

OPERATING BUDGET

COMMITTEE HEARING

On

ECONOMIC DEVELOPMENT,

HIGHER EDUCATION

and

ENERGY

Minutes

The special Operating Budget Committee Hearing of the Economic Development, Higher Education and Energy Committee was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, Smithtown, New York, on Wednesday, **October 26, 2005**.

MEMBERS PRESENT:

Legislator Lynne Nowick • Chairwoman

Legislator Angie Carpenter • Vice • Chairwoman

Legislator Cameron Alden

Legislator David Bishop

Legislator Peter O'Leary

ALSO IN ATTENDANCE:

James Morgo • Commissioner/Economic Development

Carolyn Fahey • Economic Development

Kevin Rooney • Oil Heat Institute

Ben Zwirn • Deputy County Executive

Gail Vizzini • Director of Budget Review

Joe Muncey • BRO

Joe Schroeder • BRO

MINUTES TAKEN BY:

Donna Catalano • Court Stenographer

(* THE MEETING WAS CALLED TO ORDER AT 2:19 P.M. *)

CHAIRWOMAN NOWICK:

Hello, everybody. I want to start with the Pledge to the Flag led by Legislator Alden.

SALUTATION

CHAIRWOMAN NOWICK:

Welcome, everybody. I guess, Jim Morgo, you want to come on up?

COMMISSIONER MORGO:

I'd like to ask Carolyn Fahey and Joe Sanseverino to join me.

CHAIRWOMAN NOWICK:

That's fine.

COMMISSIONER MORGO:

Good afternoon[.|. |.] I will be brief, Madam Chairwoman, and I look forward to questions if you have any and the committee. We looked over the report of the Budget Review Office, the entire Department of Economic Development and Workforce Housing. And we have a couple of very brief comments. There are some technical corrections we're going to make. But I was speaking

to Gail prior to your convening this meeting and told her that I would get her a list and I will share that with the committee as well, if it's okay. The narrative of the BRO's report mentions that the department oversees 58 acres at the Gabreski Airport, 58 acres, 48 acres of which are the •• one of the subzones of the County's Empire Zone. Well, in fact, we oversee all six of the subzones. And the reason I mentioned that is that we're going to be coming before you very soon on two important Legislative matters involving the Empire Zone, the full Empire Zone. One is we're going to be asking you to examine or improve the updated maps of the six subzones. And secondly, which is exciting •• exciting Economic Development news, we are going to be coming before you with the first Long Island regionally significant project. That's a new designation that the state has made where you can actually have an Empire Zone for an economic development initiative that creates new jobs and investments that are not actually within the boundaries.

LEG. BISHOP:

Spot zone.

COMMISSIONER MORGO:

Okay. If you will. In that we need •• we need a Local Law to do that, and I will be introducing that to you at one of your regularly scheduled committee meetings. Finally, the only other thing I would like to ask Joe Sanseverino of Community Development and of my department to tell you a little bit about a new initiative that's become very popular that really points to and is emblematic of the real connection between economic development and homes that are affordable to workers. So if I could just ask Joe to do it briefly.

CHAIRWOMAN NOWICK:

I just want to ask you, you said it was a regionally significant zone?

COMMISSIONER MORGO:

Project.

CHAIRWOMAN NOWICK:

Project. What is that exactly?

COMMISSIONER MORGO:

It's a company specific indication that if a company is a new company or an expanding company that's adding at least 50 new jobs and development, it can be •• it can get the benefits of an Empire Zone and it does not have to be within the boundaries of the Empire Zone.

CHAIRWOMAN NOWICK:

Anywhere?

COMMISSIONER MORGO:

Yeah, it can be anywhere. This one that you are going to be hearing about is in Huntington, but that will •• we'll be introducing it and we'll lay a piece of legislation on the table. Joe.

MR. SANSEVERINO:

Good afternoon. Jim asked me to speak a little bit about our Employer Assisted Housing Program. This is a new program, a revise of a program that we started a couple of years ago, but we've revised the program considerably to make it more attractive to businesses. And what it is is it's a program where we've combined the elements of economic development with housing to provide employers on the Island with the opportunity to recruit and retain their workforce.

