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, June 4, 2008.

MEMBERS PRESENT:
Legislator Wayne Horsley - Chairman
Legislator Steve Stern - Vice-Chair
Legislator Cameron Alden
Legislator Lou D'Amaro
Legislator John Kennedy

ALSO IN ATTENDANCE:
George Nolan - Counsel to the Legislature
Joe Schroeder - Budget Review Office
Joe Muncey - Budget Review Office
Barbara LoMoriello - Deputy Clerk of the Legislature
Ben Zwirn - Deputy County Executive
Carolyn Fahey - Economic Development
James Morgo - Chief Deputy County Executive
Charles Stein - Suffolk Community College
George Gatta - Suffolk Community College
Michael Ashley - Executive Vice-President/Lend America
Debra Alloncius - AME
All other interested parties

MINUTES TAKEN BY:
Donna Catalano - Court Stenographer

(*THE MEETING WAS CALLED TO ORDER AT 2:12 P.M.*)

CHAIRMAN HORSLEY:
Good afternoon, everybody. May we please stand for the Pledge of Allegiance.

SALUTATION

And may we please stand for a moment of silence in recognition of the service people who are fighting for our freedoms across the sea.

MOMENT OF SILENCE

Thank you, everybody. Please be seated. Welcome to the Economic Development, Higher Education and Energy Committee Meeting of June 4th. And I would like to welcome at this point in time the Deputy County Executive, Mr. James Morgo for your deliberations.

MR. MORGO:
Good afternoon, Mr. Chairman. Good afternoon, members of the committee. Let me say first of all, and I mean this genuinely, it's good to get back here. One of the things that I have missed since I left the Economic Development, Workforce Housing Committee last November was meeting with this committee. I've always enjoyed the discussions even when they were more parody than discussions. I do miss working with this committee.

I am here for an introduction that I'm very excited about, and that's to introduce you to the County Executive's appointment for the Commissioner of Economic Development and Workforce Housing, Patrick Skip Heaney. I have known Skip for a very long time and have worked very closely with him wearing a number of different hats. One of things on process that I wanted to mention, a procedural question, Skip is here to introduce himself, to answer your questions, to discuss with you his vision of the department. But you don't have the Introductory Resolution before you, because the announcement came after your May 13th General Meeting. You should have -- I believe you have the resolution and Skip's resume attached, so you should have that before you.

The County Executive is going to be introducing the resolution on Tuesday with a Certificate of Necessity, a CN. He feels that it's important that the -- that Skip get to work in the department as soon as possible. I would not say, however -- I would not say, however, that the department has been leaderless or rudderless since I left in November, and that's the other thing I want to mention today. I want to take this opportunity, and I think you folks know this, because you've been working with her, but I want to make a special mention of the work that Carolyn Fahey has done in really filling in since November.

I think that Carolyn's leadership has been incredible down there. We've been in constant communication. But the direction of the department has continued. As you know, it's been a very active department. And Carolyn has just been superb in the leadership there in dealing with everything from the program issues to things like administration and personnel. And I think if there's any one person who is even happier than I am that Skip Heaney is being proposed to become the new Commissioner it's probably Carolyn. So with that, I would like to have Patrick Skip Heaney come up to discuss this position and to answer any questions you might have.

CHAIRMAN HORSLEY:
Thank you very much, Mr. Deputy Executive -- County Executive, whatever.

MR. HEANEY:
Who is that guy this week?

CHAIRMAN HORSLEY:

Before I do start, Skip, if I may, I want to also reemphasize what Jim said concerning Carolyn and what a wonderful job she has done over the last couple of weeks. We've had some contentious issues, some of them are still out there unfolding, but the reality was that she was always there for questions, she was on the phone answering -- giving us direction. And I appreciate, Carolyn, for your efforts not only through the last month or two, but throughout your career. Congratulations. Thank you very much. I appreciate your help.

LEG. ALDEN:
She's not leaving right?

CHAIRMAN HORSLEY:
No. No. She's still with us.

MS. FAHEY:
I thought there was something I didn't know.

CHAIRMAN HORSLEY:
I just wanted to express, you know, my heartfelt -- my heartfelt, you know, appreciation for Carolyn's good work. Good afternoon.

MR. HEANEY:
Well, good afternoon, Mr. Chairman. I'm happy to be here. And good afternoon to the members of the committee. I want to express my appreciation for the opportunity to be with you today. I also want to take a half a moment here to express my sincere gratitude and thanks to County Executive Steve Levy for his support and his confidence in my ability to work with others in order to help his office, this Legislature, as well to serve the residents of Suffolk County in the areas of economic development and workforce housing.

To be frank, during 17 years that I served as an elected official in different capacities in the Town of Southampton, I could not have predicted that experiences dealing with administration or labor relations or environmental protection or zoning or planning would have ever prepared me to be before this Legislative body today.

As a former elected official, at home, I enjoyed a great number of Legislative successes over those 17 years. But I'd be quick to point out that every single one of them really required the support and direct involvement of a large staff of professionals in the form of administrators, attorneys, environmentalists and line-in staff, members of Town Hall. No one ever acts in a vacuum or enjoys success in a vacuum. And so it has always been with the support of others that in the past I have enjoyed personal successes.

Similarly, this Legislature also promotes economic wellbeing and seeks to work hard in order to improve the quality of life for residents here in Suffolk County. And your successes also rely, as did mine, on a team of capable administrators and dedicated staff as well as partnerships with members of the community.

Former Chairman -- I should say Commissioner -- Jim Morgo, he really raised the bar in my opinion for measurable performance as the Commissioner of Economic Development and Workforce Housing. Fortunately, he leaves a very talented staff in place that can work to bring me up to speed quickly so that we can more properly respond and assist to your needs as you work to address initiatives that you're working on in your own Legislative Districts. When promoting economic growth and the needs of housing here in the County, it is at those Legislative District, town levels where I like to say the rubber really hits the road. I described it that way to the Chairman yesterday.

And if I bring a slightly different perspective to the task than Jim Morgo it is this: It is very few of us, whoever have the opportunity to get close, really close, to the issues of community character as is found in the daily work of a Town Supervisor, it is a very difficult -- sometimes you scratch your head about the rewards that you get for the work that you do.

Local land use policies lead to almost invariably significant impacts on the community, especially proposals for economic growth or workforce housing. We all identify workforce housing as a thing that everyone supports as long as it goes somewhere over here, and that's just the reality that we have to deal with. To be successful, it really requires a political will and a willingness to be responsive to what we hear in the communities from our residents.

So I would say that what I brought to this table today in terms of experience is that I understand the need to establish partnerships with members of the Legislature and with community members and with officials at other levels of government. It is always the case that those partnerships have to be established as good working relationships in order to see some measure of success as we move forward.

