

ECONOMIC DEVELOPMENT
HIGHER EDUCATION
and
ENERGY COMMITTEE
of the
SUFFOLK COUNTY LEGISLATURE
Minutes

A regular meeting of the Economic Development, Higher Education & Energy Committee of the Suffolk County Legislature was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, Veterans Memorial Highway, Smithtown, New York, on Wednesday, March 14, 2007.

MEMBERS PRESENT:

Legislator Wayne Horsley - Chairman
Legislator Steve Stern - Vice-Chair
Legislator Ed Romaine
Legislator Vivian Vilorio-Fisher

MEMBER NOT PRESENT:

Legislator Tom Barraga

ALSO IN ATTENDANCE:

George Nolan - Counsel to the Legislature
Joe Schroeder - Budget Review Office
Joe Muncey - Budget Review Office
Tim Laube - Chief Deputy Clerk of the Legislature
Ben Zwirn - County Executive's Office
Carolyn Fahey - Economic Development
Charles Stein - Suffolk Community College
George Gatta - Suffolk Community College
James Morgo - Commissioner - Economic Development
Pearl Kamer - LIA Chief Economist
Anthony Catapano - Suffolk County IDA
All other interested parties

MINUTES TAKEN BY:

Donna Catalano - Court Stenographer

(*THE MEETING WAS CALLED TO ORDER AT 2:03 P.M.*)

CHAIRMAN HORSLEY:

May we all please stand for the Pledge of Allegiance.

SALUTATION

CHAIRMAN HORSLEY:

May we stand just for a moment of silence for all of the men and women who are protecting our freedoms across the sea.

MOMENT OF SILENCE

CHAIRMAN HORSLEY:

Thank you very much. All right. Good afternoon, everybody. I understand I do not have any cards. Now, like all matters involving the Legislature, I have a torn Legislature today. The committee -- because some want to have the agenda first and others want to have resolutions. So I'm weighing down on the majority -- with the majority and going with the resolutions first, as long as I can handle them quickly.

So I will do that. Thank you, Mr. Morgo, for working with us on this issue. Just quickly as a note to the committee, tomorrow I will be representing the committee as well as the Legislature in going to Albany to be involved with the negotiations involving National Grid and KeySpan and representing our interest as the Committee on Energy. All right. We will move to the Tabled Prime.

2090-06, To impose moratorium on aviation related construction at Francis S. Gabreski Airport pending Master Plan adoption.

I understand you have a comment on this, Mr. Morgo.

COMMISSIONER MORGO:

Not on this one. This one -- the moratorium has been tabled, because of the FAA, remember?

LEG. VILORIA-FISHER:

Motion to table.

CHAIRMAN HORSLEY:

Motion to table, I'll second the motion. All those in favor? Opposed? So moved. Tabled **(VOTE:4-0-0-1 - Not present - Legis. Barraga)**.

1114, Accepting a grant award from the New York State Department of Transportation - Aviation Bureau, amending the 2007 Capital Budget and Program and appropriating funds in connection with the Airport Obstruction Program at Gabreski Airport (CP 5731).

CHAIRMAN HORSLEY:

I'll make a motion to approve, is there a second on the motion?

LEG. STERN:

Second.

CHAIRMAN HORSLEY:

Seconded by Legislator Stern. All in favor? Opposed? So moved. **APPROVED (VOTE:4-0-0-1 - Not present - Legis. Barraga)**.

1171, Adopting Local Law No. 2007, A Local Law to establish the Gabreski Airport

Conservation and Assessment Committee.

LEG. VILORIA-FISHER:

Table for a public hearing.

CHAIRMAN HORSLEY:

Did you want to say something? Okay. I have a motion on the floor to table for a public hearing.

COMMISSIONER MORGO:

I can talk about it at the public hearing.

CHAIRMAN HORSLEY:

Seconded by Legislator Stern. On the motion.

COMMISSIONER MORGO:

I will speak about it at the public hearing.

CHAIRMAN HORSLEY:

Very good. **TABLED (VOTE:4-0-0-1 - Not present - Legis. Barraga).**

1177, Accepting and appropriating a grant award amendment from the Urban Development Corporation, D/B/A Empire State Development Corporation (ESDC) for an Entrepreneurial Assistance Center Program 50% reimbursed by State funds at Suffolk County Community College.

Motion to approve by Legislator Fisher.

LEG. STERN:

Second.

CHAIRMAN HORSLEY:

Seconded by Legislator Stern. All in favor? Opposed? So moved. **APPROVED (VOTE:4-0-0-1 - Not present - Legis. Barraga).**

1188, Adopting Local Law No. 2007, A Local Law amending the Suffolk County Empire Zone Boundaries to include Blue & White Foods, LLC, (SCTM Nos. 0100-006.00-01.00-013.000; 0100-006.00-01.00-014.00; 0100-006.00-01.00-015.000).

CHAIRMAN HORSLEY:

That we need a public hearing on.

LEG. VILORIA-FISHER:

Motion.

CHAIRMAN HORSLEY:

Motion to table for public hearing, seconded by Legislator Stern. All those in favor? Opposed? So moved. **TABLED (VOTE:4-0-0-1 - Not present - Legis. Barraga).**

1189, Adopting Local Law No. 2007, A Local Law amending the Suffolk County Empire Zone Boundaries to include C&N Packaging Inc., (SCTM No. 0100-080.00-02.00-119.009).

Also same, needs tabled for a public hearing. I'll make the motion, seconded by Legislator Viloría-Fisher. All in favor? Opposed? So moved. **TABLED (VOTE:4-0-0-1 - Not present - Legis. Barraga).**

1190, Adopting Local Law No. 2007, A Local Law amending the Suffolk County Empire

Zone Boundaries to include Air Techniques Inc., (SCTM No. 0400-255.00-01.00-002.005).

Also needing a public hearing. I will make that motion, Legislator Stern seconds the motion. All those in favor? Opposed? So moved. **TABLED (VOTE:4-0-0-1 - Not present - Legis. Barraga)**

1191, Adopting Local Law No. 2007, A Local Law amending the Suffolk County Empire Zone Boundaries to include Custom Woodwork Ltd., (SCTM No. 0600-124.00-02.00-024.000).