We've been hearing a lot of concerns among the business community that they can't compete with other areas of the country because of high housing costs. This program has been designed to provide their employees with down payment assistance, they can get up to \$17,000 in down payment assistance from County and states funds that we've put together. There's an additional \$15,000 also in the program for people whose houses need to be repaired as part of this acquisition program. So there's money for •• to help them acquire a home as well as rehabilitate that home once they're in it.

We ask that the employers, when they participate with us in the program, they put up \$3000 for each of their employees that participate in the program. So for a \$3000 investment by the employer, their employees can receive \$17,000 towards the purchase of a house plus \$15,000 for repairs as a way to attract and retain their employees to this area and we stop losing them. If you've seen some of the numbers, we're losing a significant portion of our younger generation to other parts of the country. So this is a program that we have developed. Several firms have come into the program; Brookhaven National Lab, ADP, Future Tech, Integrated brands. These are some of the firms that have come in.

We're also in discussions with several of the larger employees •• employers on Long Island right now to join the program, and hopefully we will have some additional announcements on those companies in the near future. But the program seems to be working very well. It's available both in Nassau and in Suffolk County. We've designed this so it can be run in both counties. My office operates it for Suffolk County, the Long Island Housing Partnership operates it for Nassau County.

COMMISSIONER MORGO:

Madam Chairwoman, it's \$3000 from the employer as a benefit, and you can leverage another 32,000 for an employee. And brings together housing and economic development, it's a terrific, terrific program. The new employee ends up with \$35,000 towards down payment, closing costs and rehab of a new home.

CHAIRWOMAN NOWICK:

Where do you get the 35,000?

COMMISSIONER MORGO:

Three thousand from the employer.

CHAIRWOMAN NOWICK:

And 15,000 ••

COMMISSIONER MORGO:

Fifteen thousand and then another 17.

CHAIRWOMAN NOWICK:

Would you get the improvements •• so they buy the house, they get 17,000, plus 15,000 for improvements.

COMMISSIONER MORGO:

Right.

CHAIRPERSON NOWICK:

And the employer invests 3,000 per employee, per new employee.

COMMISSIONER MORGO:

Right.

CHAIRWOMAN NOWICK:

And they work together. Now, is that free money? I mean, they get •• the employee never has to pay it back?

COMMISSIONER MORGO:

The employer can set terms. For example, he can put it all on as a second mortgage, or a for a third mortgage, for that matter. He can set a term that if the employee stays fewer than five years, then he would have to pay it back, or fewer than 10 years and he would have to pay it back. But the employer working with our office can set up the terms. It can be structured just about any way the employer wants to structure it.

CHAIRWOMAN NOWICK:

So it's a loan, but structured the way the employer wants it.

COMMISSIONER MORGO:

Yes. It's a loan that will go away. It's like a soft second mortgage.

CHAIRWOMAN NOWICK:

Well, it goes away when you pay it back.

COMMISSIONER MORGO:

It also goes away if you stay a certain amount of years.

CHAIRWOMAN NOWICK:

Okay. Wait. If you stay a certain amount of years, you don't roll it into your second mortgage?
You don't pay it back.

COMMISSIONER MORGO:

You don't pay it back. It becomes a grant.

CHAIRWOMAN NOWICK:

It becomes a grant, that's very interesting. Legislator Carpenter seems to have a question.

LEG. CARPENTER:

Just to pick up on that. The 17,000 is also grant and the 15?

COMMISSIONER MORGO:

Yep.

LEG. CARPENTER:

And with the 15 and the 17, the down payment and the rehab money, they have to stay in the home a certain amount of time?

COMMISSIONER MORGO:

That's really up to the way the employer structures it, but that's usually the case.

LEG. CARPENTER:

And do they have to stay in the job also?

COMMISSIONER MORGO:

That could be •• that would usually be the way it's structured. Joe wants to add something.

