, helps support advanced manufacturers,  
8 incentivize and spark innovation, and creates  
9 pathways for many New Yorkers. To give you a feel  
10 for the impact of our work, I want to share a few  
11 examples of the Industrial Program projects that the  
12 IDA has supported throughout the years. So one  
13 example is Steinway and Sons, ah, which started in  
14 New York City about 160 years ago and has grown to  
15 represent the finest in piano craftsmanship  
16 throughout the world. Since 1999 the IDA has been  
17 assisting the piano manufacturer to maintain its  
18 storied piano manufacturing site in Astoria, Queens.  
19 Acme Smoked Fish Corporation is a producer of the  
20 highest-quality smoked seafood items in [inaudible]  
21 dates back to the early 1900s. Since 2003 the IDA  
22 has been assisting this fourth-generation family  
23 owned and operated business to operate out of its  
24 Greenpoint, Brooklyn facility. And Crystal Window  
25

1 and Door Systems embodies the quintessential  
2 immigrant success story. Thomas Chan, the founder of  
3 the company, made it here in New York City as the  
4 company became one of North America's preeminent  
5 window and door manufacturers. Since 1999 the IDA  
6 has been assisting the company to continue to operate  
7 out of its headquarters in College Point, Queens.  
8 These are just three of the close to 200 companies  
9 that we support through the Industrial Program. The  
10 companies currently have close to 23,000 jobs, up  
11 from about 7000 jobs when these projects first  
12 applied for financial assistance through the IDA.  
13 And COVID-19 has impacted manufacturing and  
14 industrial businesses profoundly, as we all know,  
15 especially those who depend on workers whose jobs  
16 cannot be carried out remotely. Companies have been  
17 forced to nimbly adopt new safety measures, implement  
18 emergency operations plans, reevaluate their product  
19 ranges, and assess their supply chain agility and  
20 resiliency. While continuing to struggle to overcome  
21 these challenges, New York City's industrial  
22 businesses showed the way forward in responding to  
23 this health, economic, and humanitarian crisis. They  
24 joined the city's unprecedented response by rapidly  
25



1 mobilizing to produce and distribute over 100 million  
2 pieces of personal protective equipment, or PPE, to  
3 protect New Yorkers, including frontline workers at  
4 private and public healthcare facilities from the  
5 spread of COVID-19. The city through EDC coordinated  
6 and partnered with approximately 70 local  
7 manufacturers. Together we set up local supply  
8 chains from scratch and produced and distributed  
9 critical medical supplies. Through October 31, 2020,  
10 these partnerships resulted in the local production  
11 of over 4.2 million medical gowns , 8.4 million face  
12 shields, 1.1 million [inaudible] ventilators. Beyond  
13 providing much-needed medical equipment, local  
14 [inaudible] supported nearly [inaudible] city while  
15 strengthening our emergency preparedness. During  
16 this time of need the city was able to rely on our  
17 industrial sector, including companies that received  
18 benefits from the IDA Industrial Program to provide  
19 lifesaving equipment. And I will give two examples.  
20 So one is Voice Technologies, which designs and  
21 manufacturers mass transit communication systems. In  
22 April of 2016 the company entered into an agreement  
23 with IDA to create a 58,000 square foot facility in  
24 Long Island City, Queens to expand its operations.  
25

1 [inaudible] the pandemic the company designed and  
2 produced FDA-approved ventilators in record time to  
3 assist in the city's COVID-19 response. And Gary  
4 Plastic Packaging Corporation, established in 1963,  
5 manufacturers rigid plastic packaging, such as boxes  
6 and containers. In October [inaudible] entered into  
7 an agreement with the IDA to acquire and improve a  
8 294,000 square foot facility in Hunt's Point in the  
9 Bronx. Throughout the pandemic Gary Plastic quickly  
10 pivoted its Hunt's Point facility to serve as a major  
11 local producer of protective face shields and counter  
12 shields, as well as sneeze guards, to prevent the  
13 spread of the coronavirus. To date they have  
14 produced about 1.5 million face shields for our PPE  
15 initiative. This past year clearly demonstrated why  
16 the industrial sector is so important to New York  
17 City. At the peak of the pandemic when the city was  
18 facing critical supply shortages our local  
19 manufacturing businesses and their employees stepped  
20 up to help the, to help keep New Yorkers safe. We  
21 know that the IDA cannot solve every challenge our  
22 industrial companies face, particularly in light of  
23 the intense global and regional competitive  
24 pressures. But we are confident that the industrial  
25

1 program is an effective tool for retaining this  
2 important sector in New York City. We look forward  
3 to the impending release of the IBO report. We also  
4 look forward to evaluating the recommendations  
5 outlined in Ms. Brown's presentation. We agree that  
6 in this time of fiscal emergency precipitated by  
7 COVID-19 it is prudent to evaluate the program to  
8 identify ways to optimize precious public resources  
9 as we continue to assist industrial companies that  
10 are committed to investing in New York City. Thank  
11 you again for giving us the opportunity to testify,  
12 and we are happy to answer any questions that you may  
13 have.  
14

15 CHAIRPERSON DROMM: OK, thank you very  
16 much. Ah, just before I go on to questions I'd like  
17 to say that we have been joined by several additional  
18 council members. I just want to pull up their names.  
19 Ah, Council Member Darma Diaz, Moya, Powers, ah,  
20 Cumbo, Van Bramer, and Gibson are here with us and,  
21 um, I think this is actually, um, our first hearing  
22 hearing with our new subcommittee chairperson, ah,  
23 Council Member Helen Rosenthal. Sot you and welcome,  
24 Helen also, in that capacity. Ah, thank you so much.  
25 Now let me just go through questions. I'm going to

1  
2 start with questions to IBO and then I do have a  
3 couple of questions for, ah, EDC as well. And I want  
4 to thank Ms. Brown for the tremendous work that you  
5 did on this report and it's so detailed and very  
6 interesting and, um, you know, you did a great job on  
7 it and, ah, I just want to congratulate you and thank  
8 you for that. Ah, of course we want to thank and  
9 also, ah, welcome our friends from, um, EDC, Mr.  
10 Omolade, I hope I said that correctly, and of course  
11 Ms. Singletary as well. Ah, for this evaluation, ah,  
12 EDC's Industrial Program, when do you expect the  
13 final report to be released and what remains, ah,  
14 outstanding on the report?

15 ELIZABETH BROWN: Um, I can talk about  
16 why sort of it is within the report, George, you can  
17 talk about [laughs] there are a few things that, you  
18 know, this visit overview our report will, has a lot  
19 more details on our methodology, um, more details on  
20 our methodology, um, more details on the program, you  
21 know, we looked at changes in, you know, some changes  
22 in what the firms benefitting over time, it's a long  
23 program, have been, um, and we also looked at, you  
24 know, intersections with other [inaudible]

1  
2 incentives. Um, we hope it [inaudible]. George,  
3 would you talk about release timing?

4 DEPUTY DIRECTOR SWEETING: Um, I would  
5 expect it to be out in, you know, a month or so. Ah,  
6 there's a first draft that's, ah, under review, um,  
7 so it will be moving along, you know, as long as all  
8 of our work on, on the preliminary and the executive  
9 budget But ah we're working on it and I expect it  
10 will be out shortly.

11 CHAIRPERSON DROMM: OK, thank you. And,  
12 um, in conducting this evaluation, um, which agencies  
13 did you work with in obtaining the necessary data  
14 and, ah, how is the working relationship with these  
15 agencies and were they responsive to, ah, IBO's, um,  
16 request for information?