Need a public hearing. I'll make a motion, seconded by Viloría-Fisher. All in favor? Opposed? So moved. **TABLED (VOTE:4-0-0-1 - Not present - Legis. Barraga).**

1208, Appropriating funds in connection with Culinary Arts Program equipment (CP 2208).

LEG. ROMAINE:

Motion.

CHAIRMAN HORSLEY:

Motion to approve, seconded by myself. Mr. Gatta would like to speak on the motion.

MR. GATTA:

George Gatta, Vice-President Workforce and Economic Development Suffolk County Community College. We believe that this resolution and the two or three others that follow it are structured correctly. We tried to reach someone in the County Executive's Budget Office earlier today. They were all out at some function, some training, I believe, so we couldn't get an answer.

I did speak with Roz Gazes in Budget Review, and she believed it was correct. This project is for a total of \$480,000, 330 of which is from the County, 150 is coming from the State through a separate State appropriation. It's not structured in the normal way that County Capital Projects are usually, 50/50. In fact, beyond the 150 from the State there's another four or \$500,000 more. So it's almost two-thirds State funded and one-third County. We just wanted to make sure that the 150 in Resolved Clause 4 that's coming from the State was not being used as reimbursement against the 330,000 out of the County Capital Program. So we just wanted to be sure that it was 480,000 in total, not 330 less 150. That was really the question that we had. And I just wasn't able to get an answer earlier today to that.

CHAIRMAN HORSLEY:

Mr. Morgo, do you have anything to comment then, or Budget Review? Budget Review.

MR. MUNCEY:

I believe George Gatta is correct when he spoke with Roz Gazes. It's in order.

CHAIRMAN HORSLEY:

So everything is okay.

MR. GATTA:

Thank you.

CHAIRMAN HORSLEY:

All right. We have a motion on the floor to approve. All in favor? Opposed? So moved. **APPROVED (VOTE:4-0-0-1 - Not present - Legis. Barraga).**

LEG. ROMAINE:

Can the Clerk please list me as cosponsor for 1208?

MR. LAUBE:

Yes.

CHAIRMAN HORSLEY:

1209, Appropriating funds in connection with the Learning Resource Center - Eastern Campus (CP 2189).

Motion on the floor?

LEG. ROMAINE:

Motion.

CHAIRMAN HORSLEY:

Motion to approve by Legislator Romaine, seconded by Legislator Viloría-Fisher. All in favor? Opposed? So moved. **APPROVED (VOTE:4-0-0-1 - Not present - Legis. Barraga).**

1210, Appropriating funds in connection with waterproofing building exteriors (CP 2177).

LEG. STERN:

Motion to approve.

LEG HORSLEY.

Motion to approve by Legislator Stern, seconded by Legislator D'Amaro -- he's not on the committee.

LEG. VILORIA-FISHER:

I'll jump in.

CHAIRMAN HORSLEY:

Legislator Viloría-Fisher seconds the motion. All in favor? Opposed? So moved. **APPROVED (VOTE:4-0-0-1 - Not present - Legis. Barraga).**

1233, Designating 3rd Monday of April as "Librarian Appreciation Day" in Suffolk County.

LEG. VILORIA-FISHER:

Motion.

CHAIRMAN HORSLEY:

Motion by Legislator Viloría-Fisher, seconded by Legislator Stern. Do we all want to be cosponsors of this wonderful resolution? We all love our librarians. All those in favor? Opposed? **APPROVED (VOTE:4-0-0-1 - Not present - Legis. Barraga).**

1256, Appropriating funds in connection with the Science, Technology and General Classroom Building - Ammerman Campus (CP 2174).

LEG. VILORIA-FISHER:

Motion.

CHAIRMAN HORSLEY:

Motion to approve by Legislator Viloría-Fisher, seconded by Legislator Romaine. All in favor? Opposed? So moved. **APPROVED (VOTE:4-0-0-1 - Not present - Legis. Barraga).**

1257, Appropriating funds in connection with the reconstruction of the Central Plaza - Ammerman Campus (CP 2187).

CHAIRMAN HORSLEY:

Motion by --

MR. ZWIRN:

Mr. Chairman.

CHAIRMAN HORSLEY:

Yes.

MR. ZWIRN:

May I just be heard for a quick second?

CHAIRMAN HORSLEY:

Absolutely.

MR. ZWIRN:

Is it possible we can get this tabled one cycle? The County Exec's Office asked me -- they just want to take another look at this. In this -- in this proposal is a fountain that will cost about \$270,000 out of it. And they just want to take one more look at it before they want to go ahead and appropriate the money for that project. So I just ask you for one table -- one cycle.

LEG. VILORIA-FISHER:

Ben, isn't -- I know that we've been trying to get the reconstruction of the Central Plaza at the Ammerman Campus going for a while. And isn't this as it's designed in the Capital Program and we're just appropriating the money?

MR. ZWIRN:

The answer is yes. I just think they were -- when they were looking at it a second time, they saw how much money was being spent; out of the 750,000, how much was going for a fountain. And they just said, you know, they wanted to take one more look at it to make sure that -- it seemed like an awful lot of money for them for -- for essentially something that would be aesthetic as opposed to necessary for safety or a learning center or something for the physical plant.

CHAIRMAN HORSLEY:

Any comment from the College?

MR. GATTA:

As most members of the Legislature know, over the past several years, the College has implemented most of the renovations to the Central Plaza at the College pursuant to the master plan that's been adopted by the trustees and is part of the Capital Program, as Legislator Viloría-Fisher has just mentioned. This was bid several times, and because of increases in construction costs over the past three years, certain elements were deleted until we could secure additional funding for the project, the fountain being one of those.