MR. SANSEVERINO:

The County and state money has requirements that they must live in the house as their principle residency for either five or ten years. If they do not do that, then that money all comes back to the County.

COMMISSIONER MORGO:

Cameron's familiar with the Affordable Housing Corporation. The rehab, the 17, is coming from the Affordable Housing Corporation; five for down payment and 12 for rehab.

LEG. CARPENTER:

Like CDC.

COMMISSIONER MORGO:

Yep.

LEG. CARPENTER:

And is this the program that Our Lady of Consolation Nursing Home in west Islip utilized?

COMMISSIONER MORGO:

Yep. But it wasn't that much when they utilized it. It's gone up.

LEG. CARPENTER:

Great. How are we publicizing this?

COMMISSIONER MORGO:

We have a brochure out. Joe and folks are meeting with several companies. In fact, I am a going with Joe the 2nd to meet with the Empire State Development, so they'll get it out to their network. We are not •• this is one of those things. We know that a major, major employer is going to be joining, but they're having a big announcement and they asked us not to announce it, but we know that's coming down. You know, the other good thing about the state, the state adopted for their portion of it, their \$17,000 portion of it, the new guidelines that we have where you can go up to 120% •• you adopted this June of 2004, you can up to 120%, and the state is going along with that in high costs areas.

LEG. CARPENTER:

That's terrific.

CHAIRWOMAN NOWICK:

Jim, you said the state puts money into this through the Empire ••

COMMISSIONER MORGO:

Through the Affordable Housing Corporation, which is part of the New York State Housing Finance Agency.

CHAIRWOMAN NOWICK:

And you said the County will also put money into this?

COMMISSIONER MORGO:

Thr County gets it through its HUD Grant through the home program, through community development.

CHAIRWOMAN NOWICK:

So it's really not •• we put it in, but we get it through the HUD Grant?

COMMISSIONER MORGO:

That's right.

CHAIRPERSON NOWICK:

Legislator Alden, you have a ••

LEG. CARPENTER:

I wasn't finished.

CHAIRPERSON NOWICK:

I'm sorry.

LEG. CARPENTER:

That's all right. Is this specific to first•time homebuyers?

COMMISSIONER MORGO:

That's one of the other things that's good about it, if XYZ Company is attracting somebody from out of the area and needs him or her to be an engineer or technician, he or she could have owned a home in another part of the country. So that's one of the more •• more economic development really than housing. The reason Legislator Carpenter asks the question is because so many of the programs require somebody to be a first•time homebuyer.

LEG. CARPENTER:

All right. Great. Thank you. Can we get some brochures?

COMMISSIONER MORGO:

Absolutely.

LEG. CARPENTER:

Thank you.

CHAIRWOMAN NOWICK:

Legislator Alden.

LEG. BISHOP:

Do they have to come from out•of•state?

COMMISSIONER MORGO:

No, you don't have to come from out of state.

LEG. BISHOP:

Out of the area?

COMMISSIONER MORGO:

No. The idea of not being a first•time homebuyer, you have to come from out of the area. And even •• the employer can do it even if they're trying to attract someone from the region.

LEG. BISHOP:

To retain?

COMMISSIONER MORGO:

To retain, that's correct.

LEG. BISHOP:

How much is available?

CHAIRWOMAN NOWICK:

Legislator Alden.

LEG. ALDEN:

Dave will lose his train of thought. Go ahead, Dave.

LEG. BISHOP:

How much is available? How many spots?

COMMISSIONER MORGO:

The state grant was two million?

MR. SANSEVERINO:

A million.

COMMISSIONER MORGO:

A million, and the •• how much is allocated under HUD?

MR. SANSEVERINO:

We have about \$400,000 left from the home funds, but that gets replenished on a yearly basis.

COMMISSIONER MORGO:

We hope.

LEG. BISHOP:

The average deal is like 40,000, right? So it's like ten spots, that's my point.

COMMISSIONER MORGO:

No. No.