17 ELIZABETH BROWN: So we requested data  
18 from the IDA and Department of Finance, um, and,  
19 yeah, they were responsive. Um, provided us with  
20 almost all the data we requested and where they  
21 weren't able to provide data they did provide  
22 explanations and, and, you know, we came up with  
23 other, you know, maybe other data points that they  
24 might be able to provide.  
25

1  
2                   CHAIRPERSON DROMM: So I, I heard in your  
3 testimony also the recommendation of working with,  
4 um, um, with the finance, um, department to give you  
5 access to some of their records as ELL and I hope to  
6 follow up with you on that later on also.

7                   ELIZABETH BROWN: Sure.

8                   CHAIRPERSON DROMM: Now that IBO has  
9 almost completing evaluating a second tax expenditure  
10 program, are there any best practices or lessons  
11 learned that you can recommend for the next  
12 evaluation?

13                   ELIZABETH BROWN: Um, for, for this, this  
14 is, ah, one of the things that I, you know, learned a  
15 lot about doing with this evaluation is this is the  
16 first time we've used the QCW, which is the  
17 employment data that we get from the Department of  
18 Labor, um, in this sort of analysis, where we're  
19 matching it with firms, and so that was really a  
20 great exercise for me and one I, I assume we'll be  
21 using going forward for and so much that economic  
22 development programs often involve looking at, um,  
23 employment. So that was a big take-away for me, um,  
24 and I hope to use that in a future evaluation as  
25 well.

1  
2 CHAIRPERSON DROMM: So does IBO encounter  
3 any data challenges, ah, during the evaluation  
4 process outside of the spreadsheets [laughs]?

5 ELIZABETH BROWN: [laughs] Outside of the  
6 spreadsheets? Um, you know, not, not, none of them  
7 are any different in really sort of data challenges  
8 you face when looking at, you know, large datasets,  
9 um, matching firms over time. But, you know, no,  
10 nothing terrible. I mean, the access to data for  
11 business tax records is something that we would, you  
12 know, you know, I talked about activity as tolerated  
13 the end and something that hopefully we're moving  
14 towards. You, there is state legislation that has  
15 been introduced. I think that council had to a lot  
16 to do with that. Um, so we can, we can get more data  
17 on these firms, you know, firms all over the city  
18 that would help for this evaluation, but also a lot  
19 of other evaluations, especially those that are, you  
20 know, actually a tax expenditure of business taxes  
21 where we, we really need this sort of data.

22 DEPUTY DIRECTOR SWEETING: If I could  
23 just jump in, Chair...

24 CHAIRPERSON DROMM:  
25

1  
2                   DEPUTY DIRECTOR SWEETING: Chair Dromm,  
3 ah, you know, the, ah, the, the issue with the, um,  
4 spreadsheets, you know, you know, they made it a  
5 little bit more difficult to sort the data out. But  
6 there's also just a, a broader question outside of  
7 the evaluations, ah, which Elizabeth mentioned, you  
8 know, by not putting the pilot amount through the,  
9 the city's, ah, property tax charge system, ah, you,  
10 you lose a lot of transparency about exactly how much  
11 is there, um, you know and when, there, there is some  
12 reporting that the council receives from OMB and I  
13 think from, from EDC, IDA, ah, but, you know, you're,  
14 you, you don't have, you don't have access to the  
15 data that you could to answer almost any other  
16 question about an exemption or an abatement in the  
17 property tax system. When there's a pilot it kind of  
18 drifts off into this black whole a little bit, and,  
19 ah, aside from making our work easier to do, ah, it  
20 also would, would have a real benefit, I think, ah,  
21 in terms of transparency.

22                   CHAIRPERSON DROMM: I mean, I think it's  
23 an interesting discussion, um, Mr. Sweeting, as well  
24 because, um, if I'm I recalling correctly the, um,  
25 mayor, um, has said that the biggest lost in revenue



1  
2 this year in the budget was due to commercial  
3 property tax, ah, drops, ah, in, in collection and  
4 drops of that, and I think really why we're trying to  
5 look at this overall is, is, is, you know, related to  
6 that, um, not maybe directly because these are long-  
7 term, um, ah, programs that you have, but, um, what  
8 might be the effect if we, you know, were to not have  
9 this program in terms of the collection of property  
10 taxes, etcetera. So I think, that is an interesting,  
11 um, piece that we need in terms of, um, transparency.  
12 Um, based on IBO's preliminary findings, there have  
13 been fewer firms entering the Industrial Program in  
14 recent years, and I know you suggested there could be  
15 various reasons for that. Ah, but were there any  
16 trends in the data that explained the decline in the  
17 program enrollment?

18           ELIZABETH BROWN: Well, that's had to say  
19 because, again, we don't have access to, you know,  
20 one of the things we don't know if there is, you  
21 know, for example, if the IDA is becoming more  
22 discriminating and that's why fewer firms are  
23 entering the program, so we don't know how many firms  
24 are applying, you know, reaching the level. We only  
25 know the firms that get in. Um, so if we had data on

1  
2 the firms that were interested and were ineligible  
3 or, you know, ended up not being approved before sort  
4 of the approval process we would know a little bit  
5 more. That would help us know a little bit about why  
6 fewer firms are, firms are participating. Without  
7 that I'm sort left of, you know, talking with, um,  
8 you know, the IDA, um, and the beneficiaries of the  
9 program and then these consultants which led, you  
10 know, and just looking at what's happening with the  
11 industrial sector in New York City, um, writ large.

12 CHAIRPERSON DROMM: What factors, if any,  
13 might dissuade, um, applicants from seeking benefits  
14 under the programs?

15 ELIZABETH BROWN: [inaudible] and  
16 recapture, um, so, you know, there are, recapture,  
17 for example, like ICAP or others sort of, um, as a  
18 [inaudible] tax expenditure programs in the city  
19 aren't necessarily [inaudible] not subject to  
20 recapture like the, um, the programs of the IDA.  
21 That may dissuade, um, firms from applying. Um,  
22 there is also some compliance, um, you know, this  
23 reporting, annual reporting that is also not found  
24 for other programs. I will say, though, in talking  
25 to, this was a, this was definitely a quantitative

1 analysis, um, I didn't do surveys or anything like  
2 that, but I did speak to, um, you know, a handful of  
3 beneficiaries and for the ones that enter the  
4 programs, so, again, they've decided it's OK, they  
5 didn't find the compliance particularly burdensome,  
6 um, nor the sort of the fear of recapturing that,  
7 they said the benefit was worth it. Um, but that  
8 could, you know, there are tax, there are different  
9 programs available to other, you know, maybe  
10 available to firms that would not have the recapture  
11 or the compliance and reporting of this program that  
12 might, if they qualified for those might, may have  
13 them take those, those programs instead.

14  
15 CHAIRPERSON DROMM: Are there any  
16 programmatic changes that, um, you know, might  
17 increase the participation in the program.

18 ELIZABETH BROWN: Again, it's sort of hard  
19 to tell without knowing who's not applying or who's  
20 not making it into the program. Um, it's obviously a  
21 policy decision you might not want to trade recapture  
22 and compliance for more participants. The more  
23 participants the more cost it is, there's always a  
24 balance of choosing the participants that have  
25 already actually allowed the program to meet its

1  
2 goals, um, and I think there are, you know, there are  
3 some ways to think about program if you wanted to,  
4 you know, maybe increase the marketing of it, um, or  
5 just look at the, you know, what are the benefits  
6 that you're offering and are they meeting the needs  
7 of the firms that are, that are, you know, looking to  
8 expand.

9                   CHAIRPERSON DROMM: IBO's preliminary  
10 findings indicate that over half of the firms  
11 participating in the Industrial Program experience,  
12 ah, employment growth before the end of, um, the  
13 benefit term. I think you said 53%, if I'm not  
14 mistaken. Um, can you describe the types of  
15 industries that experienced this employment growth  
16 and were there any noticeable trends or factors that  
17 might have attributed to that growth, growth as well?