So I look forward to being brought up to speed in the department so that I understand more fully and completely than I could at this juncture the issues that are before the Legislature. And I look forward to getting to know each of you especially on this committee in a better way so that I along with staff can be more responsive to your particular needs in the district, especially those that go directly to economic sensible growth within your districts. With that said, Mr. Chairman, I think that I will stop, and I'll entertain any questions that members of the committee may have.

CHAIRMAN HORSLEY:
Thank you very much, Mr. Heaney. And we welcome you here as part of our family. And we do have very good working relationship with the economic development people over in the County Executive's Office. And your people will be our people is the way I like to think of it. And from that point, I'd like to refer this over to Legislator D'Amaro.

LEG. D'AMARO:
Thank you, Mr. Chairman, I appreciate it. Mr. Supervisor, thank you very much for coming here today. In your opening comments you thanked the County Executive. Well, in turn I would like to thank you for being willing to come here and continue your remarkable career in public service to serve the people of Suffolk County. And I do appreciate that. I've taken a look at your resume. It speaks for itself. Your commitment to public service, to improving the lives of people, is self-evident. With your background and experience, I think you are certainly qualified for the position.

So I want to get past that a little bit and just ask you a couple of general questions once you - if you take on -- hopefully, when you take on the role as Commissioner of Economic Development. Specifically, can you tell us little bit about what policies or programs do you think were lacking or should we look to implement to further encourage economic development here in Suffolk County? Are you -- based on all of your years of experience in various levels of government and the various boards and commissions that you've served on, do you have any specific policies that you would like to see implemented, or is that something you'd rather not discuss or maybe haven't even formulated until after you get into the job itself?

MR. HEANEY:
I really haven't had a chance to form and firms ideas with regard to policy. There are, certainly, areas where I would like to explore opportunities; For example, with the existing 72-h Program where there are transfer or properties to the towns, I'd like to explore ways of broadening the participation of perhaps not-for-profits more directly in addition to transferring lands to townships. It's something I'd at least like to have some discussion about.

I'm also interested in trying to broaden the use of development rights for application with either mixed use in downtown areas where revitalization is contemplated and additional water flow is required. Be they full rights or fractional rights, they seem to have value that could be more broadly dispersed, I believe, in order to encourage mixed use that would include apartments above stores. I mean, we are seeing some of that, it's not new, but we certainly could do much more than that.

LEG. D'AMARO:
Well, if I could interrupt you there. I had another question that goes precisely to that. Similar to yourself, I have some experience as does our Chairperson in the town with zoning. And I appreciate the fact that you are going to bring a wealth of experience to the economic development perspective. I think that is vitally important. You know, we hear ad nauseam about revitalization. Economic development, is really in many instances dependent upon changes to local zoning. We don't have authority on the County level, of course, as you know and as our Chairman knows, to change that. What is your position on that? How can we work with the towns to try to encourage the towns -- the County Executive has some policies in place to try to encourage zoning changes, downtown revitalization, what else can we do? What more can we do? And do you think that's important to do?

MR. HEANEY:
Well, I can refer to my personal experiences. As Supervisor in the Town of Southampton, I sponsored a number of pieces of legislation that deal with two -- at least new categories of zoning districts; one called hamlet commercial district, and the other called hamlet office. In addition to that, I was the sponsor of pretty hefty legislation dealing with the establishment of four different types of planned districts as flow zones within the town. Clearly, to accomplish any of this, there has to be a political will.

I can't think of a town in the county that has not got at some reference some road map, a master plan or a series of area studies or hamlet studies that usually point to the need for some changes of zone. I understand how elected officials on a town board have to approach sometimes gingerly the issues of changes of zone, yet there are communities that because of active participation on the part of the residents within that planning process understand that there has to be change.

I think that, you know, if there is some role for me here within the townships, it is clearly in the area of communicating with the elected officials and with those involved in planning to encourage the use of zoning that would meet some of the Smart Growth goals that are set up at the County level and established in a number of the townships and take advantage of some of the incentives that have been placed there. We have certainly, in Southampton, made use of just about every one of the incentives that have come forward, and we have been successful.

I think the key is to provide some open communication between the County and the town and to directly involve ourselves in some measure with the process that involves the general public. I think its, from my experience, just imperative that the public play a role in helping to shape some of the changes of zone that would lead us in the direction that we want in terms of providing not only new ownership opportunities, but if I were to reflect a personal biased, we need much, much more in terms of affordable rental housing units for people, I should say dwelling units

LEG. D'AMARO:
I agree with that. And, again, coming from the town experience, that's where the power really lies to encourage those policies. Mr. Chairman, I have one more question, and then I'll be happy to yield, as Legislator Kennedy always says. One of the things you would be charged with as Commissioner of Economic Development, economic development overall, but certainly in my mind, you would probably be targeting more economically depressed areas, which probably every Legislature has an economically depressed area within the bounds of district, or most of us do anyway. What can the County do, what policies can we initiate to try an help such areas to bring businesses there and to encourage them to locate there, to hire there, because I feel that, you know, even with local zoning changes, you can enact those, but if you don't have the businesses there, if you don't have the incentives to bring the businesses into communities, you're just spinning wheels. So it kind of goes hand in hand. Do you have any specific policies that would like to see implemented to help economically depressed areas within Suffolk County?

MR. HEANEY:
Well, I think that the County has established an exceptionally good set of policies that seek to attract or grow or retain companies here in Suffolk County in blighted areas and not in blighted areas. And clearly, there has been, I think, a concerted effort to make maximum use of State's various incentive programs to attract and retain business interests here in the County. I would rely on using the tools that are in that toolbox in order to promote economic development in the County.

LEG. D'AMARO:
And you are committed to continuing with the implementation of those policies available. And you do agree that we should be targeting economically depressed areas as well as other areas?

MR. HEANEY:
In deed. In concert, in cooperation with the local town boards.

LEG. D'AMARO:
Good. And I know you understand that.

MR. HEANEY:
Yes.

LEG. D'AMARO:
Well, Mr. Supervisor, thank you for answering my questions. Again, I would like to just state that I am extremely impressed, not only with your resume, but with your willingness to come forward and continue to build on that resume with public service. And, I thank you.

MR. HEANEY:
Thank you very much.

LEG. D'AMARO:
Mr. Chairman, thank you.

CHAIRMAN HORSLEY:
Thank you very much, Legislator. And I'm going to pass this over to Legislator Kennedy in a second, but I'll say it more succinctly.

LEG. KENNEDY:
I yield and I do run on.

CHAIRMAN HORSLEY:
Just kidding. I wanted to bring up the issue of -- and this is less of a question than it is -- just I wanted you to be aware of our priorities at the Legislature. One of the issues that we feel are the most critical issues for economic development, and that is sewering the 70% of Suffolk County that is not sewered. We feel that it's not only an environmental issue, it's an economic development issue. And we just wanted to let you know that we're looking for someone to work with. I know as Mr. Morgo before me said, you know, "Let's call this the year of the sewer," but that's what we're thinking.