If you visited the campus, and I know many of you have, many of you as students, many of you as friends of student, who spent a lot of time in the library or in other parts of campus, the renovation of that plaza is remarkable. It is aesthetically beautiful. It brings all of the buildings surrounding that plaza together, it gives it a sense of place. And for the 12,000 plus students that attend that campus on a daily basis, I think it lifts their spirits, it gives them pride in the institution. Beyond the academic excellence and all the other things we are doing, the fountain is one of the elements of that design that highlights that facility.

And it's also part of Veterans Plaza. And there are commemorative plaques commemorating each of the conflicts that this country has been involved in. So it's really dedicated to veterans. You know, obviously we would like to see it move forward, but, you know, whatever the Legislature's pleasure is, we will be glad to work with you. Thank you.

LEG. VILORIA-FISHER:

George, I can't agree with you more. The Veterans Plaza looks wonderful. But I've also seen at Stony Brook University with the addition of the fountain what a good focal point it is and the sense of place and the sense of belonging and engaging students in campus life there is when you have that aesthetically pleasing plaza or academic quad.

So I really don't see any reason to table this. I don't think we should start revisiting the design. Our costs have -- you know, I'm looking at the Eastern Campus -- and Legislator Romaine, you weren't here when I began to fight to have some of the work done on that Eastern Campus. But it's taken so long that we've let the price go up on some of the costs. And so I'm going to be opposed to it. I'm going to make a motion to approve actually.

CHAIRMAN HORSLEY:

Okay. Is there a second on the motion?

LEG. ROMAINE:

I'll second.

CHAIRMAN HORSLEY:

Seconded by Legislator Romaine. Is there a motion -- any other motions? Okay. We have a motion to approve. All in favor? Opposed? So moved. It's been **APPROVED (VOTE:4-0-0-1 - Not present - Legis. Barraga)**.

All right. This is a proud moment for the Legislature to invite Mr. Morgo and Mr. {Ambrosino} as well as Pearl Kamer, the noted economist from -- not only from the LIA, but from Hofstra University and across Long Island. They are here to talk about a success story, and we're proud to be a part of the that success story, about the Canon Corporation setting up their headquarters, their regional headquarters, here in Melville in the grand Town of Huntington.

Jim, I applaud you for your efforts on this, I applaud the County Executive. And we're so pleased that you had come at our invitation to come talk to us and brief us and be part of this.

COMMISSIONER MORGO:

Well, Mr. Chairman, it's a pleasure to be here to talk about something other than sewers as a matter of fact.

CHAIRMAN HORSLEY:

Even though we're for them.

COMMISSIONER MORGO:

Absolutely. Sustainable growth. The point we are going to make about Canon USA locating to Melville in the Town of Huntington in the County of Suffolk really go far beyond Canon USA coming to Melville. And some of the -- four of the resolutions, in fact, that you tabled to the public hearing are all under the same theme. The theme would be the importance of public investment for public return.

Before I get into the substance of what I want to talk about, I wanted to introduce, again, the folks who are up here with me. On my right, as you said, is Dr. Pearl Kamer, the Chief Economist for the Long Island Association. On my left is Anthony Catapano. Tony is the Deputy Executive Director for the Industrial Development Agency. And I do want to mention something. Bruce Ferguson, the Executive Director is -- would have been here. He worked very hard on putting together the program for Canon. As some of you know, Bruce has throat cancer. And he is being treated, and the treatment is very unpleasant, but the prognosis is very good. So I would like you to keep him, if you would, in your prayers also. Bruce is instrumental to the economic development efforts of

Suffolk County.

Also with me this morning to operate the Power Point we have prepared is Lisa Ann Broughton. Lisa is the department's high-tech and bio-tech specialist. But because of my technical proficiency, I asked her to come along and operate the Power Point. Canon USA is now renting space in Lake Success in Nassau County. It's bringing its entire western hemisphere operation, the operation of the Americas, to Melville. If Canon were in Suffolk County today, it would be its fifth largest employer, and it will be when it comes to Suffolk County in 2009.

Its products are everything, as you probably know, cameras, but also fax machines, and imaging and copy machines. It's one of the Fortune 500's world's top companies. It's ranked second only to IBM -- it was ranked last year -- second only to IBM in the number of patterns that it was given by the United States Government. But Canon USA -- I'm sorry. Canon has 116 employees worldwide in 2005, just 9% of those
116 --

CHAIRMAN HORSLEY:

How many?

COMMISSIONER MORGO:

One hundred and sixteen thousand.

CHAIRMAN HORSLEY:

Thousand. Yes. I thought I heard 116, I'm going, I know there's more than that.

COMMISSIONER MORGO:

One hundred-sixteen thousand employees worldwide. In 2005, just 9% of them are in America. But Canon USA, which is a wholly-owned subsidiary of Canon Incorporated, Canon USA accounted for 31% of the global corporation's \$31.8 billion in net sales. Canon USA, although new to Suffolk, is being retained not just for Suffolk, but for the entire region, the entire Northeast region. And now instead of renting, instead of renting, it's going to own.

And in a former life, I would make that point frequently, how important it was own rather than rent. From an economic development point of view, an entity that owns is far less likely to leave than one that is renting space. I want to get into a little bit of Public Economics 101, that's economics in the public sector. Any public incentive provided no matter what it's for is an investment. When you and I make investments, we're making those investments for what we hope will be a good return. We anticipate returns. The returns on public investments are new and retained jobs and increased private investments. Retain job, new jobs, private investments.

Jobs and investment generates wages and taxes and a sustainable economy, and overall, what we're all here for, a better quality of life for the citizens of Suffolk County and the citizens of Long Island. Let me give you a picture of the current context, what's happening with jobs and investments on Long Island.

If you look at the chart that Lisa put up there -- I don't know if you can read it, but in 1996 -- you have here the gray figure are wages -- average wages per employee in the United States beginning in 1996. The yellow average wage is per Long Island employee. In 1996, the gap -- you can see the change in the gap, it was 16%. Today, it is a little more than 5%. So we used to be considered a region of high wages. The gap is closing. In fact, the new jobs we are creating are low paying jobs.