18                   ELIZABETH BROWN: Sure. So our measure,  
19 for post assistance our measure was, we looked at  
20 employment three years after their project, their  
21 capital project, was completed. Um, and that's what  
22 I presented today. We also looked while we were  
23 doing the analysis at four years, five years, and  
24 the, the difference in, you know, the number of, the  
25 share of firms expanding doesn't change very much.

1  
2 Um, and so, you know, we did see, as I showed earlier  
3 that, you know, the wholesale trade firms, um, sort  
4 of had the, the best outcomes, the majority of those  
5 expanded. Um, but, again, because we don't, we  
6 don't know too much about the individual working of  
7 the firm. Again, we had access to business tax  
8 records we would know a little bit more about the  
9 profitability and that might allow us to draw some  
10 more conclusions about, um, what types of firms or,  
11 you know, are doing sort of the best under the  
12 program. Um, we looked at the size of the firm, you  
13 know, do smaller firms expand more than the mid size  
14 firms. It is, it is easier for a smaller firm to  
15 increase by 3%, I will say that. But because most of  
16 the firms are small, um, we didn't, we didn't really  
17 see a pattern there. Um, so, so, yeah, I would say,  
18 we knew, we know wholesale trade did the best.  
19 Manufacturing, um, which is the, the greatest numbers  
20 of firms, were sort of mid range, um, relative to the  
21 other sectors. But the other sectors are relatively  
22 small.

23 CHAIRPERSON DROMM: And, and just for my  
24 own information. I'm thinking that you're saying

1           that, um, ah, expansion is measured by, ah,  
2           employment growth...

3                           ELIZABETH BROWN:  Yeah.

4                           CHAIRPERSON DROMM:  ...or, or, just by  
5           employment growth?

6                           ELIZABETH BROWN:  Yes, yeah.

7                           CHAIRPERSON DROMM:  OK.

8                           ELIZABETH BROWN:  That's how we defined  
9           it here.  We do, we don't know about their, you know,  
10          their income or, um, that is, again, if we had a  
11          little more data we could perhaps look at the bottom  
12          line of the company and the profitability, etcetera.

13                           CHAIRPERSON DROMM:  So how do firms  
14          participating in the program compare to these firms  
15          within their sector not receiving benefits from the  
16          city?  
17          city?

18                           ELIZABETH BROWN:  So we were, we didn't  
19          have a comparison group so we couldn't say...

20                           CHAIRPERSON DROMM:  That's right.

21                           ELIZABETH BROWN:  ...[inaudible] this firm  
22          grew more than an unassisted firm.  But what we could  
23          do was just look at the employment in these sectors  
24          overall for the city.  Was this a sector that was  
25          growing during the study period?  Was this a sector

1  
2 that was contracting during the study period? And  
3 for manufacturing and wholesale trade, which were the  
4 two sectors that were most impacted [inaudible]  
5 number of projects, the manufacturing sector was, you  
6 know, contracting, both were contracting, the  
7 manufacturing sector was contracting, um, by a  
8 greater amount during the study period. [inaudible].

9 CHAIRPERSON DROMM: OK, and if IDA, I'm  
10 sorry?

11 ELIZABETH BROWN: I heard your dog  
12 interested in that question.

13 CHAIRPERSON DROMM: [laughs] Very  
14 interested, exactly. I just love these Zooms, you  
15 know. Ah, anyway, if IDA, ah, were to discontinue  
16 the Industrial Program what impact, if any, would it  
17 have on the city's economy and its residents?

18 ELIZABETH BROWN: Well, if, if they were  
19 to stop taking new projects there were not be an  
20 immediate fiscal impact because the benefit for the  
21 projects that are in the program last for 25 years.  
22 Um, you know, we did find, our, our finding was that  
23 the majority of, of firms that enter the program do  
24 create new jobs. Would they create new jobs without  
25 the program? Um, that's a great question and we

1  
2 can't say definitively. Um, would they leave the  
3 city and create those jobs elsewhere or would they  
4 stay. You know, again, I talked to some firms and  
5 obviously the firms that are participating in the  
6 programs say this tax benefit makes a big difference  
7 to me. Um, and that's obvious because, you know,  
8 that's why they're participating in the program. Um,  
9 it is hard to say for sure, none of, you know, if  
10 none of those jobs would, would still be here today,  
11 um, but just to, you know, reiterate, the tax  
12 expenditures would continue with it for a while  
13 because of the number of firms that are, they already  
14 have a lease with the IDA.

15 CHAIRPERSON DROMM: [inaudible]

16 ELIZABETH BROWN: Um, I can't hear you,  
17 I'm sorry.

18 CHAIRPERSON DROMM: Oh, unmute yourself,  
19 that's the other Zoom thing today, you know. Um, I  
20 think that's the big question of the day, um, as to  
21 whether or not, you know, the benefit of it,  
22 obviously, ah, and, ah, I know that Mr. Omolade  
23 mentioned, you know, some of the success programs,  
24 successful programs, ah, which is good, and I think  
25 that, you know, it is helpful to know that. But the



1  
2 question is, is the one we just began, just were  
3 addressing.

4 ELIZABETH BROWN: I will say one thing.

5 Um, one of the findings that we had is that, you  
6 know, a fair share of firms don't actually make to  
7 the termination date, so they have a 25-year benefit,  
8 but, you know, there are firms where assistance was  
9 recaptured, and there were another, I think, around  
10 22% of firms that terminated before 25 years. Um,  
11 and so and the other finding we found is that the,  
12 the cost of the tax expenditure actually increases  
13 sort of over the life of the, the benefit. And so  
14 there is a body of resource, um, that says, um, you  
15 know, when firms are looking to locate or make a, you  
16 know, approach this decision are not necessarily  
17 thing 25, 30 years out. They might be thinking 10,  
18 12 years out. And so there's there the possibility  
19 that you could reduce the, the term of the benefit  
20 and it wouldn't necessarily make it attractive to  
21 firms, um, and, you know, for the firms that do stay  
22 in the program you would perhaps be saving some money  
23 towards, towards the end of the program.

24 CHAIRPERSON DROMM: Um-hmm, OK, that's,  
25 that's interesting. Ah, and what about any

1            recommendations, um, on whether those tax  
2            expenditures, um, you know, should be evaluated next?

3                            ELIZABETH BROWN: So obviously this is a  
4            discussion we need have to with City Council. I  
5            think one of the ones that, you know, it's a larger  
6            tax expenditure than this program, um, and one that  
7            has not been evaluated by us [inaudible], much that I  
8            know of that, you know, the reprogram, the relocation  
9            and assistance program, um, we would need for this  
10           [inaudible] because this impacts business taxes we  
11           would need data on business taxes that, you know,  
12           we're trying to get through this legislation with the  
13           state on and, you know, the Department of Finance, if  
14           we were unable to get that data could hopefully  
15           provide at least summary data, but I think that one  
16           is, um, particularly ripe, um, for an analysis.

17                           CHAIRPERSON DROMM: OK, great, thank you.  
18           And, and I know my cochair has, um, some questions  
19           for IBO, and then I also have some questions for EDC.  
20           And then we'll go to Council Member questions. So I  
21           know, ah, Cochair Rosenthal, do you want to, um, ask  
22           your question now?  
23

24                           CHAIR ROSENTHAL: Yes. Thank you so  
25           much. And thank you for the kind introduction, Chair

1  
2 Dromm. I really, such a pleasure working with you, I  
3 can't tell you how much. Um, it's a lot. So, ah,  
4 just a couple of quick questions about how it's  
5 going. Um, they're a little bit random, so bear with  
6 me. Um, first of all, could worker cooperatives  
7 apply for, ah, the, the benefits, IDA benefits?

8 ELIZABETH BROWN: That's probably a good  
9 for IDA. I assume they could as long as they met the  
10 other eligibility criteria. Um, you know, that  
11 they're [inaudible].