MR. HEANEY:
It sounds like a crappy title.

CHAIRMAN HORSLEY:
You're my kind of man, Skip. But that is what we're going to place a lot of emphasis on. We have a Waste Water Task Force that it now -- that is now beginning its stages, and we be will working with a program that will be culminating in an RFP that the Legislature has sponsored with $1.2 million. It may actually need more monies at some point. But we're going to put out for a consultant so that we can come up with a master plan for sewering Suffolk County, the other 70% of Suffolk County.

And I just wanted to let you know that that is our interest here for many of us on the Legislature that we have to deal with this very urgent issue, because to many of us, Suffolk's at a tipping point.

We have places like out in Mastic where, you know, the Forge River is having fish kill because of too much nitrogen in the water because of cesspools. And it just goes on and on and on. So we're going to see that environmental disasters will start to arise in Suffolk County because of this issue as well as that we are not going to grow this County in a responsible way, in a smart way into the future so that we can all work, play and have a quality of life that we -- that we all love and treasure on long Island. I just wanted to let you know that little commercial there so that you're aware that that is my emphasis, at least my emphasis and I believe the rest of the Legislature's as well. With that, I'm going to pass it over to John Kennedy.

LEG. KENNEDY:
And that's why they call me the Sewer King. What I would say to you, along with my colleagues, we have looked to try and, in each of our districts and areas, promote some of the things that you've spoken about, particularly when we're talking about revitalization of our main streets.

In my Legislative District, Main Street, Smithtown, which has been something that I can recall as a fairly vibrant downtown shopping area maybe 20 areas ago has over time lost its anchor tenants, has continued to experience repetitive cyclical vacancies and whose current tenants continue to articulate the frustrations that they experience with trying to attract new restaurants, some of the other types of street level operations that they would -- businessmen would attempt to go ahead and open because of the fact that they cannot get the seating capacity, they cannot get the flexibility that they need that sewering brings.

I think to all of us, good business and good sewering go hand in hand. However, I would also say that while we all speak to the need to be able to promote and to grow this -- and I commend Chief Deputy Morgo and the County Executive for their support in our area of the expansion of Sewer District 6. And they have -- the administration has put the money where their mouth is committing two million to actually fund the expansion study. And so along with Legislator Nowick, I'm trilled to see that happen.

I'll also say to you, though -- and this is the task force that Legislature Horsley is Chairing -- there's a need to look at equities for creation and ongoing implementation of sewer districts throughout our County. We have 23 disparate entities with widely different cost impacts to residents. And as we go forward trying to promote a more unilateral philosophy of sewering, we are getting tripped up with an archaic funding formula that works a hardship on smaller districts. So there's a need, I think, from the economic development perspective to help us grow from this somewhat organized process that exists now to a more even-keeled County-wide process and will be looking to you for your help with that as well.

MR. HEANEY:
I appreciate the comment. I'll offer just some general response. I certainly understand the need to expand the existing systems or to provide some smaller types of systems given the fact that today with the new industrial codes that exist, there is opportunity to -- for townships to provide a very, very broad range of uses that can come into main street areas. However, because of the requirements of compliance with the Health Department, oftentimes, it is not merely the fact that you cannot get an expansion of a restaurant, but if you wanted to provide an apartment above a store, you cannot meet the standards that are set forward for us today.

So it makes perfect sense that we here in the County should pursue the expansion of sewer districts where possible and where reasonably undertaken in order to not only provide revitalization, but to pursue some of the more noble goals that have been set out in terms of providing adequate housing and new business mixes. So I certainly understand that. I appreciate that entirely, and I support that effort.

LEG. KENNEDY:
Thank you.

CHAIRMAN HORSLEY:
Legislator Alden.

LEG. ALDEN:
I'm going to just echo a little bit of what John said and also what Chairman Horsley said, that our economic development in Suffolk County and our economic survival is going to be based on sewer districts. And in that regard, my district is both blessed an cursed. Most of my district is in the Southwest Sewer District, and fortunately it is, because there's a lot of opportunities that we can take advantage of in attracting, actually, businesses to Suffolk County and to my Legislative District.

But on the other hand, a lot of sewer and sewering was handled improperly in the past. And that brings me to a point too that I'm a little bit sad that we changed our formula. We had a quarter cent water protect formula where it was pretty much pay-as-you-go. And recently we changed that, and the biggest change was taking money away from the sewer district portion of it. I think that that, number one, provided money to expand sewer districts and to look at expansion to upgrade the facilities. I'm in a quandary as far as how to proceed after that because sewers are very expensive. And like I said, my district has been pretty much taken care of in that regard. But they're very expensive.

So one of your skills -- and I know it because I witnessed it firsthand -- is being able to lobby and connect with other elected officials. So on the State level and the Federal level we're going to need your skills to go up there and lobby for the money that we're going to need to expand our districts, because I don't think we personally down here in Suffolk County have the financial wherewithal at this point to go and undertake major expansions or even the small expansions that we would need to ensure our economic survival. So I'm very glad that you are going to be joining us.

Your predecessor who moved up and not out, but he had those skills too having served in the Assembly and in other levels of government. So it's an important aspect of what you are going to be taking on. And you're going to be using all those skills that you have really developed over those years. So I'm glad you're coming on. But that was just to throw in my two cents about, you know, I think our survival in Suffolk County is going to depend on the sewer systems.

MR. HEANEY:
Thank you for your comments.

CHAIRMAN HORSLEY:
A card carrying member of Team Sewer. Legislator Stern.

LEG. STERN:
Thank you, Mr. Chairman. Yes. Welcome and thank you for being here, sir. It's good to see you today. One of the other aspects in talking about keys to our survival and growth, not just for growth sake, but to grow well throughout Suffolk County is a much more regional and coordinated approach to planning and economic development.

And I am wondering if you have in your past experience any ideas, certainly drawing upon your role in town government as a Town Supervisor. Here we can go down and around the horseshoe here and talk about the relationships we all have with our Town Supervisors, which is all very positive. But many of us are concerned about the relationships among the various Town Supervisors and how the speak or more often than not don't speak with each other when it comes to a coordinated effort that certainly depending on where in a particular town you happen to reside or happen to represent, town lines come into play.

And so I'm wondering if in your past experience you can tell us examples of how you've been able to bring together Town Supervisors in a coordinated way and maybe some of the plans you have going forward. Certainly when it comes economic development, you cannot just look at economic development in a vacuum or a particular zone or on some side or an arbitrary town line as our infrastructure needs and our planning needs concern all of us throughout the entire County. I was wondering if you could speak to that.

MR. HEANEY:
Well, I think comes with the territory that policies and programs that are in place or contemplated or will be contemplated in the Office of Economic Development and Workforce Housing must by nature be regional. So once again, I think it's key to have an open dialog continually going between the town -- the towns and the County.