We're experiencing the greatest growth in the lowest page jobs and a decline in the highest page jobs. Young people who will be getting the high salaries are leaving Long Island. The jobs that we are creating are the jobs you will hear about -- you know, you know, that old line, "I know we are increasing jobs because I have three of them." Those are the low-paying jobs. What happens?

What happens when businesses leave or cutback on jobs? We have two recent examples of job cutbacks. You probably saw Photo Circuits in Glen Cove and Northrup-Grumman in Bethpage are cutting jobs. So what happens? Investment and taxes leave. Something else occurs as well.

A negative momentum begins. The business climate changes. A region is labeled as high-cost and antibusiness. It's other -- it's considered as a business unfriendly region. I see this all the time, folks. I saw this as recently as this past Monday. What happens is other states, other regions, see our businesses as prime targets. On Monday, I had a manufacturer come in, a 500 person manufacturer, who told us about the incentives offered by Davidson County in North Carolina. There are all the usual incentives you think about, the kinds of incentives we're going to talk about, but additional incentives as well; infrastructure built at no cost, a ten-year lease of 35 acres at no cost, just to attract this business.

When we're seen as business unfriendly or a high-cost area, it's sort of like the other states become predators, sharks, circling our businesses. I said to Lisa, that would make a great slide, having our Long Island businesses on a raft and having all of these sharks circling it. The only problem with that slide is it's all too real.

Let me give you a relevant case in point as a comparison. I want to talk about Olympic, the Olympic Camera Company, a very similar company. In the mid 1990's, then Governor Cuomo wanted to development the Long Island Development Center as Olympic America's Corporate Headquarters, National Headquarters. It totaled about 54 acres, very close to the 52 acres here in Melville, where a 234,000 square foot entity building was planned, new construction. But our position from the local civics in Huntington killed the project. Fast-forward ten years to 2006. Olympic was still looking on-site for sites on Long Island, but to no avail. Newsday had said that they looked at 16 in all.

As a result, Olympus and its 800 jobs in its payroll, in its taxes and its investments are now in Pennsylvania, last number of jobs left Melville and moved to Pennsylvania in October of 2006. And they went to Pennsylvania. And Pennsylvania offered economic incentives valued in the tens and millions of dollars. We lost a very important employer. What does that do to the business psychology and how people think of our region?

Canon -- Canon too had been the victim of nibmys. In the 1990's, 1992 to be exact, in 1992 it was thwarted from developing its New York American Headquarters on the New York Tech Campus in Old Brookville, which, again, the local municipality reacting to nibmys stifled the development at New York Tech in Old Brookville. At the time, it planned a 600,000 square foot American Headquarters. Now -- and I don't mean to be overly dramatic, but this is the case, having met with the Canon fox, it's either Melville or New Jersey. Canon owns property in New Jersey where they could leave. And, you know, Canon and this company I met with Monday and so many of the companies I meet with talk about their dilemma.

The folks who own the companies love Long Island, their employees are from here, they love Long Island, they don't want to move. But if they're publically-owned, like Canon is, as this company was on Monday, they have an obligation to their shareholders. It's a capitalist system. They have to be profit-motivated. They'll take a little less profit for the quality of life we have here, but they won't make big sacrifices. And they would be fiscally irresponsible if they were to do that. Okay.

Let's talk about some good news now that I've depressed you all and talk about what happened exactly with Canon and how this proposal played out. I want to go to key events. In this past May and for several weeks afterwards and continuing, there's been meetings with Canon USA executives, they started in the middle of May, 2006, they continue to this day, with the County, with the IDA, and -- and I shouldn't forget this -- with the Town of Huntington. The Town of Huntington has been very responsive, particularly Councilman Cuthberston and Supervisor Petrone. You may have read how they changed the zoning on this 52 acre parcel to make it welcoming to Canon.

Another very important date was December 13th. I have up there subtle diplomacy. I think you

know about this. We had the battle of the real estate titans with Mr. {Montar} and Mr. {Tillis} in dispute of who was going to sell the property to Canon. The County Executive really was the Henry Kissinger of the 12th Floor. He went between the small conference room and the big conference room. We had {Montar} in one of them, {Tillis} in the other and -- with Judge {Mollan}. Steve worked out a compromise, because the stakes were very, very high. The stakes were losing a major employer, a major employer with worldwide fame.

The third date of note, and you were there, Wayne, at this date, was the January 25th meeting of this year of the Suffolk County IDA where we came up with the preliminary inducements for the public investment, the public incentives. There will be -- and it's up there -- the sales tax exemption on new materials and new equipment. That's estimated at \$60 million, and the real estate abatement estimated at \$19 million, that's over ten years.

We made the highest estimates possible. We did not want to be accused ever of low-balling these or underestimating the public investment, what the public is giving. However, and this is what I began with, the return, the return is critical. The capital return, Canon is building an 864,000 -- that's huge -- 864,000 square foot building.

CHAIRMAN HORSLEY:

That is huge. I will emphasize that. That is huge.

COMMISSIONER MORGO:

And they're planning -- and, you know, parenthetically, this is going to be their headquarters for the Americas. You know it's going to be a beautiful corporate campus that going to be well designed, well landscaped, because we're talking about a quality corporation. They are expending in acquisition and actual construction, \$459 million. Four hundred and fifty nine million dollars, that's a half a billion dollars just about, on just -- on the capital investment and what they build. They're paying for the land \$102 million, but all the rest is going to the property.

There are more returns, and these are key returns. Currently, Canon has 1260 employees. Their average wage is 75,000. In 2009, that's the first year that Canon thinks they will be at the Melville site, they think they will get their CO, the Certificate of Occupancy, in 2009. They estimate 1310 jobs with an average wage of \$84,000. In 2019, the last year of the tax abatement, they estimate 2060 jobs with an average wage of 119,000. Over the -- over the ten years of tax abatements -- this is not on the slide, but this is something that I think is interesting too, because over the ten years where they're getting their tax abatement, they still will pay \$15.5 million in pilot payments. And it's something that is unique to this arrangement, they may pay more than that in pilot payments. And I'm going to explain why they may be paying more than that in pilots over the ten years.