12 CHAIR ROSENTHAL: Right. But the only  
13 thing about them is that their, their ownership is  
14 different, their, right?

15 ELIZABETH BROWN: I don't know that there  
16 is a, at least from what I've read, that there is a  
17 restriction that, but probably IDA would, would know  
18 that better.

19 CHAIRPERSON DROMM: Mr. Omolade, do you  
20 want to answer that?

21 KRISHNA OMOLADE: Sure, yeah, yeah. The  
22 correct answer is yes.

23 CHAIR ROSENTHAL: Great.

24 KRISHNA OMOLADE: Um, yeah, cooperatives  
25 are, are definitely free to apply for IDA incentives.

1            Assuming that they meet the other eligibility  
2  
3            [inaudible].

4                            CHAIR ROSENTHAL:  Sure, sure.  You know,  
5            I think it would be worth coordinating with SBS on  
6            that because they have, um, they have responsibility  
7            for helping to nurture worker cooperatives, so they  
8            send information to them and, um, I don't know, I'm  
9            not sure they know this, so it would be worth trying  
10           to get the message out to them.  Um, next, I'm sort  
11           of wondering if there have ever been, um, again, I'm  
12           all over the map here so bear with me.  I'm wondering  
13           if there have ever been deviations requested, um, for  
14           an application to the Industrial Program.  So, um,  
15           you know, according to the Uniform Tax Exemption  
16           Policy, the agencies permitted to deviate from a  
17           program's policy, if staff obtains approval from the  
18           board of directors.  So have they ever applied or  
19           requested and could you describe, um, some of the  
20           circumstances where they would be given an exemption  
21           or deviation, whatever it's called?

22                            KRISHNA OMOLADE:  Yes, I can, yes, I can  
23            answer that question.  So for industrial projects,  
24            um, we have, ah, requested deviations from the UTEP,  
25            um, for projects, especially ones that are, ah,

1  
2 developer-led projects, um, such as ones that we've  
3 worked on with GMDC and Evergreen where, ah, where we  
4 believe that a, an alteration to our standard  
5 benefits schedule is needed in order to incentivize  
6 the project. So, for example, um, we have a lot of  
7 folks who [inaudible] how we structure these  
8 incentives. So the deviations that we requested for  
9 those projects were to have a full abatement of the  
10 property tax for about 15 years, with a phase-out for  
11 the remaining 10 years of the benefit period,  
12 essentially front-loading the benefits to the period  
13 of time where it was most impactful to both the  
14 developers as, you know, in terms of [inaudible] as  
15 well as their tenant companies. Um, so we have  
16 requested, you know, deviations, um, um, from the  
17 UTEP, um, for, for those types of projects.

18 CHAIR ROSENTHAL: Has the board ever  
19 denied them?

20 KRISHNA OMOLADE: They have not. Um, so  
21 what we do, ah, and this I think sort of goes to a  
22 question about sort of application process. In  
23 general we prescreen a lot of projects. By the time  
24 it actually gets to the board of directors we're very  
25

1  
2 confident that it will be approved. So, um, the  
3 board has not rejected a deviation.

4 CHAIR ROSENTHAL: Makes sense. OK, thank  
5 you. Um, I'm wondering in the presentation which was  
6 amazing from IBO, so thank you all for that, just  
7 incredibly informative and helpful, I'm wondering  
8 about, um, something that I noticed that you toggle  
9 between sort of, um, talking about good-paying jobs  
10 being those that are over \$50,000 a year and sort of  
11 a living wage, um, and I'm wondering about, you know,  
12 sort of if you have definitions for all these  
13 different terms or if they're a little bit  
14 interchangeable?

15 ELIZABETH BROWN: Um, so the living wage  
16 is set by, set by, you know, [laughs] I forget who  
17 says it. Um, and I believe it's around \$21,000 a  
18 year if you annualize it, and there are some benefits  
19 that go along with that as well. Um, and the good-  
20 paying wage came from a, I believe, it came from the  
21 New York Works Plan, which is plan the de Blasio  
22 administration released in 2017, where it defined it  
23 as \$50,000 a year.

24 CHAIR ROSENTHAL: Yeah.

1  
2                   ELIZABETH BROWN: So [inaudible]. And  
3 the goal of this program talks about a living wage,  
4 but because the IDA's are mentioned in that report I  
5 did want to mention the, the good-paying jobs as  
6 well.

7                   CHAIR ROSENTHAL: Yeah, it's interesting.  
8 Another thing you might want to look at is the  
9 sustainable jobs, um, I think there's, actually I  
10 think the mayor's office has a unit that puts out  
11 what is a sustainable wage, um, for every borough and  
12 different, you know, numbers of people in the family.  
13 I think it's worth looking at that as a criteria as  
14 well. Um, it's just, you know, more, a more  
15 realistic number. Um, and then so sort of along  
16 that, um, and given the detail in your analysis I'm  
17 just wondering if you could look at pay parity among  
18 the workers across, um, gender and race.

19                   ELIZABETH BROWN: Our data,  
20 unfortunately, doesn't have that. So we, the data we  
21 get from the Department of Labor is just sort of, you  
22 know, within, it's an average wage, or it's a total  
23 wage, um, for the employees for each quarter. So we  
24 don't know anything actually about, um, the  
25 employees.

1 COMMITTEE ON FINANCE 72  
2 CHAIR ROSENTHAL: And but do you think  
3 IDA has that information?

4 ELIZABETH BROWN: Oh, um, good point.  
5 Um, I don't know they collect it by gender. Again,  
6 maybe [inaudible] I don't think by gender, no.

7 CHAIR ROSENTHAL: Would we...

8 KRISHNA OMOLADE: Hi.

9 CHAIR ROSENTHAL: ...ah, legislate that or  
10 do you think if we just asked they would do it and  
11 turn it over?

12 ELIZABETH BROWN: Um, I don't, we could  
13 ask, you could ask. I always favor just asking and  
14 seeing what happens in terms of [inaudible] [laughs].

15 CHAIR ROSENTHAL: I mean, I always am,  
16 you know, as we look at issues of pay parity, I  
17 always think the lowest-hanging fruit is let's just  
18 look at our government numbers, because we should  
19 have easy access to those, and IDA is an extension,  
20 or, or, I mean, or could, could Vicki Been, you know,  
21 ask those questions or, you know, get that  
22 information?

23 ELIZABETH BROWN: [inaudible] provided  
24 but I, I don't believe it's currently asked in their  
25 employee benefits report, again, um.



1                   CHAIR ROSENTHAL: Do you think it would  
2  
3 be valuable? Do you think it could be low-enough  
4 hanging fruit, easily enough accessible to be able to  
5 be a good database?

6                   ELIZABETH BROWN: Yeah, I me, the, the  
7 firms would have to provide it themselves, I assume.  
8 Um, so we always take, you know, that with a sort of  
9 grain of salt, but IBO is pretty much always in favor  
10 of more data as long as it's not incredibly  
11 burdensome.

12                   CHAIR ROSENTHAL: Which is why I like  
13 IBO. But, um, I mean, right. So to your point, not  
14 incredibly burdensome. So given the abatements and  
15 benefits that these firms get, do you think this  
16 falls within the realm of reasonableness to ask about  
17 pay by gender and race?

18                   ELIZABETH BROWN: They already, I mean,  
19 yeah, and I think the, the employee benefit report  
20 has been expanded several times and sort of the  
21 detail that is asked to report, and it's one of the  
22 reason why [inaudible] beginning is it because what  
23 the point of what has been asked has changed over  
24 time and it is, it has been expanded. So there's  
25 questions now about living wage, um, and, look,

1 actually there's questions about where, where people  
2 live, I believe, do you live in the city or not. So,  
3 um, it would follow in line with what they are  
4 already, they are asking. So it, it could be  
5 possibly be something they could add on there, yes.