LEG. BISHOP:

Is there a lot of spots? Should we be promoting this?

COMMISSIONER MORGO:

Yes.

LEG. BISHOP:

I don't want to promote it and then the constituents will say there's no ••

COMMISSIONER MORGO:

The most from both parts, David, the most you can get is 32, and that's from both.

LEG. BISHOP:

Right.

COMMISSIONER MORGO:

And actually, it's 29, because it's 12 and 17 and the other three comes from the employer. The thing is not everybody can get the 12 because that's only for folks under 80% of median. HUD has not seen the light yet for high cost regions. They have not •• they do not allow us to go up to 120% of median, the state has. So it's limited. And there's really two programs •• to get the most, to get all of it, the 32, you have to be under 80% of median.

LEG. BISHOP:

To get any of it, though, you need an employer to kick in three.

COMMISSIONER MORGO:

Correct.

LEG. BISHOP:

Okay. That's pretty good. It's a great deal if you can ••

COMMISSIONER MORGO:

Employers, when this was first announced. Didn't job on it. And when I was at the Housing Partnership, I'd say, you know, the reason the Housing Partnership I'd say, you know, the reason the Housing Partnership exists is because employers are saying we can't get workers. Well, here's the chance to put your money where your mouth is. And now they finally are coming forward.

CHAIRWOMAN NOWICK:

Legislator Bishop, were you asking how many spots were available? Would it be any employer puts up 3000 any employer •• if there's 400 employers put up 3000, there's 400 spots available, were you asking that question?

LEG. BISHOP:

Obviously it's a fund that has a limitation based on how much funds are in the fund.

COMMISSIONER MORGO:

Joe's been trying to say that it's replenished every year.

LEG. BISHOP:

Right, but it's still a million dollars.

COMMISSIONER MORGO:

And you know what the biggest problem is? There is a •• I should have mentioned this, you know what I'm going to mention. There's a maximum sales price for the home.

LEG. BISHOP:

Two hundred and fifty thousand?

COMMISSIONER MORGO:

No. No. What is it, 380?

MR. SANSEVERINO:

Three•eighty and 395 depending on the federal and state money.

COMMISSIONER MORGO:

Three•eighty and 395, that's not terrible. But as we know, there's not a lot of product out there.

LEG. BISHOP:

But you could do condos and co•ops.

MR. SANSEVERINO:

You can do condos, yes.

LEG. BISHOP:

Okay. That's a good program.

LEG. ALDEN:

On that five year residency and forgiveness, usually the justification is to, you know, like, anchor a neighborhood. What's the justification on this one then?

COMMISSIONER MORGO:

We're giving them the money because they're working here.

LEG. ALDEN:

Okay. It's an economic incentive then. Okay.

COMMISSIONER MORGO:

That's right.

LEG. ALDEN:

And New York State goes along with that?

COMMISSIONER MORGO:

Yes.

LEG. ALDEN:

Then they changed the guidelines, right? Because a couple of years ago
When we where doing it, you couldn't do it.

COMMISSIONER MORGO:

Cameron, I couldn't believe they went to 120.

LEG. ALDEN:

All right. Nice.

CHAIRWOMAN NOWICK:

That's also because we're hearing from different companies that we can't find housing, we have the people, we have the brain •• the people have the brains, but they can't stay here because they can't afford it.

COMMISSIONER MORGO:

If looked at the figures of the young people we are losing compared to even Westchester, which has higher medians than we have, Fairfield, but whatever reason we're losing them faster than any other region in the country now. What Lynne was saying just now is exactly the reason that the state is coming around, because we made the case that the employers need it.

CHAIRWOMAN NOWICK:

And that also keep the corporation here, so that's •• okay. Now, was anything else you wanted to talk to us about?

COMMISSIONER MORGO:

I'll answer any questions you may have.

CHAIRWOMAN NOWICK:

Does anybody have any questions in the committee? Just quickly, I was noticing here in the staff recommendations, the airport, is that anything you want to get involved in?