In 2020, when the pilot payments end, Canon will be paying an estimate \$4 million a year in real estate taxes and have a workforce of 2110 with an average salary of 126,000. Why I said they may be paying more is that -- what we have bolded up there -- Canon committed to increase pilot payments over ten years if these job protections are not reached. What we have done at the IDA is we have benchmarked jobs to pilot payments. In other words, they would pay say 10% the first year of the assessed taxes, however, if they don't meet this benchmark of jobs, they'll be paying more than 10%, 12%, 13%.

CHAIRMAN HORSLEY:

Commissioner, can I just ask one quick question I think might be to highlight this? The property as it stands now as the pumpkin farm compared to once this thing is built and even with all these pilots and all these programs that we are -- so what is the difference between the -- what are they paying now as the pumpkin farm versus their first year, which is --

COMMISSIONER MORGO:

It's about 200,000 a year.

CHAIRMAN HORSLEY:

In addition? More than they would --

COMMISSIONER MORGO:

That's what they're paying now.

CHAIRMAN HORSLEY:

That's what they pay now?

COMMISSIONER MORGO:

Yeah.

CHAIRMAN HORSLEY:

What would they pay -- they would pay the first year of the pilot program?

COMMISSIONER MORGO:

I'll tell you that in a minute. You have that?

LEG. VILORIA-FISHER:

Can I just ask a question?

COMMISSIONER MORGO:

Go ahead.

COMMISSIONER MORGO:

Tony is looking for that.

LEG. VILORIA-FISHER:

Just a clarification, question, Jim. The numbers you are giving -- the number of jobs in this Power Point presentation, are those, in fact, the benchmark numbers for jobs?

COMMISSIONER MORGO:

Yeah, that's right.

LEG. VILORIA-FISHER:

Okay.

COMMISSIONER MORGO:

We did a chart and -- but they're more detailed, because they're year by year.

LEG. VILORIA-FISHER:

So these are not projections, they're benchmarks?

COMMISSIONER MORGO:

Yeah, these are benchmarks. And again, if they don't meet these certain benchmarks -- and they're done over the entire ten years, Legislator -- in that first year, 2009, with the 90% abatement, Canon will be paying 334,141.

CHAIRMAN HORSLEY:

So we're saying that at the least dollar amount they will pay to -- for taxes is \$134,000 more than what we are presently getting as the pumpkin farm?

COMMISSIONER MORGO:

You are correct, sir.

CHAIRMAN HORSLEY:

I think that's commmemorable. I anticipated it would be a positive number, so. I would be shocked if it wasn't. But that's good news.

COMMISSIONER MORGO:

Finally, keeping Canon USA headquartered on Long Island and located in Melville is a good investment. The public is making a commitment, we're getting a good return. One of things that maybe you wouldn't think of, I probably wouldn't think of it either, but it hits me in this position all the time, there's -- I talked about the negative psychology when we lose jobs, when we lose companies. Think of this from a positive psychological aspect. We're keeping a big multi-national company, and it's still interested in staying in Suffolk County. Psychologically, that's very important. Pearl in a second is going to talk about the ripple affect and multipliers, well, that's a psychological multiplier.

CHAIRMAN HORSLEY:

It's a psychological motivator as far as the 110 Corridor as well, which is our economic engine for Suffolk County. So that's of also interest.

COMMISSIONER MORGO:

It is investment by Suffolk County that will be paying dividends for you, your children, your grandchildren for decades to come. Pearl -- the IDA retained Dr. Kamer, because -- and this is something we're going to -- that really came from a question that Legislator Lindsay asked about the cost benefit analysis. And when we talk about the regionally significant projects that we've tabled, one of the things, because of your input, that I've asked to be done before we bring any more of those to you is a cost benefit analysis. Let me warn you they are not going to be nearly as detailed as this one. What Dr. Kamer prepared is something that's appropriate for the magnitude of Canon USA coming to Suffolk County. So I'm going to turn this over to Canon -- to Dr. Kamer. You have her preparation in front of you, do you? Were they given to you? Now they are.

DR. KAMER:

Mr. Chairman, Members of the Committee, thank you very much for inviting me here this afternoon so that I could present the findings of the benefit cost analysis on Canon USA. I did two types of analysis. One, the cost versus benefits during the construction period, and two, the cost versus the benefits during the first ten years of operation from '09 to '19, when the tax abatements will be in affect.

Now, at the Long Island Association, we have something called the RIMS II Input-Output Model. This was prepared for us. It's a proprietary model prepared by the Bureau of Economic Analysis of the US Commerce Department and purchased by the LIA as a tool to better understand the functioning of the Long Island economy. And basically what it shows is the flow of business activity between industries.

When you inject 459 million into the economy, this is only the tip of the iceberg in terms of the benefit to the economy, because this spending undergoes a process of respending so that the ultimate economic impact is actually multiple of the original expenditure. And I'll give you an example. Construction workers spend their earnings at the local luncheonette or the local clothing store, which in turn buys merchandise from other Long Island businesses, and a whole process is set in motion.

Now, the RIMS II Input-Output Model has three types of multipliers. It shows us the impact of spending 459 million on the total Long Island output of goods and services, which is equivalent to our regional gross metropolitan product. It shows us the impact on earnings on Long Island; how much does it drive up earnings in total. And it shows us the impact on employment; how many jobs are created. So I used this model and injected the 459 mill that Canon plans to spend. And the findings show that this injection of additional expenditures into the economy will cause Long Island's

gross metropolitan product, its output of goods and services, to increase by more than 914 million, including the original expenditure.

But in addition, local earnings would increase by 252 million and almost 6700 secondary jobs would be created in various industries throughout the economy, not necessarily the construction industry, this spills over into all industries. The greatest impact, of course, as you might imagine, will occur in construction, but they'll also be positive impacts in the real estate industry, in the retail industry, and in professional and technical services. So those are the benefits.