7 CHAIR ROSENTHAL: Does EDC want to add  
8 in?

9 KRISHNA OMOLADE: Yeah, sure, um, yes.  
10 So, um, yeah, we are, you know, open as, as it was  
11 just mentioned. You know, we have adjusted the  
12 annual reports that companies have to [inaudible] to  
13 reflect additional types of information. A lot of  
14 that is, has been driven by the information which we  
15 in turn have to send to the city and, um, and as part  
16 of, you know, overall sort of city, um, recording  
17 around the program, so I think that if it was in a,  
18 you know, a request, you know, to include this  
19 information in our reports, um, that is something  
20 that we are open to exploring, um, you know, not just  
21 in the, you know, in the, ah, situation of, um,  
22 understanding a gender, um, you know, you know,  
23 issues when it comes to, um, compensation, but also  
24 other types of questions. Um, we're definitely open  
25 to working with you guys to, um, to, ah, figure out,

1  
2 you know, what is the best way to, um, get that  
3 information for.

4 CHAIR ROSENTHAL: OK. So bear with the  
5 [inaudible] of somebody who's been in the council for  
6 seven years. So be patient with me. It strikes me  
7 there are three ways for this to move forward. One  
8 is considering yourself asked, by we just raised it  
9 at a hearing, at a public hearing. The second is we  
10 could put it in writing to you. Or the third is we  
11 could try to legislate it. Which way do you think,  
12 which way do you recommend we go?

13 KRISHNA OMOLADE: I think that, um, that  
14 the best approach would be to, I think understand,  
15 ah, you know, what is, I guess, maybe the universe of  
16 thing that, you know, that it would be good for us to  
17 explore, um, and to sort of think about that and have  
18 that, um, you know, I guess maybe put in writing and  
19 sort of set down, I guess, a specific date by which  
20 we want to have that operate in, you know, become  
21 effective. So I think that, um, you know, civilly  
22 noted and, as I said, you know, something that we're,  
23 ah, that we definitely are open to and believe in,  
24 um, so I think as a next step it would be good to,

1 ah, continue the conversation, maybe have [inaudible]  
2 work towards something in writing that can, um...

3 CHAIR ROSENTHAL: Great. One thing...

4 KRISHNA OMOLADE: ...[inaudible] we have  
5 all of [inaudible] to do.

6 CHAIR ROSENTHAL: Why don't we have staff  
7 come, we'll have staff set up a meeting for us and  
8 why don't you come to the table with a list of  
9 questions that you think are askable that we could,  
10 you know, get information from and, and then we'll  
11 take it from there, OK?

12 KRISHNA OMOLADE: Yes, that sounds good.

13 CHAIR ROSENTHAL: OK, I appreciate that.  
14 Last question. Um, and that is given, ah, and, and  
15 Ms. Brown, I think this is for you, sort of do you  
16 have a sense, or, or either of you, sorry, um, during  
17 COVID whether or not you've had to slow down issuing,  
18 you know, allowing or issuing data or supporting  
19 that, um, during, during the time when it's been  
20 harder for the city to access the markets?

21 ELIZABETH BROWN: So my study period  
22 ended before the COVID, so I will leave IDA to talk  
23 about that. You mean this particular program, I  
24 assume [inaudible]?  
25

1 COMMITTEE ON FINANCE 77  
2 CHAIR ROSENTHAL: Yeah. I mean, just  
3 given that, um, right, so during the last I guess  
4 year, full year, pretty much now, has, um, given that  
5 the board of directors has to authorize the bond  
6 transaction, has, over the last year has the board  
7 authorized any bonds?

8 KRISHNA OMOLADE: Ah, so the, um, the IDA  
9 board has not authorized any tax exempt response from  
10 manufacturing companies. Um, we actually have not  
11 done any of those transactions in quite a while. Um,  
12 there are a lot of reasons for that, mostly because  
13 the, ah, the legislation or, or really [inaudible]  
14 bond transactions has not been updated in several  
15 decades and for many, um, projects, um, essentially,  
16 you know, for projects in New York City they're too  
17 large to really, um, for that to be an effective, um,  
18 financing option. Um, so, yeah, so we haven't, I  
19 think most, you know, at this point [inaudible]  
20 industrial manufacturing companies that are seeking  
21 financing are not using tax-exempt bonds but instead  
22 are using other forms of financing for their  
23 progress. And I think that's also true not just in  
24 New York City, but also across the country because,  
25 again, the regulations haven't really been updated.

1            So there's been sort of a decline in using  
2            manufacturing bonds.  
3

4                        CHAIR ROSENTHAL:  Is there a different  
5            type of bond that IDA has used?  Besides  
6            manufacturing?

7                        KRISHNA OMOLADE:  Issued bonds...

8                        CHAIR ROSENTHAL:  I'm sorry, I'm just  
9            trying to understand your answer.

10                      KRISHNA OMOLADE:  Sure.

11                      CHAIR ROSENTHAL:  Um, would Mr.  
12            Sweeting...

13                      KRISHNA OMOLADE:  Yeah, yeah, sure.

14                      CHAIR ROSENTHAL:  [inaudible].

15                      KRISHNA OMOLADE:  So, um, I guess the,  
16            the background is that the IDA historically used to  
17            issue tax-exempt bonds for a variety of projects.  So  
18            anything from manufacturing companies to, ah,  
19            nonprofit organizations, to, um, you know, airport  
20            facilities, um, to the senior projects, Yankee  
21            Stadium and City Field.  Um, since then most of that  
22            capacity have drifted to our sister organization,  
23            Build NYC, which Build NYC [inaudible] mostly to  
24            issue tax-exempt bonds for nonprofit organizations.  
25            That's the vast majority of the, the, um, bond

1 transactions that exist today. The IDA right now  
2 only, ah, does occasionally refinancings of some  
3 bonds that were historically issued, not necessarily  
4 brand-new bond transactions.  
5

6 CHAIR ROSENTHAL: Sure, that makes sense.  
7 So, um, first of all, Ms. Brown, does that, I'm  
8 looking at your face and trying to discern does that  
9 explain the decrease over time? I mean, are you  
10 surprised to hear that answer or is that what you  
11 expected to hear?

12 ELIZABETH BROWN: No, you know, I knew  
13 that answer. Um, the, the projects that we're  
14 talking about here are not bond financing projects.  
15 They're [inaudible].

16 CHAIR ROSENTHAL: Oh, OK.

17 ELIZABETH BROWN: So it's a different,  
18 it's a different benefit. It's, um, it's a benefit  
19 through the property tax, mortgage recording tax, and  
20 sales tax incentives. So, um, none of, none of these  
21 projects, some of the [inaudible] early, we know that  
22 some of the projects early in the life of the program  
23 sort of what [inaudible] it converted to this sort  
24 of non-bond financing parties is what we are looking  
25 at, um, but, you know, besides those none of the

1 projects, um, you know, in our, our study were bond  
2 financing projects at all.

3  
4 CHAIR ROSENTHAL: Thank you.

5 ELIZABETH BROWN: [inaudible]  
6 transactions.

7 CHAIR ROSENTHAL: Thank you both for your  
8 patience educating me on this. I really appreciate  
9 it. Very interesting conversation. Thank you. Back  
10 to you, Chair Dromm.

11 CHAIRPERSON DROMM: OK, thank you. Ah,  
12 let me just some questions now of, ah, EDC. I know  
13 you mentioned previously a little bit about the  
14 application process and who applies. But can you  
15 just, ah, inform us about, you know, walk us through  
16 the application process and, ah, is there any  
17 assistance provided by staff, um, and the average,  
18 ah, processing time for an application, and, um, just  
19 that for now and then I'll ask a follow-up.