COMMISSIONER MORGO:

I think what the BRO said was accurate. The way it turned out is fine with us, and we go along with BRO's comments.

CHAIRWOMAN NOWICK:

Fine with us, that's what we want to know. That's fine. If there are no other questions, thank you.

COMMISSIONER MORGO:

Thank you very much. And we will get you those brochures.

CHAIRWOMAN NOWICK:

That's a great idea.

LEG. BISHOP:

I have a question on the airport. The Sheriff was in earlier, and he decried the use of security guards as opposed to Deputy Sheriffs at the airport, which if I was the Sheriff, I would probably do the same thing. But defend your guards.

COMMISSIONER MORGO:

Legislator Bishop, thank you for calling me back. One of the things that BRO talks about is our operating deficit for every year. The reason, a principle that we have an operating deficit is the major portion is going to the Sheriff. And in fact, there are two thing I want to mention on this, that being one of them. And we prepared

P and L for last two years, and what's expected for end of 2005. Gail, I'm going to give you this, and if you could distribute it. It was also suggested by the Budget Review Office that we come up with a viable business plan to eliminate the deficit. Well, subject to your question, Legislator, the Sheriff is a large part of that deficit.

And the other thing is, and I don't know if you folks are aware of it, Legislator Schneiderman is certainly aware of it, there is •• I was going to festering, but that word has connotations •• there was a growing movement out with the neighbors of the airport that they don't want to see any development at the airport at all. Any •• certainly no further aviation development. If we were given the mandate, and I'm not sure if I were you I'd give us this mandate, but if we were given the mandate to say that any viable business that wants to lease at the airport, legitimate viable business, should be able to lease there, then we would get rid of deficit without any problem.

The Airport Lease Screening Committee or the Legislature could really •• should really determine which leases should be approved. There is a Citizens Advisory Board now. Some of the members want to see no development, they don't really care if we run a deficit or not, and there are many members of the community that feel the same way.

So we are kind of •• we're not kind of, we are caught in a paradox. On one hand we want the airport to reach its potential. On the other hand, you have vocal neighbors of the airport saying that it's not a good neighbor and it's destroying their quality of life.

LEG. BISHOP:

Who controls the Airport Lease Screening Committee?

COMMISSIONER MORGO:

You do.

LEG. BISHOP:

I mean, in practical terms. These are dominated by local residents?

COMMISSIONER MORGO:

No.

LEG. BISHOP:

It's the County.

COMMISSIONER MORGO:

Yes.

LEG. BISHOP:

So the policy the we set, you know, in the Executive Branch and the Legislature it's anticipated that they can carry it out, right?

COMMISSIONER MORGO:

Yes.

LEG. BISHOP:

Okay. And so that policy is to foster further aviation related development?

COMMISSIONER MORGO:

Yeah, but it's a balance, you know?

LEG. BISHOP:

Balance with what?

COMMISSIONER MORGO:

With being a good neighbor and the quality of life of the people surrounding the airport.

LEG. BISHOP:

It's an airport.

COMMISSIONER MORGO:

Thank you. I know.

LEG. BISHOP:

Of course, in Babylon at Republic Airport, that's completely different.

COMMISSIONER MORGO:

What about Mac Arthur?

LEG. BISHOP:

I'll yield.

MS. VIZZINI:

I just wanted to clarify in terms of the expenditures for the Sheriff. In 2004, the transfer for the Sheriff's staffing was about \$650,000. At the encouragement and recommendation of the Budget Review Office, the Sheriff is tracking the overtime so that those Deputy Sheriffs who are budgeted in the airport, if they work overtime that it only be the airport overtime that's charged to it. So I think, you know, that we're moving in the right direction. Because the 2005 estimated is 115,000 and the recommended is 100,000, so you know, the expenses attributable to the Sheriff are at least being accounted for in a better fashion.

COMMISSIONER MORGO:

That's good.

CHAIRWOMAN NOWICK:

Legislator Alden.