Now we have to ask what cost will be incurred in order to achieve these benefits. Canon would get a sales tax exemption for a portion of its construction and equipment cost. It's estimated -- in looking at these benefits, the Suffolk IDA estimated that 50% of the total projected construction cost and a 100% of total projected equipment spending would be subject to sales taxes. Based on these assumptions, the State and the County would lose a total of almost \$16.7 million during the construction phase. And I emphasize that this represents a loss not only of County sales tax revenues, but of State sales tax revenues as well. So I compared this loss, almost 16.7 million, to the gain and earnings of 252 million. And if you do some simple math, it's a 15 to 1 benefit cost ration.

And this is a conservative ration, because if we would look only at the County loss of sales tax revenues, it would be closer to 30 to one. But we wanted to take a conservative stance in estimating the benefit cost ration. So again, you divide 252 million by 16.7 mill, you come up with 15 to 1 benefit cost ratio.

COMMISSIONER MORGO:

Wayne, you remember that one of the IDA directors said he was hoping for a five to one?

CHAIRMAN HORSLEY:

Yes, I remember it well. I'm astounded by these numbers. These are huge.

DR. KAMER:

Well, wait until you come to the next part, Wayne. It gets huger. Even I was surprised, because there are so many jobs involved and because these are such high-paying jobs, the benefit cost ratio is the highest that I've ever seen on any project. Bug let's get into that. Canon projects that employment will rise from about 1300 full-time equivalent jobs in '09 to a little more than 2000 FTE jobs in '19 and that payrolls will rise from slightly over 110 million to about 246 million in current dollars.

The reason. These are high-paying managerial professional sales jobs, the kind we want to get on Long Island, and the kind we certainly want to keep on Long Island. Just to put this in context, average annual wages in '09 will be about 84,000. In '19, they'll be about 119,000 in current dollars. Once again, we used the RIMS II Input-Output Model to estimate the impact of both these jobs and payrolls. And we found that payroll spending, which will total 1.95 billion with a B between '09 and '19 will support a total of 3.2 billion in direct and indirect payrolls. On other words, it 's going to support additional economic activity resulting in payrolls throughout the economy.

Now, I have to give you a caveat in interpreting this analysis. To the extent that there's a leakage of payroll spending off Long Island, as when employees spend their wages off Long Island and these wages are no longer subject to the multiplier process, then you get a lesser multiplier impact. But these are generally Long Island residents who are employed by Canon. You may get some outsiders, but they're mostly local residents. So I would anticipate that the leakage would be minimal.

Now let's look at the abatement itself. The abatement for the first ten years of operation will amount to roughly \$19 million, which seems like a lot of money, but you are comparing a \$19 million loss in real property tax revenues with an increase 3.2 billion in direct and indirect payrolls,

and that gives you a benefit cost analysis of 170 to 1. Now even if you forget the multiplier completely and just look at the direct salaries, you come out with a benefit cost analysis of 103 to 1.

You can measure it another way as well, and this is not in your report, but you can measure it in terms of what you're losing in property tax revenues over a ten year period per job. And if you do the simple math on this, you're paying \$9227 per job, per high-wage job, which is extremely low in economic development terms. And that ends my formal presentation. Suffice it to say that this is a win-win situation for Suffolk County, for its residents in terms of jobs and for the Long Island economy. And again, thank you for having me here this afternoon.

CHAIRMAN HORSLEY:

Pearl, as always your reports are wonderful. Usually I hear you say negative things. So it is such a pleasure.

DR. KAMER:

You should have heard me before the LIA Board this morning. We were discussing subprime loans.

CHAIRMAN HORSLEY:

Oh, yes. I see what the Stock Market is doing today due to subprime loans. Let me just quickly ask you, Jim -- the Commissioner mentioned this quickly about the number of patents that Canon has that that would certainly auger to -- that they're going to be doing well into the future. Do you have any feel about how this -- this technology that Canon has, is -- are they well-placed for the future, they look like they're in a growth mode, those types of things?

DR. KAMER:

They certainly are. And I'd like to put this in context for you. Long Island has been lagging behind its historical record in terms of patents granted. And yet, we know that given the cost of doing business on Long Island, given the cost of living on Long Island for various reasons, the only jobs that will be helpful to us are high value added technology-intensive jobs, whether it be in goods producing industries or in the service sector. And Canon is a leader in these types of jobs, certainly in the 110 corridor. And now I'll put on my hat as a member of the Board of the 110 Redevelopment Corporation. We want to develop a high-tech node in and around 110. We're well on the way to doing so with the bioscience park on the Campus of Farmingdale State. This will be another notch in our belt. And certainly, it will provide the support for a technology-based economy on Long Island.

COMMISSIONER MORGO:

Wayne, one of the things that I was speaking to {Ed Ambrosino} about previously is that although with their current jobs in Lake Success and to be in Melville in 2009, they don't have the research and development component there. But they may very well add R&D in as part of their increase in jobs.

CHAIRMAN HORSLEY:

That would be one of my questions. The jobs that we have are mostly being service related type positions, the white color, the middle -- and so then R&D. So we're talking scientist that --

DR. KAMER:

You got some R&D in there if you look at some of the specific occupations. But they are mostly administrative sales, that type of thing.

COMMISSIONER MORGO:

Marketing.

DR. KAMER:

Marketing.

CHAIRMAN HORSLEY:

Marketing. Sure. Which is what I expected. But you are saying that there might be an R&D component into the future, which --

COMMISSIONER MORGO:

And I also wanted to mention a couple of things. I was kidding when I said that -- well, I wasn't kidding, but I was being a little facetious when I said don't expect the cost benefit analysis to be as detailed as the report you have in front of you, and the ratios are not going to be that high.

CHAIRMAN HORSLEY:

To know we have 170 to one.

COMMISSIONER MORGO:

Yes. However, I don't want to get your expectations up.

CHAIRMAN HORSLEY:

We're thinking big things from you, Morgo.