20 KRISHNA OMOLADE: Um, yeah, OK. Um, yes,  
21 so, yeah, thank you, and, ah, happy to, I guess, walk  
22 through it, um, in some more detail. So, ah,  
23 essentially the beginning of the process starts with  
24 a conversation with either the company or a  
25 representative of the company to understand, ah, you



1 know, what are they trying to do and is it something  
2 that meets the basic, ah, criteria for IDA. So our  
3 basic criteria are a capital investment amount, so a  
4 project needs to be investing at least a million  
5 dollars in actual improvements to a building. So not  
6 just buying a building, but actually invest in a  
7 building, or buying machinery and equipment, um, so  
8 there's a minimum investment threshold. Um, we also  
9 look at what we call the inducement argument, so  
10 understanding whether a project genuinely could not  
11 move forward without receiving IDA incentives. Um,  
12 and then also, you know, the basic question of is  
13 this an industrial company or project or not. Um, so  
14 as part of our initial vetting we determine, you  
15 know, we evaluate projects on that basis. Once we  
16 come to the conclusion that we do actually want to  
17 move forward with this project we send them the  
18 application materials. I will say that, um, that the  
19 application for the IDA program is something which is  
20 a lot more extensive than applications for any of the  
21 as-of-right programs. Um, so, so one of your  
22 questions, for all of our projects we have what we  
23 call a project manager who works with the individual  
24 company to help them with, ah, both, with any  
25

1  
2 questions that they have about the application, as  
3 well as, um, navigating the, the project through our  
4 normal due diligence process. So once the project  
5 submits the application we obviously work to make  
6 sure that the information that they filled out, um,  
7 meets, you know, is comprehensive and that they've,  
8 ah, given all the information that we need. Um, you  
9 know, to give you a sense of what it is in terms of  
10 the information, so we ask for information about  
11 current and projected number of employees, current  
12 and projected wages, um, on average for the employees  
13 that both work at the company, um, today as well as,  
14 you know, um, will work at the company once they move  
15 forward with the projects, information about the  
16 project itself, location, amount of projects, ah,  
17 amount of investment, things like that. We also look  
18 at what is the environmental impact to the  
19 [inaudible] projects. We do a cost-benefit analysis  
20 to make sure that the value to the city of the  
21 investment that this company is making is more than  
22 what we are spending in tax dollars, um, as well as,  
23 um, you know, doing a background check and that sort  
24 of thing around the company. So that is all part of  
25 the application process. Ah, it usually takes about

1  
2 six to eight weeks, um, from when an application is  
3 submitted to when it is hopefully able to be  
4 presented to the IDA board of directors for, um,  
5 their review and potentially approval.

6 CHAIRPERSON DROMM: OK, and can you tell  
7 us then the number, um, of how many applications were  
8 received, approved, and rejected in 2020?

9 KRISHNA OMOLADE: Ah, so I can follow up  
10 with that information. I don't have, ah, with me at  
11 this setting. But I will say that, ah, the way that  
12 we look at it may be a little bit differently from  
13 the way that you asked the question. So projects  
14 that ultimately submit, um, applications are ones  
15 that we have determined are ones that we are, want to  
16 support and are likely to eventually receive approval  
17 from the IDA board. We do have projects that submit  
18 applications but then do not move forward with board  
19 approval. Those are not necessarily projects that  
20 have been rejected per se, but projects where, for  
21 example, the company has realized that the project is  
22 more expensive than they thought, so they need more  
23 time to, ah, to find financing for the project, or  
24 projects where the company was trying to buy a  
25 building, but then they weren't able to move forward

1 with buying the building or the, you know, the owner  
2 sold it someone else. So those are, um, and we can,  
3 you know, send you the numbers, but essentially, um,  
4 those are, again, not necessarily rejected projects  
5 but projects where the applicant has realized that  
6 they need to move forward with, ah, the transaction.

8 CHAIRPERSON DROMM: OK, so you're like  
9 basically saying they're not actually turned away,  
10 but there are circumstances that contribute to them  
11 not moving forward?

12 KRISHNA OMOLADE: Correct.

13 CHAIRPERSON DROMM: Um, let's talk a  
14 little bit about monitoring compliance. According to  
15 EDC's fiscal 2020 Annual Investment Projects Report,  
16 beneficiaries of NYC IDA agreements must submit  
17 employment and benefits reports each year and EDC  
18 staff performs site visits and conducts other follow-  
19 up activities to measure compliance. Ah, how often  
20 are site visits conducted on active projects?

21 KRISHNA OMOLADE: Ah, yeah, so obviously,  
22 um, it has been different during the pandemic. But  
23 in general our, ah, goal is to, ah, visit all of our  
24 projects, um, early, so 25% or so, 25% to 35% of our  
25 projects in any given year. Um, it's so, that's in

1 terms of site visits. But in addition to actually,  
2 you know, physically going to the location we have  
3 ongoing conversations and, um, you know, coordination  
4 with a company throughout the entire process, and  
5 that happens on a, you know, not just an annual basis  
6 but sometimes even more frequently than that.

8 CHAIRPERSON DROMM: So, so when you do  
9 the site visits what measures is, um, ah, IDA looking  
10 for when you go there? Are you specifically looking  
11 for certain things?

12 KRISHNA OMOLADE: Sure, so, um, yeah,  
13 site visits, um, we do, ah, site visits are, um,  
14 especially frequent when the project is actually  
15 going through their construction, um, process. So,  
16 you know, for all of our projects they are doing some  
17 type of capital expenditure, building a new building,  
18 or renovating a building. We do site visits to make  
19 sure that they are actually on target when they're  
20 supposed to complete that project. Um, and for all  
21 of our projects there's a specific deadline by which  
22 they need to finish their, um, their project. So we  
23 do site visits to, um, confirm [inaudible] track with  
24 their, um, with their, um, construction projects. We  
25 also do ongoing monitoring to make sure that they're

1  
2 actually operating the company, you know, the  
3 business in the way that they've represented to us.  
4 You know, if it's a manufacturing company that's  
5 making, you know, HVAC equipment, going there to make  
6 sure that they're actually doing that, um, so those  
7 are some of the, you know, the key things that we,  
8 ah, look for at site visits.

9 CHAIRPERSON DROMM: And what happens if  
10 you find that they're not in compliance with them,  
11 you know, with what they're saying they're doing?  
12 Are there any steps taken to address that?

13 KRISHNA OMOLADE: Sure, yeah, yeah,  
14 absolutely. So, um, you know, the, the first, um,  
15 you know, step is to make them aware that they're not  
16 in compliance. Um, sometimes, you know, when it  
17 comes to, um, construction projects, you know, there  
18 are extenuating circumstances when it comes to delays  
19 in construction. So our first step is to both make  
20 them aware that they're not in compliance, but also  
21 to better understand if they are not in compliance  
22 why that has happened. Um, you know, for projects  
23 that are particularly egregious in terms of, ah, you  
24 know, not making us aware of what's going on, not  
25 operating the business in the way that they have

1  
2 committed to, um, having, you know, not moving  
3 forward with the construction as anticipated. Um, we  
4 do move forward with enforcement action, so that's  
5 everything from, um, issuing an event of default to  
6 actually moving forward with either terminating the  
7 agreement or seeking a recapture of the benefits that  
8 we have provided.

9 JERVONNE SINGLETARY: And, Council  
10 Member, just to put a finer point on that, for every  
11 project we find noncompliant, we send a report to  
12 Council on a bimonthly basis that details, um, the,  
13 the instance of noncompliance and our, um, methods  
14 and measures to, um, find recourse in that.