I can only tell you from personal experience that on the East End while I was Town Supervisor, I worked very hard to revitalize an Association of Supervisors and Mayors that represented the five East End towns and the unfortunate -- some people would say -- growing numbers of independent villages that one finds in the eastern part of the County. But the purpose was to compel elected officials to come together and to build a public forum for the discussion, brainstorming, some whining at times, but always in an effort to focus on issues that were common to each of the towns, but to create a regional conversation, if you will, and then to use that as the basis for reaching out to other levels of government, be that the County or the State and at times the Federal Government from issues as -- including issues I should say as broad as preparing emergency agreements among the various town for the sharing of personnel and equipment as a response in a post-storm event; it could be flooding, it could be a hurricane. How can we work better together?

We use that approach to -- and discussions to realize that we would all benefit after a storm if we had satellite telephones that we could use to communicate if we had no electricity or no systems in place to communicate. So even issues as small as that we realize have great significance and great value in terms of coordinating our efforts to serve the public in a time of crisis.

I certainly will not be a stranger to the Suffolk County Supervisors Association, nor will I be a stranger to East End the Mayors and Supervisors Association. It will be my intention to encourage an awful lot of open communication so that we can deal with the issues that will be in my care and in the care of staff and in your sights as goals and initiatives that we have that in complete conversation in order to be successful at what you are looking to do.

LEG. STERN:
Thank you.

MR. HEANEY:
It was such a broad question, I was just all over the place.

LEG. ALDEN:
If we had resolution before us, I would be more than proud to say motion to approve.

CHAIRMAN HORSLEY:
We don't. But we know if you've got Cameron on your side, you are good. Mr. Supervisor, thank you very much for being here today. We appreciate you coming down, talking to us about some of your concepts, ideas. And I look forward to working with you in the future. At least this committee, I believe, looks forward to seeing the CN in the Tuesday packet.

MR. HEANEY:
Thank you very much for opportunity to speak to you today.

LEG. ALDEN:
Thanks for coming down.

CHAIRMAN HORSLEY:
Skip, I don't believe you have to be here either on Tuesday.

LEG. ALDEN:
I would recommend it because we didn't have a formal --

CHAIRMAN HORSLEY:
Because we didn't have an IR? Come on down.

MR. HEANEY:
It's my intention to be here.

CHAIRMAN HORSLEY:
There you go. I have several cards in the public portion which I'm going to put off if I may until after our guest presentation, because I think that I'd like to have him come up here now. Mr. Ashley. Let me just read this little quick thing that I had written earlier in welcoming Michael Ashley. First of all, I met Michael several weeks ago at a marketing presentation of giving a homeowner who had a subprime situation from Missouri in which he invited the Sheriff of St. Louis, I believe it was or in that area to help present a $50,000 check to.

MR. ASHLEY:
Two hundred and fifty.

CHAIRMAN HORSLEY:
Two hundred and fifty? There you go. To help them out of a hole which was representative of the subprime issue that is so tragic here not only on Long Island but across the United States. But I wanted -- one of the first things that I thought Mr. Ashley -- what they said about Mr. Ashley and the staff peoples was that, "You know, Mr. Ashley, he's our president here and he got us out of subprime market two or three years ago." So that was a good thing. So obviously, you know the business.

And he is -- he is with Lend America Services, which is -- services the entire residential home market, he is experienced in government ensured FHA loans, conventional as well as subprime loan programs. Michael is in fact tells -- will tell us about Lend America subprime experience today which is so important to the Long Island economy. He is the ex-vice president of Lend America, a national banking organization based in Melville, which does loans up to $4 million. I believe that's correct.

But this is interesting, guys. In his spare time, Michael is a member of the National Hotrod Association and won five consecutive national races in 2005 and in 2007, earned his first career number one qualifier in Las Vegas.

MR. ASHLEY:
Wow, you've done your homework. Throw this stuff out and let's talk about racing. You left out the part that the car goes zero to 334 in four seconds.

LEG. ALDEN:
They did a replay of, I think it was your qualifying -- some of your qualifying for that.

MR. ASHLEY:
From Indianapolis.

LEG. ALDEN:
Yeah.

MR. ASHLEY:
Yeah. It was the highlights of 2007. I raced for a charity, and I donated the car to the -- the

proceeds of the car to the charity. And it was, like, you know, one of these God, you know, given things that I just got the ability to race for this charity, then win Indianapolis and then auction off the car and then give all that money to charity. So they were replaying it over and over and over again on ESPN. So it was nice. I mean, sometimes I kind of think like what is more dangerous, the mortgage business or racing. You know, I'm like in between the two. I think definitely the mortgage business is more dangerous. I usually wear my helmet to work every day.

CHAIRMAN HORSLEY:
Michael, welcome and thanks for being here and enlightening us.

MR. ASHLEY:
Thank you. I'm happy to be here. Thank you for having me, members of the committee. It's good to see you again. Last time I saw you, Legislator Horsley, I was giving away $250,000. So it will be a little cheaper for me today.

I just want to start off by saying, you know, real quick, I'm a resident of Suffolk County. I've been a resident of Suffolk County my entire life, all 20 years -- all right, 42 years. And I love Suffolk County, I love living in Suffolk County, I love everything about it. And I hate to see what's happening.

I'm in this business for 23 years, and I've never seen a real estate market as catastrophic as this over the last 23 years. I mean, I've through a lot of -- a lot of -- I've seen -- when I first got in this business, to give you an idea, interest rates were 16%, and people like lined up at my door. I came in Saturday morning, and they were locking 13.99. So, you know, I've seen a lot, I've been through a lot, the Regan Era, and I've seen a lot. And, you know, I, like, really want to try to make a difference here. I think things can be changed, I think things can be turned around, and I think we could do a lot for the real estate market. Nothing is beyond being saved.

Real quick on Lend America. I think at this point, we're probably like the largest privately owned lending mortgage banker in Suffolk County. So that's kind of the quick one-two. I put together a Power Point. I'm going to through it a little bit, just talk about a few things, and then I'll be glad to take any questions.

So basically, you know, just -- I don't want to like beat this drum too much, but how does financing really drive real estate? You know, at the end of the day, it's like this: This is what happened to the market. What would happen to cars if you took leasing away? If people couldn't lease a car -- you just took leasing away and people couldn't go and buy a car with zero down and pay a payment of X amount a month, all of a sudden you would see the car industry tumble. You see car prices tumble.

It's the same thing that happened here in the real estate industry. The value -- unfortunately, the value of real estate today was driven by the availability of financing. It wasn't that necessarily -- you know, I mean, look, there are houses on the water, it's worth it because it's on water, but in general and for the concerns that we have, really the values were driven by the availability of financing, and that's because of supply and demand. I mean, what wound up happened was, you know, you had this huge supply of buyers because credit became so loose that, you know, there were all these buyers out there and people just buying, buying, buying, buying, buying. We just saw prices rising, rising, rising. So, you know, there are some exceptions to that, but that's basically, I think, one of things that got us here.