COMMISSIONER MORGO:

Good. The thing that I want to mention, though, and I really would be remiss if I didn't mention, that Canon clearly has a commitment to stay on Long Island. This whole thing with the benchmarks -- and I was just looking at -- getting back to Vivian's question, how are the benchmarks formed? They are year by year and there's a percentage per year. But they agreed without much negotiations. You know, they were in negotiations and negotiations continue. But they agreed to these benchmarks. They agreed to tie in the benefits to the benchmarks. And their commitment to the Long Island community is manifested in a whole bunch of different ways. They're a good corporate citizen with contributions to the local not-for-profits, they have a program here with Suffolk County Community College.

So there's -- Pearl characterized this as a win-win, and on so many levels it really is, not just the importance for our economy.

CHAIRMAN HORSLEY:

That's great. Legislator Viloría-fisher. I have a couple of different questions. And when we speak of synergy and the research and development, as you know, Stony Brook University is working on that wireless center. And do you see a kind of synergy that would have -- that would be working in that area?

DR. KAMER:

I think there's great cooperation between our research institutions, and that not only includes Stony Brook, but Brookhaven Lab, Cold Spring Harbor Lab, which is a partner in the bioscience park along with Farmingdale State. So I think the cooperation between our centers of research will be ongoing into the indefinite future. And Canon will be a spoke in that wheel.

LEG. VILORIA-FISHER:

And, Pearl, I have another question about multipliers. Right now I'm seeing -- my son-in-law is being recruited for a job, and they're really catering to my daughter to try to get her to be willing to move also. When you're looking at multipliers, are you factoring in that there will be people coming for employment at a certain level of, you know, professional -- at a certain professional level, and that their spouses would then be attracted to come and, you know, we'd be filling those places where heretofore we had large corporations saying that it's difficult to attract that level because it's not the people making 200,000, but -- or it's not making people making 30,000, we're talking about the people making good wages, but one good wage isn't going to attract them, you need the two people making good wages, is that in any part factored into the --

DR. KAMER:

No. This model works on dollars. And basically it shows the dollar flow from industry to industry when you inject a given wage or a given construction dollar into the economy.

LEG. VILORIA-FISHER:

Where that dollar goes, okay.

DR. KAMER:

But I think you're absolutely correct in saying if you are attracting people from elsewhere and they bring their spouse who is also a professional, it will help alleviate the ongoing shortage of professional workers on Long Island. What we're seeing today is that young people who have the best skills, young college graduates are leaving, because they can't afford our taxes and they can't afford our housing. So if you look at the demography of Long Island, the number of persons between age 25 and 44 declined by 66,000 between 2000 and 2005.

We would love to retain these workers here, and I think Canon would be a part of it. It's going to take a lot more than Canon to get the professional workers we need to staff our businesses. One of the reasons we're not getting high-paying job growth here and we are getting low-paying job growth is that our high value added, high-paying workers just can't -- companies can't find the workers they need.

LEG. VILORIA-FISHER:

And that's why I mentioned that, because if you have a company such as Canon attracting that high level of professional, and there could be -- you know, it would be attracting that person and that person's spouse, and that spouse that could be courted as to what other high tech or professional availability there is in Suffolk County, then we would be getting two workers at that level.

DR. KAMER:

Exactly. Exactly.

COMMISSIONER MORGO:

I wanted to mention too, that {Ed Ambrosino} would be willing to come up and answer any questions. He may even want to say something representing Canon. So why don't you have Ed take your chair, Tony, if you would. One of the things that -- Pearl's comment about losing our young, something that I have talked about a couple of times --

LEG. VILORIA-FISHER:

Couple of thousand times.

COMMISSIONER MORGO:

What was interesting in the negotiations with Canon when we were talking about the possible benefits, you know what kind of surprised them and they had never heard about before? The Employer-Assisted Housing Program that the County has where we're able to leverage all that other public money. And it's one of the things that they are -- they've been meeting with Joe Sansavarino, as a matter of fact, to get enrolled in that. But again, Ed -- Ed's been part of this process since almost the very beginning. And I thought if you had any questions for him or from the Canon perspective, if you will.

CHAIRMAN HORSLEY:

Let me just -- before we get into that, Legislator Stern.

LEG. STERN:

I just have a question for the Commissioner. Welcome, Dr. Kamer, and it's good to see you, Commissioner.

DR. KAMER:

Thank you.

LEG. STERN:

Great job all around. Great deal. Very exciting. Where the location is, well-served Route 110 area and the Long Island Expressway, do you foresee any substantial infrastructure issues that we perhaps should be aware of early on that we can address well in advance?

COMMISSIONER MORGO:

As you know, Legislator, it's not on 110. The SEQRA process will talk about any impacts. We have already talked with Canon, and maybe Ed could talk about this more, about the design of the campus being car-friendly, staggered shifts, those kinds of things, but we have not identified ourselves any roadwork, traffic concerns at this time.

MR. {AMBROSINO}:

Thank you, Commissioner. Mr. Chairman, Members of the Committee, thank you very much for having me. And just as prelude to my answering that question, on behalf of Canon USA, we want to thank Suffolk County. We look forward to making this our home. Your work, the work of the County Executive, Supervisor Petrone, Commissioner, the IDA, phenomenal job, and we want to thank you for uplifting the entire region. We were going to New Jersey. We look forward to making Suffolk County our home. And your sacrifice is bettering the entire Long Island region. And we thank you.

To the extent of the infrastructure, the pumpkin farm right now is ideally situated for the -- it's adjacent to the Long Island Expressway, the Service Road is right there. We anticipate through the SEQRA process, there may be a couple of curb cuts along the Service Road. It's going to be a beautiful fit right along side the Long Island Expressway. We do not anticipate significant infrastructure problems.

CHAIRMAN HORSLEY:

Legislator Lindsay, Presiding Officer.

P.O. LINDSAY:

I just want to congratulate everybody for a really good job. This is very, very important to our economy. And portrayal of us losing \$19 million I don't think is totally accurate, because it's more than money than we're making on pumpkins right now. The other thing in your report, Pearl, which is always very thorough, the construction portion, which I knew something about from a prior life, in all the years that Canon was in Lake Success, I always had people working in that building, well after the initial build-out was done, renovations and ongoing additions or whatever. And so to have that type of corporate citizen in our County, the economic spinoff never stops. Good job. And welcome, welcome to Suffolk County.