15 CHAIRPERSON DROMM: Oh, OK, thank you  
16 very much. Yeah, I'm aware a little bit of that.  
17 Um, and let me just say on recapture, ah, IBO's  
18 preliminary findings indicated that from 2002 to 2019  
19 the recapture amount totaled 21.6 million with nearly  
20 20% of projects having had benefits recaptured. So  
21 what is the process of recapturing, ah, benefits and  
22 how long does it take to collect such benefits?

23 JERVONNE SINGLETARY: In the instance  
24 where we find that a business is not living up to,  
25 um, their agreement we have to, once we've realized

1  
2 that we have to actually recapture those benefits, we  
3 refer those cases to the law department, um, and they  
4 will work with the businesses on the recapture. So  
5 unfortunately we can't speak to the details of like  
6 how the law department does that process. But those  
7 cases are referred over.

8           CHAIRPERSON DROMM: OK, thank you. And,  
9 ah, let me ask about the MOU. The MOU [inaudible],  
10 ah, the council passed Local Law 18 of 2017 which  
11 mandates annual evaluations of the city Economic  
12 Development Tax Expenditure Programs from IBO. Some  
13 programs subject to review would require information  
14 from New York City Economic Development Corp and they  
15 would be, ah, required to share the necessary  
16 information with IBO pursuant to both LL18 and the  
17 city's charter. However, um, Economic Development  
18 Corp expressed that some of this information could  
19 compromise the privacy of its clients and hamper its  
20 ability to maintain a positive a relationship with  
21 its partners. It's the council's understanding, ah,  
22 that there is a MOU in progress between IBO and EDC,  
23 ah, to work out terms that would both protect the  
24 privacy of, um, EDC's clients and permit IBO  
25 sufficient information to conduct, ah, the mandated



1 review. So is there anything holding up the  
2 finalization of the MOU and, ah, what is the status  
3 of the discussions with IBO at this point?  
4

5 JERVONNE SINGLETARY: Sure. So, um,  
6 thank you for that quest. In 2017 we tried to come  
7 to an agreement, um, on an MOU and kind of EDC  
8 determined that we will trust the IBO, um, that they  
9 will handle the sensitive data that we are remitting  
10 over to them, um, and keeping it confidential to  
11 protect our clients, um, [inaudible] proprietary  
12 information. So we are no longer pursuing the IBO.  
13 We are no longer pursuing, sorry, the MOU. We are  
14 trusting that the IBO can handle the data in a  
15 confidential, um, way, as they've done with this  
16 report. So we have no, no concerns there.

17 CHAIRPERSON DROMM: And IBO, you're good  
18 with that?

19 DEPUTY DIRECTOR SWEETING: Ah, it's  
20 working at the moment, so.

21 CHAIRPERSON DROMM: OK, all right. Good.  
22 All right. So, you know what, we have some, ah, ah,  
23 testimony from the public. So I think, ah, I'm gonna  
24 stop with the questions here. I don't believe there  
25 are any further council member questions. OK. Ah, I

1 want to thank you. Of course, we have some follow-up  
2 questions. We'll be writing to you both, ah, but I  
3 do want to thank you for your time, ah, Mr. Sweeting  
4 and Ms. Brown, ah, Mr. Omolade, I'm sorry for messing  
5 up your name, ah, and also to Ms. Singletary as well.  
6 Thank you for being here with us today. And now  
7 we're going to move to the next section of the  
8 hearing. Thank you.

10 DEPUTY DIRECTOR SWEETING: Thank you.

11 CHAIRPERSON DROMM: Counsel, do you want  
12 to call the witnesses?

13 COMMITTEE COUNSEL: Yes. Um, we'll now  
14 turn to testimony from members of the public, who  
15 have signed up to testify. I would like to remind  
16 everyone that unlike our in-person council hearings  
17 we'll be calling on individuals one by one to  
18 testify. Once your name is called, a member of our  
19 staff will unmute you and the Sergeant at Arms will  
20 set a timer and announce that you may begin. Your  
21 testimony will be limited to three minutes. I would  
22 like to welcome first Quincy Ely-Cate, followed by  
23 Brian T. Coleman. Mr. Ely-Cate, you can begin when  
24 ready.

25 SERGEANT AT ARMS: Time starts now.

1                   QUINCY ELY-CATE: All right. Um, good  
2 morning. My name is Quincy Ely-Cate and I'm director  
3 of industrial business development at the Business  
4 Outreach Center Network in the Maspeth Industrial  
5 Business Association. We're a nonprofit economic  
6 development organization that proudly supports  
7 industrial and manufacturing businesses, jobs, and  
8 workers across six industrial business zones in  
9 central Queens and east Brooklyn, including the IBZs  
10 of Ridgewood, Maspeth, Steinway, Woodside, East New  
11 York, and the Flatlands Fairfield IBZ. We also work  
12 as part of the Equitable Industrial Development  
13 Initiative with the Mayor's Office of M/WBE, which  
14 works to catalyze worker cooperative conversions in  
15 the industrial sector. The importance of a strong  
16 industrial manufacturing sector is clear now more  
17 than ever as we face this pandemic. Industrial  
18 businesses have been instrumental in keeping New York  
19 breathing and moving by supporting our local food  
20 supplies, manufacturing, distributing PPE, and  
21 maintaining other critical components of our economic  
22 infrastructure. Additionally, the industrial  
23 manufacturing sectors employ a majority immigrant and  
24 minority workforce who have not had access to higher  
25

1 education while paying an average salary of over  
2 \$60,000, twice the amount of the average salary in  
3 the service industries. We work closely with the IDA  
4 to identify businesses and projects with both a need  
5 for an investment and where an investment preserves  
6 and catalyzes considerable economic impacts in return  
7 for the city. IDA incentives create jobs, support an  
8 equitable workforce, and strengthen our local  
9 economy. Without the IDA incentives, many of the  
10 businesses we work with would not be, simply would  
11 not be able to remain in New York City, including DMJ  
12 Industries, which we have worked with for an HVAC  
13 design and fabricator, we worked with for years to  
14 try to identify space and were continually outbid by  
15 speculative developers in the IBZ self-storage  
16 developers. Um, ultimately with the IDA we were able  
17 to find them a space and, and they have been able to  
18 preserve 80 jobs in the, in the area. Other, other  
19 projects are the Weapon Specialists in Ridgewood,  
20 High Tech Metals in Maspeth, Phoenix Building Supply,  
21 Mind Hand Company in Ridgewood, um, in total, ah,  
22 over a thousand jobs, um, just with businesses that  
23 we have been, that we work that have been supported  
24 by the IDA. Um, these investments are not only about  
25

1 jobs, they are also about equity and this moment has  
2 demonstrated the value of, ah, the industrial  
3 manufacturing sector and it's more important than  
4 ever that the IDA can continue. Um, I'd like to  
5 thank their team. They have always worked with us as  
6 we're on the ground looking for, you know, different  
7 ways to support industrial manufacturing businesses,  
8 even indulging us on trying to figure out how to make  
9 worker cooperatives, ah, part of this equation and  
10 help them access these incentives as well. So, thank  
11 you for your time and thank you to the IDA.

13 CHAIRPERSON DROMM: Thank you and, um, I  
14 hear you on the worker cooperatives. That's great.  
15 I think we have another witness and then there may be  
16 a question or two after that. So let's go to the  
17 next witness. And then we'll ask questions of both  
18 witnesses.

19 COMMITTEE COUNSEL: Now we'll hear from  
20 Brian T. Coleman.

21 SERGEANT AT ARMS: Time starts now.

22 CHAIRPERSON DROMM: Mr. Coleman, are you  
23 there?

24 BRIAN T. COLEMAN: Oh, I'm sorry, I am  
25 here. I apologize. I was [inaudible] for a moment.

CHAIRPERSON DROMM: OK.