Now, I mean, how did we get here. And I think this is real big, and I think we need to recognize this, credit scores have failed us. You know, I've been in this industry for 23, 24 years. I think somewhere in the late '90s they introduced a credit scoring system. What a remarkable failure that was. I mean, for anybody to think that you can take a credit score and just say, "If your credit score is this, you can move in this house." That was tremendous, tremendous mistake. That was one of things that I think really caused a big part of the whole down turn.

The next thing was no income documentation. You know, again, because we want to learn why did this happen so we don't make the same mistake moving forward, you know, again, you don't verify somebody's income. They have a number, you move them in a house. It's just didn't work.

And then the last thing and the biggest thing, I mean, Wall Street got greedy. They had a hedge, they felt like, you know, the offset -- they could offset the risk with the rate. They just kept jacking up rates. I mean, they started at, hey, you need a 620 credit score and we won't check your income -- actually it started at 680, then it went to 620, then it went 580, then they went to 500, and then they went and said, you know what, if you have a pulse basically and you want to buy a house, no problem, let me take your pulse and, you know, you're breathing, move in and no problem.

So, I mean, it got to that point. And they charged -- you know, just kept charging higher and higher rates. Well, eventually, that caught up with them. And once the defaults started coming, you know, and people started defaulting, they realized that their hedge, which was the value of the real estate itself was worthless, because really what wound up -- not that the real estate was worthless, but the hedge was, and that's because when you take financing away, what they did is they said, oh, you know what, we too far, let's pull back. As soon as they pulled back on financing, of course, what happened? Values started to plummet.

So let's continue. So what do we do? I think, you know, the first priority, and I think this is really important being a resident of Suffolk County and loving this County, is the current foreclosure crisis. I mean, we want to keep qualified families in homes. I mean, this is good morally, emotionally and financially for our County. I mean, I think we really -- it's something that we need to look at. You hear this over and over and over again, but there are ways to do it. I really think there are ways it could be done.

I mean, I don't know if Suffolk County -- and I'm not sure what Suffolk County is doing right now, and I want to say that right up front, and I'll be glad to, you know, be educated on that and be a part of it -- but Suffolk County can work with housing counseling agencies to effectively reach out to borrowers in foreclosure. You see, getting people to call is a major challenge. Usually, people in foreclosure, the first thing they do is stick their head in the sand. They just ignore it. They want it to go away. They don't take the phone calls, they hide, they don't think there's any help out there.

And part of the problem is that you need to get the message out. Now, one of the things that we do is we spend a million dollars a month on TV. I produce these 30 minute educational shows. And, you know, I'm thinking about maybe sitting down with a group and saying, "Hey, how do we put together something that I can put into my TV show, run in locally in Suffolk County, and try and get people into these housing counseling agencies?" Because I think that's important.

Let's just continue a little bit and I'll show you some ideas that I have. I think we need to outreach and qualify homeowners. When I say qualify, I mean, we need to decide who these homeowners are. For example, housing counseling agencies need to decide whether people can or can't afford their home, okay? I mean, it's simple. They either can afford it or they can't at this point. And those who can afford their homes, they have two options; number one is to negotiate a reasonable modification to keep homeowners in their homes. Lenders want to work with borrowers.

You know, it's interesting. A lot of loans that were done over the last five or six years that are in trouble were called "combo loans." Quick education, they were 80/20. That meant there was 100% financing; 80% was the first loan and 20% was the second loan. Those second loans right now are worth $10. I mean, you can literally have a second mortgage for $100,000 on your house, and the lender will take like 500 bucks. That's something that's very important that the public is not aware of. Okay. We are aware of it, we see it everyday, but the public is not aware of that. And that's something that can help potentially keep people in houses. Again, it's about -- you know, about awareness.

So one occupation, again, is counseling these people and modifying, helping them to show them that there's ways to save -- their house. Option two is working with us. I mean, you can work with anybody. Of course I'm going to promote my own company, because why not? Okay. So work with Lend America to access FHA financing set up by the government. I'm the biggest FHA lender period in New York, and I'm probably the biggest on the east coast. At this point, we do about $150,000,000 million a month in FAA financing. And we lend direct for FHA. And work for FHA Secure.

Now, FHA Secure is the government's bailout plan. And they just changed the guidelines on this. And basically it's -- what it is is it's a plan for people in trouble, people in foreclosure. We can actually finance them, you know, as long as they qualify, as long as they can qualify income wise, we can actually qualify these people and help them to be able to stay in their house. And we've been doing a lot of business under that program. And I think it's something that again needs to -- we need to make public aware of that through housing counseling agencies and TV and whatever other methods that we can come up with.

Those who can't afford homes, I mean, they need assistance to relocate and turn their home over to the lender. You know, to me, there's actually no good that comes out of somebody staying in a house that they can't afford. What he's going to do is ride out the foreclosure process. Values of homes are going to continue to decline. What we want to do is jump start the market again, we want to get the -- we want to get the housing market moving. It's very, very important.

Next. How can Suffolk help? Well, I don't know. I mean, I'm just proposing this. You guys are probably all going to shoot me right now. I mean, a couple of things. Homeowners could provide a grant system to aid -- maybe for homeowners, people who own houses, maybe you could provide some kind of grant system to aid homeowners who prove financially that they can afford homes and something that could be repaid once the home is sold or refinanced. You know, that's some option that if somebody can really afford their house and we qualify them and we see from their income and expenses they can afford the house, but their caught in an adjustable and they needed to, you know, like, to refinance and they need some help, possibly do something with a grant there.

The other thing that you could do is look at new home purchases. We have to have new home buyers. We have to create new home buyers. It's urgent. You cannot have houses sitting on market. It's going to ruin neighborhoods. I think it's an immediate urgency that we do something about this, because if you have housing sitting -- houses sitting on the market, it's going to drive down value, it's not good for neighborhoods, it's not good for growth for Suffolk County. And the faster that we turn around the housing market, the better off we are.

One thing you could do is with new home purchases, maybe provide some down payment assistance grants, which are repaid upon the sale of the home. I don't know. Just some ideas I put together. You know, the down payment myth; you know, how much money should be needed to put down to buy a home? You know, I want to talk about buying a home, because we want to move these foreclosures, we want to get things moving again. I think it's zero. People say, oh, your crazy. If people put money -- if they put 5000 or $10,000 down on their house, at least they have equity. They tell me, are you kidding me? Nothing is bigger than emotional equity. You know?

When you put your roots down in a house, you send your kids to that school. I know. I sent my kids to school. You know? I have friends in the neighborhood. You know, I don't want to move out of my house, that's my shelter. Forget about $5000. That's not keeping me there. You know, it's much more important I think that people have emotion equity, and I think it's more valuable than financial equity. In fact, I think it's the opposite. I think if people used every last dime to put a down payment on a house, they don't have anything in reserve, God forbid they run into a problem. So I think that's something that we have to look at. Then, of course, income verification that's proportionate. And qualify is much more important. And this can be achieved all through the government's FHA Program. There's no doubt. We do it everyday. And it can be achieved through the government's FHA Program.