LEG. ALDEN:

I'm not on Public Safety, but I wasn't aware that we reimburse the Sheriff for services provided at the airport. Because that's going to lead me to another question. Do we reimburse the Sheriff for services provided here? Is there a portion in the Legislative budget that goes to reimbursement for •• because that seems to be a strange way of doing business.

MS. VIZZINI:

No. We created positions for the Deputy Sheriffs to provide the coverage at the airport, and they were budgeted in the Airport Enterprise Fund when we consolidated all the airport related expenses in one fund.

LEG. ALDEN:

But we're running a negative •• we're running at a negative cash flow there, right?

MS. VIZZINI:

At the airport?

LEG. ALDEN:

Right.

LEG. BISHOP:

Holy Moses Cheesecake is not making a lot of money?

LEG. ALDEN:

It just seems strange. We created a situation where we're running at a deficit, and out of that deficit, we still have to pay, you know, Sheriff's expenses.

MS. VIZZINI:

Well, the Sheriff's people are there to guard the airport.

LEG. ALDEN:

But under what authority? That's •• basically, it's a County property, right?

LEG. BISHOP:

We charge a fee to land.

LEG. ALDEN:

If we're running at a negative balance, then obviously we're not getting enough money from even the tenants that are there to pay, you know, all the expenses. So that just seems like a little strange to me that we have a situation that we set up like that.

MS. VIZZINI:

That's the point of the report, and we rely upon the General Fund to make up the difference. Although, I will point out that for 2006, there's no •• there is no transfer to the airport. The expenses are coming down.

LEG. BISHOP:

Is there a charge on the planes?

COMMISSIONER MORGO:

Yes.

LEG. BISHOP:

There's a security charge, some fee, landing fee, that's specific to •• specific to security, right?

LEG. ALDEN:

That's okay if you get enough to pay your bills, but if you're not generating enough landing fees to pay the bills, then it just seems a little stupid actually.

LEG. BISHOP:

Yeah, but I don't think that we would just have the right to just •• I think if there's a security related bill, we'd have to pay it out of that fund. I don't think you can say just well, the other fund's short, therefore, we're not going to pay it.

LEG. ALDEN:

This is a Suffolk County owned property, and we're paying, you know ••

LEG. BISHOP:

I know. We're paying another Suffolk County agency.

LEG. ALDEN:

Right. So it just seems a little weird to me, but, you know, who am I?

LEG. BISHOP:

We'll tell the Sheriff that we don't •• you don't want to pay any more. Angie will be very mad at you.

CHAIRWOMAN NOWICK:

Jim, I just wanted to ask you one other questions. I was reading in here about the incubators for businesses in distressed areas, and I think incubators are a great idea. Just to understand that a little better, would the site be County property, and then •• how would that work?

COMMISSIONER MORGO:

Well, it depends. The toughest element is actually getting the property. The first one is going to be the fourth corner in North Amityville, which is the corner of Great Neck and Albany Avenue that at one time the, you know, the nefarious corners of North Amityville. Three of those four corners have been developed, and the one remaining is owned by the Town of Babylon, and that's going to be used with a local economic development not•for•profit for the first incubator.

Huntington Station, that town is working to acquire land. And there are a couple of other proposals in low income, mostly minority neighborhoods where the land is trying to be acquired. In one case, there is County tax foreclosed property that could be used.

CHAIRWOMAN NOWICK:

So then the small businesses would go there, use is for incubator purposes, so then there's no benefit to the taxing authorities like the school districts, it's County owned, it's an incentive?

COMMISSIONER MORGO:

It's an incentive. That's right.

CHAIRWOMAN NOWICK:

Okay. Thank you. Any other questions? Okay. Thank you.

COMMISSIONER MORGO:

We will see you soon.

CHAIRPERSON NOWICK:

Yes. Is there anybody else that would like to address the committee? Anybody else want to address the committee? Any other questions from the committee of anyone? If not, have a nice day.

(* THE MEETING WAS ADJOURNED AT 3:40 P.M. *)

_ _ **DENOTES BEING SPELLED PHONETICALLY**