BRIAN T. COLEMAN: Um, thank you for, ah, thank you for having me here today. Um, my name is Brian Coleman. I have the pleasure of serving as the CEO of the Greenpoint Manufacture and Design Center. Um, we're New York City's leading nonprofit industrial developer. Since 1998 GMDC has completed four of its seven development projects, over 300,000 square feet, with IDA's assistance. Over the last two decades the cost of acquiring industrial space has increased by almost 200% due to various reasons, including conversions, both legal and illegal, rezonings, competition from big box retailers, many storage operators, ah, and even hotels. Coupled with ever-escalating acquisition costs and some of the most expensive construction costs, as well as ever-increasing operating expenses and it created an environment that is almost impossible to operate in. The program's policies and benefits of the New York City IDA help to ensure that our projects are possible. To a straightforward consistent and efficient application review and approval process, we know that our IDA benefits are in place, even before we close on the purchase of one of our prospective

1  
2 developments. There are two specific IDA programs  
3 that GMDC's projects rely on - the sales tax  
4 exemption benefit and the pilot program, the program  
5 that exempts projects from real estate taxes for a  
6 defined period. Um, I'll refer to our most recent  
7 projects. Ah, last year we opened, ah, our biggest  
8 project to date, a 42 million dollar project with 15  
9 million dollars' worth of construction on 95th Avenue  
10 in Ozone Park, Queens. Um, we were fortunate, um,  
11 combined through the sales tax and the pilot program  
12 to receive just over 1.7 million dollars in benefits.  
13 Our previous project at 1102 Atlantic Avenue in Crown  
14 Heights we received just over 1.1 million dollars in  
15 combined benefits. These make our projects work,  
16 these benefits. Um, the benefits provided by the New  
17 York City IDA are significant, I would say essential  
18 to the development and ongoing operation of our  
19 projects. The New York City IDA is not another city  
20 agency, in our opinion. We consider the IDA a  
21 partner in the successes we've had that, in our last  
22 four developments over the last 20 years.  
23 Undoubtedly the development wouldn't have taken place  
24 without the projects. Um, so what, what does this  
25 mean at the end of the day? The average salary of

1 one of buildings, of one of the workers is \$56,000.

2 92% of the workers in our building are New York City

3 residents, 97% of them are state residents. Um, 40%

4 of the people that work at our buildings speak

5 English as a second language. 3% of the businesses

6 who operate our buildings are M/WBEs. Ah, I'm

7 talking to mostly about the past, but I want to talk

8 quickly about a new project that we're undertaking

9 with IDA's assistance. With The Bridge, a well-

10 known, respected supporter of affordable housing

11 developer, GMDC is marking the first of its kind

12 project in the City of New York, and once again the

13 New York City IDA is offering its programs and

14 support. We're looking to developing 40,000 square

15 feet of industrial space coupled for the first time

16 with 170 units of supportive and affordable housing.

17 Not only did the project recently complete ULURP

18 process, but we also have just recently been given

19 preliminary approval from the IDA for a benefit

20 package that will help ensure the project's success.

21 We look forward to working with the city and IDA, and

22 hope to communicate more to the council about this

23 project as we move forward. Thank you for your time

24  
25



1 and consideration, and I'd be happy to answer any  
2 questions you may have.  
3

4 CHAIRPERSON DROMM: What council member's  
5 district was that in, or is that in?

6 BRIAN T. COLEMAN: Ah, the new project is  
7 in Councilwoman Barron's district.

8 CHAIRPERSON DROMM: Oh, OK, great. And  
9 she's very, very strict on that. So, ah, that's  
10 great.

11 BRIAN T. COLEMAN: Ah, she is. I mean,  
12 we spent, we spent two years plus vetting the project  
13 with her, um, and her, her staff and the community  
14 board, and we're, like I said, we're very, very happy  
15 just to complete the ULURP process, um, with really  
16 overall support from, ah, from all the entities along  
17 the way, both the, ah, borough president's office,  
18 the community board, and finally, um, the City  
19 Planning Commission itself.

20 CHAIRPERSON DROMM: That's great. Ah,  
21 for both of you, how did you hear about the program?

22 BRIAN T. COLEMAN: Well, we're an  
23 economic development entity, so, I mean, we work  
24 closely with the New York City Economic Development  
25 Corporation. We work closely with IDA, as I've said.

1  
2 We've done four projects over the last 20 years. So,  
3 um, I don't want to say we're pros at it, but we're  
4 familiar with the program, um, its workings, and we  
5 know the importance of it, quite honestly, as I  
6 mentioned, to our bottom line. So, um, we do and  
7 generally consider work with IDA and EDC as a  
8 partnership, um, and to allow us to, um, do these  
9 very complex projects.

10 CHAIRPERSON DROMM: Mr. Ely-Cate?

11 QUINCY ELY-CATE: Yes, so we are, um, our  
12 organization is industrial business service provider.  
13 So we work, ah, with the city, ah, basically a  
14 contract with SBS to provide access to resources,  
15 incentives for industrial manufacturing businesses.  
16 So, and this is, the IDA's programs are the most  
17 powerful economic development incentives available  
18 for, for these businesses. So we are pretty steeped  
19 in trying to help businesses navigate, um, these  
20 types of programs.

21 CHAIRPERSON DROMM: And, again, for both  
22 of you, ah, how did you find the application process,  
23 um, burdensome, um, were they helpful? Ah, what was  
24 the process like for you going through that?

1  
2           BRIAN T. COLEMAN: Um, I could speak on,  
3 GMDC's behalf. Um, we think it's a straightforward  
4 process. I mean, we're assigned a project manager.  
5 They require certain information of us. Um, ah, the  
6 lines of communication are open. Um, it's not a  
7 process that, um, we find that is burdensome or  
8 troublesome, um, in any way.

9           QUINCY ELY-CATE: You know, I think it,  
10 it really depends on the project. Um, some projects  
11 just, I think, clearly meet all the, the guidelines  
12 of the program. Other projects, it might be more  
13 gray, um, and so, you know, we would reach out to  
14 Krishna and his team to see, you know, if they would  
15 qualify, what other, ah, ways could they potentially  
16 be included in the program. Um, you know, worker  
17 cooperatives, I think I mentioned that, you know,  
18 there's some challenges, ah, that they would be  
19 eligible, but just, I think, meeting some of the  
20 thresholds for investment, they might not have access  
21 to financing, to, to be part of those programs. So,  
22 you know, it really depends on each case, but, um,  
23 yeah. At least for Krishna's team they make it very  
24 clear on how we can move forward. I think you're on  
25 mute.

1

2

CHAIRPERSON DROMM: [laughs] Thank you.

3

That's good, and I'm really glad to hear that the

4

relationship with [inaudible] that IDA has been

5

helpful and supportive of, of your applications. So

6

we hope that that continues. All right. I think

7

that's it. Counsel, do we have anybody else to give

8

testimony?

9

COMMITTEE COUNSEL: No, that's everyone

10

that signed up.

11

CHAIRPERSON DROMM: And, and no further

12

questions?

13

COMMITTEE COUNSEL: No, no Chair.

14

CHAIRPERSON DROMM: OK, so I want to

15

thank everybody for coming in today. This has been a

16

very informative and, I think, productive hearing

17

and, um, I'm just most grateful to everybody. Thanks

18

to the staff also that prepped me, ah, and partially

19

prepped me on the way back there in the snowstorm

20

from New York City yesterday, where I got my COVID

21

vaccine. Yay, finally. And, ah, glad to be alive,

22

right? Um, but, anyway, thank you everybody for

23

coming and with that this hearing is adjourned at

24

11:56 a.m. Thank you very much, everybody. [gavel]

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BRIAN T. COLEMAN: Thank you.

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CHAIRPERSON DROMM: Thank you.

QUINCY ELY-CATE: Thank you.

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 March 20, 2021