So Lend America, the future. We look at it like this, we want to lend today intelligently and with a proactive approach to protect borrowers and neighborhoods from failure. I'm literally doing things that are cutting edge. I'm going to show you some things and you're going to be shocked. Okay. First thing is FHA financing works, whether it's for refinancing or for a new home. And here's the reason why it works, okay? It's fully documented. You verify the person's income. You don't just go off a credit score. Okay. Can this person afford this payment? Okay. And I think that's important. You need to be able to verify income. They're insured by the Federal Government these loans, okay, so, therefore, the rates are lower on them. So they can get a low fixed rate. They're flexible with credit qualifying. There's no minimum credit score.

Now, what's happening is all these big banks are starting to come out and say they want minimum credit scores, because they still think credit scores are the way to go. But I have recently been approved as a Ginnie Mae Securities issuer myself. I'm able to issue my own mortgage back securities on behalf of Ginnie Mae, which means that I can set my own guidelines for FHA -- you know, within the realm of the FHA guidelines. So we are going to be -- our whole new campaign, you're going to see, is we care about people, not numbers. We're not going after the credit score. I'm going to look at their credit, but I'm going to look at their income, and I'm going to look at -- you know, if they can afford the house or not before we allow them to buy a house so that we don't have this happen again.

And again, FHA provides a consistently liquid and a consistent market. Ginnie Mae Securities always trade, which means that FHA loans are always available. Historically, by the way, and this is just real quick as an aside. Historically, FHA started off as the Homeowners Loan Association Act of 1934. It bailed out the economy when we had the Great Depression in 1929. Nobody was willing to lend. We were at a credit stand-still. They came out with the government ensuring loans, and that's when people were willing to lend, banks were willing to lend. So it's important to note that. And any time there's ever a credit crisis, always FHA steps in. Right now they stepped in, by the way, raised the loan limits, which is going to help Suffolk County a lot, because initially, the loan limit was 360,000. It was very hard to do loans in Suffolk County for 360. Now it's 729,000. We can help a lot more people.

Next. So how about this? Check this out what we've done. This is Lend America's proactive approach with the Rainy Day Program. Rainy Day -- let me just tell you what this is -- this is a non-profit organization, okay? What they do is budgeting and counseling for new buyers. We found that the biggest challenge for a successful homeownership is that a home buyer gets budgeting and counseling in advance of buying the house. We want them to go through -- we want them to know what they have to be ready for when they move in the house like I did when I first moved in my house and my boiler broke right away. I mean, you have to know -- you have to be able to budget and you have to be able to have money for that kind of stuff. So the budgeting is real big, okay?

Number two -- so that's number two. Number three, at our cost, we've purchased job-loss insurance for our borrowers. Why do we do that? Because we realize that right now in this unsteady economy, part of the reason why you have failure in the first year is because people lose their jobs, especially in -- you know, at the mid income level. You see it happening a lot. So you would be surprised how job-loss insurance helps. It kind of covers the gap. So we provide job -- one year job-loss insurance for all our borrowers.

The next thing that we do is we give borrowers access through Rainy Day to emergency Rainy Day Funds. Now, let me tell you what that means, and I guess it kind of ties in with number five. Lend America saves money for its borrowers not the other way around. Here's what we have done. We've lined up with this not-profit Rain Day Foundation, and we say we're going to donate X amount of money every closing to an emergency fund. So on the aggregate, on 700 closings this month, let's say for example, I donated $100,000 into fund, okay? And this fund now exists. If any of our borrowers find themselves in financial distress -- I mean, you know, when you look at the history, a lot of them find themselves temporarily in distress; they lost a job, their car broke, something like that along those lines; death in the family. They apply to the Rainy Day Fund, and they're able to get access one month, two months, three months worth of mortgage payments, they're able to get help so that they don't fall behind.

I think this is a real proactive move. I think it's something that is real healthy for homeownership, and you know, I'm proud of the way -- I'm proud of the way we actually put this together. And I bet you that this is a model that other people are going to start to follow.

Next. Lend America and Suffolk County, how can we do something together? I mean, I don't know, but I'll give you some ideas the way I see it. Lend America is approved to lend government ensured FHA loans directly to the public. So that's important. We make all the lending decisions, okay? The loan aggregated challenge. I said that before. Loan aggregators are Chase, Wells and all those companies. They basically have said we're so busy, they set minimum credit scores, they're shutting out a lot of borrowers, okay? So I think that's a big challenge.

We are a Ginnie Mae Securities issuer like I said earlier. So our FHA loans, we put them into our own mortgage back securities, so we can basically -- as long as it's within the FHA guidelines, we can do it. FHA guidelines don't provide for a minimum credit score, which is important. We're approved to service our own loans, okay, which is something that we're just entering into this year, and we're going to start to service our own loans, which will be nice. So people that we help in Suffolk County will pay Lend America, a Suffolk County mortgage banker, okay?

Here's something. Lend America is open to working with Suffolk County to create a closing cost assistance program for homeowners and future home buyers. You know, this is something that we would have to talk about. But I would willing to say let's give some closing cost credit to spark -- we need to get buyers out there buy houses, get the foreclosures moving. I'm not sure how I would do this. I haven't really thought it through, but I know I'll do it. I mean, and we would probably take, you know, a portion of our profit and put it back into, you know, paying some closing cost so that maybe, you know, if a seller contributes a little towards closing costs and we contribute a little towards closing, you know, we can get buyers in houses. I mean, I think it's something that we're definitely willing to do that. The amount, I don't want to be specific on until there's interest, and then we can sit down and kind of outline a plan.

Lend America spends over a million dollars per month on 30 minute educational TV shows. Just so you know, in 2005, I abandoned the subprime market. I saw this coming. And I started to push FHA. At the time -- all everybody talks about now is FHA. At the time, everybody in my industry couldn't - they didn't even -- FHA, what is that? They didn't even know how to spell FHA. And I started to push FHA very heavily during that time period.

And so for two years, we really built ourselves as the brand for FHA financing. The way I did it was I went out into the infomercial space and I bought space on TV. And I'm not talking in the middle of the night. I'm talking about, like, you know, 8:30 in the morning, some prime time, 11 o'clock at night right when the news is on. And we buy that 30 minute air time and we build a new show like every three to four months. Probably some of you have seen it already on there. You probably can't stand it because you've seen it so many times. But we run that show. And it really is educational. And what it does is it makes the public aware of what opportunities out there.