MR. {AMBROSINO}:

Thank you very much.

CHAIRMAN HORSLEY:

There you go. Thank you, Legislator Lindsay. Let me ask a question that I think maybe Pearl or Ed might be able to -- or Jim, concerning -- what's now that -- you know, now that we've popped the champagne, you guys are coming and whatever, as economic developers, where do we go from here to add-on, to value add-on to the fact that Canon's going -- coming to this neighborhood? Who do we reach out to now to say, "Boy, you know, if" -- Canon might have a synergy with this type of corporation, where do -- what would you like us to promote as Suffolk County, as people who are interested in growing our economy?

DR. KAMER:

Well, you can work through any technology-based organization and make sure that Canon interfaces with them. But I would like to see the coo that we got with Canon extend to other headquarter

firms. I often been asked why does Long Island have so few corporate headquarters, and that's the truth. We're a small-business economy. We had more corporate headquarters when the defense industry held its way, but that's a long time in the past. And I think by having Canon here as a shining example of a corporate headquarters, we might be able to expand economic development efforts to try to lure additional corporate headquarters here.

And this would certainly be a major coo for Long Island. Because Westchester is a suburb that has always had a lot of corporate headquarters, and the say that's because the principles of these corporations tended to live in Westchester and they wanted their office close to home. And we didn't have that. But we have a very hard working labor force. We have a college-educated workforce. And we should be in a position to attract other corporate headquarters here, and this might be just the beginning of long road for us.

COMMISSIONER MORGO:

That's a terrific question. What our job is going to be, and when I say "our," I mean yours and the departments job is to really maximize the psychological benefit that I talked about. I talked about the negative momentum, the negative psychology, what happens to the thoughts about the business climate when a business leaves. We really have to market the fact that Suffolk is still a welcoming place for a multi-national company that would locate its headquarters for the western hemisphere.

In response to Legislator Stern's question, Ed talked about the location being ideal. Just think about that. You're not going to be able to drive on the Expressway, get to exit 49, the 110 Corridor, without seeing the Canon logo and the national headquarters being there. So it's going to be that kind of attraction. We also have to work with Canon and Canon will work with us. And Pearl mentioned interfacing with other technology -- technological professional organizations, and you know them. Groups like -- that you are involved with, Wayne, the 110 Redevelopment Committee, and making sure that those synergies and the enlightened self interest works for both, and they work together. Ed, do you want to add to that?

MR. {AMBROSINO}:

The only thing Suffolk County could do was table any legislation banning the sale of digital cameras.

P.O. LINDSAY:

That might be coming up. You never know.

CHAIRMAN HORSLEY:

Let me ask you then, is it possible that we should -- or should we be looking at, as economic developers, Jim, a package for -- for corporate headquarters that maybe grows our IDA package? You know, that type of thing, that, you know, something that, you know, we can go and sell. Hey, listen, you want to go right next to Canon, we've got Computer Associates down the street, you know, give or take, and we could give you a better deal then they got.

COMMISSIONER MORGO:

Well, yeah. What I've been talking about since I've been in this position are incentives, which are called investments. The IDA's incentives in addition to what we talked about today, the real estate abatement, the sales tax exemption, the lower cost financing through the IDA bonds, but we also have, remember, the Suffolk County Empire Zone and -- where we can get employee tax credits offered through the Empire Zone.

I would -- you know, perhaps Canon and other companies like them, now that we have the regionally significant projects where we change the boundaries of the Empire Zones, those kinds of things. But I think you hit on something when you said CA down the road, Canon here. You build on positive things.

CHAIRMAN HORSLEY:

Absolutely.

COMMISSIONER MORGO:

And I think in our literature we should have that picture of the Canon Headquarters gleaming there on the side of the Expressway. And those are the kinds of positive momentum.

CHAIRMAN HORSLEY:

Sell it to the world.

COMMISSIONER MORGO:

And Ed wanted to add something to that.

CHAIRMAN HORSLEY:

By the way, also on corporate headquarters, maybe an incentive for corporate headquarters, maybe we should consider something like that along with our IDA package. I know the Town of Babylon's IDA has given an extra little credit involved in that as far as better pilot program or whatever, maybe an extra year or something like that.

COMMISSIONER MORGO:

If you're bringing you national headquarters, if you're bringing your world headquarters.

CHAIRMAN HORSLEY:

Exactly. Exactly. Something along that line. Ed,.
I'm sorry.

MR. {AMBROSINO}:

Chairman, Canon is very happy to come here also will be probably one of your greatest advertisers. They want to work with County in saying, "Suffolk County is a great place to relocate your multi-national corporation. Come to Suffolk, they're embracing us." They believe that they can be a tremendous advertiser for you, and they're willing to work with the administration on that.

LEG. VILORIA-FISHER:

They'll take good pictures of us too.

CHAIRMAN HORSLEY:

That's right. Clear, lots of pixels. Are there any further questions? Anything else, gentlemen and Ms. Kamer, you would like to add?

COMMISSIONER MORGO:

No. Thank you for your time.

CHAIRMAN HORSLEY:

Guys, you know, we've always talked about -- I mean, for the last 20 years I've been hearing about the administration when they brought in Computer Associates and the like. I think this is equally as great a home run as -- this is a Babe Ruth home run for Suffolk County. And I'm proud of you guys. This is good stuff. It's great for all of us.

LEG. LINDSAY:

Do you have to use a Yankee as an example?

CHAIRMAN HORSLEY:

He was from Boston originally, what can you say? I'm placating.

LEG. VILORIA-FISHER:

Thank you.

COMMISSIONER MORGO:

Thank you very much.

CHAIRMAN HORSLEY:

Thank you very much for being here today. We do appreciate it.

LEG. ROMAINE:

Motion to adjourn.

CHAIRMAN HORSLEY:

Motion to adjourn.

(*THE MEETING WAS ADJOURNED AT 3:05 P.M. *)

{ } DENOTES BEING SPELLED PHONETICALLY