So my feeling was maybe we can is -- I think it's an excellent outreach vehicle, we can look at buying some air time around Suffolk County, and maybe we'll donate partial -- you know, partial air time to promote some kind of viable program or solution for residents. You know, like, maybe we'll go on Channel 9 and Channel 5, you know, some of the channels that are local, some of the cable channels, TV 55 is one, and you know, maybe we'll come up and we'll build a new show -- in our next show, say, hey, for residents of Suffolk County, and they'll only run that here, we're going to do this or that. I don't know. But it's just an idea that I have, and I thought I would put it out there to see if there was interest.

Just real quick, let me go down about down Lend America. I'll try and finish off real quick. Okay.

Let me just give you a little background of Lend America. You know, we're located in Melville, we're a nationwide direct lender. You know, we've been in business over 20 years. We're the region's number one FHA lender. Like I said, we're a Ginnie Mae Securities issuer. We're approved to offer financing to struggling consumers with credit issues. We can do that. We employee 600 people, by the way. Eighty percent of the 600 people are located here in Suffolk County. So that's a pretty interesting statistic.

We have centralized operations. Although I do business nationwide, everything is located all in one -- all in one location, and it's done through the phone. We have a full suite of, you know, consumer value-added services, including, like we said, job-loss protection, relocation services and much more. We really kind of try and be on -- try and be on, you know, the cutting edge of the industry. So that's basically what I have say. You can kick me out right now. I probably just put you guys to sleep. But I'm here to answer any questions you may have. And that's really my take on where things are.

CHAIRMAN HORSLEY:
First of all, you're not at all boring. I'll sit through your info commercial any time.

MR. ASHLEY:
Thank you very much.

CHAIRMAN HORSLEY:
Are you the presenter on it?

MR. ASHLEY:
Yeah, I'm the one who -- I talk on it. And there's a whole bunch of different people, we have some of our clients talk on it, and then we have some experts talk.

LEG. ALDEN:
You never saw it?

CHAIRMAN HORSLEY:
I'm sure I have, I just didn't connect.

MR. ASHLEY:
But you saw it. I guess somebody saw it.

LEG. ALDEN:
A lot of times. Too many times.

MR. ASHLEY:
Well, did you refinance with me?

LEG. ALDEN:
No.

CHAIRMAN HORSLEY:
He is a lawyer.

LEG. ALDEN:
I'm not in trouble on my mortgage.

CHAIRMAN HORSLEY:
Michael, I know some -- some of the Legislators would like to ask you questions, but let me -- let me just ask you a macro question. The subprime problem, I see it's now developing over in Europe and

there's been recent reports that this may get much worse before it gets better. Where do you think this is going? What do you think this is going to do to our economy? And what do you think locally?

MR. ASHLEY:
I think it's much worse then everybody thinks it is. It really is. I think it's much deeper, much worse. I think in -- 16 months ago, I told Mary sitting next to me, I said, "You know, this can cause a depression in your country." I mean it really -- I mean, I don't want to be bearer of bad news, but it literally could if there's not a stopgap put in place. You need to have liquidity. The problem is that people on Wall Street right now they don't have any faith in mortgage back securities. They don't have any faith that they are going to perform. And if you don't have people, corporations, you know, half of these other countries buying our mortgage back securities, then, you know, we're seized up. And the only thing -- the only mortgage back security that's out there is the Ginnie Mae, which is for FHA financing. So that's number one.

Number two, you know, somebody's got to realize. I mean, like Countrywide and Bank of America, that whole deal, I don't think that's going through. That's my personal opinion. Now, they say because when that goes through they're going to have 25% of all the loans in the country. Who wants 25% of all the loans in the country right now? Think about that. Think about what that means, okay? I mean, they've got a lot of risk, a lot of exposure.

I think that what we've seen is we have seen the collapse because a lot of lenders had loans that were worth a dollar, and over night they became worth $50, then 20%. That was the first problem. What we haven't seen yet is what is going to happen to the foreclosed homes once they're actually foreclosed and sold and the values drop by like 20 or 30%, because the value has been artificially inflated by financing. Let's face it. That's the ugly part of it.

So I don't know where it's going, I don't know how far it's to go. What I think is important to Suffolk County if we stay in our own little County over here and our own little world, Ginnie Mae Securities are liquid, FHA financing is available, the loan amount is right, 729,000, it hits right in the middle of where we can help. And I think that if you get the market moving again, if you get people buying houses, it's important, very, very important. Id you get the market moving again, you put qualified people in houses and you try and refinance successfully the people that are in houses now that are in trouble because of adjustable rate mortgages, I think you'll stabilize thing. Globally, I mean, I don't know where the thing is going to go, but I think it's -- I think it's only starting. I'll be honest with you, I think it's going to get worse.

CHAIRMAN HORSLEY:
I just read a report of, I think, it was England or Germany that one of their banks are now starting to show signs of not making it and collapse.

MR. ASHLEY:
Look at Bear Sterns, I mean, that's all over, mortgage back. It's all over MBS, it's all over mortgage back securities. I mean, let's face it, during the glory years, they just ran away. They just made a lot of money, ran away, they did things irresponsibly. And unfortunately, you know, now is pay day. They have to pay for it.

CHAIRMAN HORSLEY:
When you -- and just looking at the way the business has been run in years past, when you receive your mortgage from Astoria Federal or wherever it may be and then they sell it to a second -- to a second mortgage company, then you are bouncing down the line of -- you'll end up some place in Osh Kosh, you know, some bank you've never heard of. Is that part of this whole transition?

MR. ASHLEY:
No. I'll tell you. What you think is happening is not really happening. All of these loans wind up in mortgage back securities. I mean, 90% of them wind up in mortgage back securities. What you're seeing is the right to service those loans, which means to collect the payment, pay the taxes, pay

the insurance and pay the security holder. The right to service those loans has a value. So what happens is that serving is traded just like a stock. So today, Astoria Federal is servicing your loan, although they might not even own it or they might own it. And tomorrow, they got a good bid on the servicing, so they sold it to somebody down, you know, in Florida who's servicing your loan. So you're seeing the servicing rights move around.

CHAIRMAN HORSLEY:
But then who owns it then?

MR. ASHLEY:
All the loans are in these securities.

CHAIRMAN HORSLEY:
Is in the securities. So once the securities fail, then --

MR. ASHLEY:
Right. Exactly.

CHAIRMAN HORSLEY:
Got it. Very interesting. Legislator Stern.

LEG. STERN:
Thank you, Mr. Chairman. Thank you. Thank you for being here, thank you for your presentation. The help program, this is the non-profit organization, which is intriguing, I think one of the things that is at least somewhat encouraging about the growing reverse mortgage industry is that there is this mandatory counseling for those that are going to get involved. So I guess my question here is when you are going to be the originator, when you are working with a potential customer referring them to your non-for-profit for this -- this counseling, is this mandatory?

MR. ASHLEY:
It's mandatory at certain levels. You know, if somebody's highly qualified, you know, and they're putting down a 20% down payment, I'm not going to require it, because I think they're safe. I think those people are safe. You know, I've got criteria in place where I think people, you know, have to -- they have to be counseled. And, you know, that criteria is a function of what their current credit situation is, how much money they have left in the bank after the closing, and, you know, what their debt to income ratio is. We'll look at those things and then we'll make a decision as to whether or not that person should have counseling, make it a requirement of getting the loan.

LEG. STERN:
Should it become mandatory and not just for those that are working with you, but is that the kind of thing that should be mandatory maybe across the board in the industry?

MR. ASHLEY:
I really do think so. I really think that is something nationally that should be mandatory. I think that, you know, buying a house -- we all own -- a lot of us own houses here. You know how it is. It's very expensive, things come up, and, you know, you need to budget. You need to take a look at your budget. Some of these people say, "I didn't realize my electric bill was going to be so high." You know, I mean, you hear things like that. So I mean, that just shows you how much there's a need for education out there. So that's why we're doing it.

LEG. STERN:
Can you explain a little bit about the program; how long is it, how many sessions?

MR. ASHLEY:
It's eight hours. It's an eight hour program. They speak to a counselor. Part of it, it's done online, part of it, they fill out a budget -- the counselor over the phone. And the other thing is -- you know,

it continues for 12 months, by the way, after they close. So basically, they are constantly checking in with them to see how the home ownership is going because we want to have healthy homeowners, especially, you know, I'm going to service the loans, we want to have healthy homeownership. So it's important.

LEG. STERN:
And the Rainy Day Fund that you have, how does that work; what kind of interest rates are involved? How would you find that, you know, in comparison to --

MR. ASHLEY:
Well, I mean, there are no interest rates. I mean, basically, the Rainy Day Fund, what happens is, you know, I just know that I have a cost per loan of X amount, and every time I close a loan, I donate that X amount to the Rainy Day Fund. Amount that goes into this big fund, you know, and it's there for my borrowers. You know, if one of my borrowers get in trouble, they contact the Rainy Day Fund for their help program and they have to fill out an application and say why they are in trouble and why they'll get out of trouble if they get help. You know, it's approves or denied by them. I not even -- I'm not even involved in it. And if they approved it, they release those Rainy Day funds for a rainy day.

LEG. STERN:
And it's just done gratuitously? Is there any type of repayment that has to be made?

MR. ASHLEY:
There's no repayment at all. What we do is -- you know, look, we have it in our model. I mean, you know, we have it in our model. It's in our financial model. I mean, you have to realize that a failed homeowner is terrible for the economy, it's terrible for the homeowner, it's terrible for us, it's financially expensive for us. It's probably cheaper to be pro -- I can guarantee you it's cheaper for me to be proactive and put money away for this to help healthy homeownership then to be other side of it and have foreclosures.

LEG. STERN:
Thank you.

CHAIRMAN HORSLEY:
Legislator D'Amaro.

LEG. D'AMARO:
Just to pick up on that. You know, that's only true when you don't have the liquidity. Let me explain that. Before 2005 when you got out of the subprime market, refinances and home sales were booming like never before soon probably nationwide. And it was at that time that the restrictions, as you were talking about, were loosened up on your ability as a borrower to get a loan.

MR. ASHLEY:
Anybody can borrow money.

LEG. D'AMARO:
Yeah, and that's the problem. A lot of, you know -- you know, here's my problem with everything, is that, you know, we got into this mess, but now the question is who should pay to get us out of it.

MR. ASHLEY:
That's funny.

LEG. D'AMARO:
I want to commend you, because, you know, coming forward -- being in the industry and coming forward and saying, you know what, you know, we all can share the blame and we can point fingers,

but that's not going to solve anything, we need to address the economy going, and coming up with actual proposals I think is extremely commendable to do that. And I certainly appreciate it.

But, you know, I sat at closing tables before 2005 looking at borrowers taking out loans or refinancing their existing loans, looking at piggy-back loans, no income verification loans, monthly adjustables, zero down payment, I mean, it was amazing. And I would sit at the table and look at this and say these folks will never be able to service this loan, and you've outlined some of that. So I think we have to do two things; we have to avoid what we did in the past, and that's beyond the purview of what we do here in Suffolk County; but the second thing is we have to protect the local economy. So I appreciate that you have some specifics on that.

MR. ASHLEY:
Thank you. And I 100% agree with you. Let me tell you the first part about it; who is responsible. Let me tell you my experience as a Suffolk County lender, right? I get a phone call from Morgan Stanley, "Hey, you owe us $30 million." "What? How do I owe $30 million?" "Well, loans from 2003." Remember, I got out of the market a long time ago, right? A abandoned the subprime market, I went to FHAs. "You know, they've defaulted, so, like, you know, we want you to pay us the $30 million." So I set up a meeting with them. I have a point here to make and it's to your point.

I set up a meeting with them and I sat down with them. I went in there and I said -- they said, "You know, you have this 30 million, what are you going to do about it?" I said to them, "Are you kidding me? You owe me money. They looked at me and said, "What? Have you lost your mind, Michael? Are you crazy?" I said, "No. You owe me money. I said, "How do you figure I owe you money? Let me see. It was your merchandise that was defective to begin with. I sold your merchandise. Your merchandise was defective, and now you want me to buy your merchandise back because you did a bad job."

I mean, at the end of the day, the ones who are at fault here, it's Wall Street. I mean, the amount of money that was made at these Wall Street firms is unbelievable. See, in the past, the Wall Street firms stayed at a level where they didn't really didn't get involved too direct in primary lending. They weren't really coming down to guys like me or other mortgage bankers or mortgage brokers and buying loans. But what happened is they did that. And once they did that, the opened Pandora's Box and they saw, wow, look at all these people who could feed us loans.

Now, every time the business would slow down or rates would go up, what would they do? Like you said, they would come out with monthly adjustable, they would come out with 125% financing, they would come out with no credit score. I mean, all these ridiculous things. So I think -- I think Wall Street is responsible for it, to be honest with you. By the way, Morgan Stanley, I settled with them, and it wound up being, like, you know, a million dollars. But anyway, at the end of the day, I think it's that, and I think responsible lending moving forward is what I've outlined. It's about looking at a borrowers income and the payment and their ability to repay that loan.

LEG. D'AMARO:
I agree with you. And, you know, we could spend days talking about who is blame and why, and a lot of people and companies along the food chain of lending made a lot of money before the bottom fell out. But I don't think that's really productive at this point. I think -- I think you have to address it, but it's not going to be addressed here. It's going to be addressed probably at the federal level where they've already started to change guidelines and what's you can cannot do in the industry.

And I'm certainly not an expert, but going forward, one of the responsibility we're charged with on the County level and even in this committee is to protect and defend our local economy. And agree with you wholeheartedly that the crisis is a lot deeper, I think, then even realized sitting here today. And any specific proposals to keep folks in their homes is probably a positive thing. I think the biggest issue you have going forward, however, is who is going to pay for that, because I know that Suffolk County is struggling with its own budgets because of the softened economy at this time. So it's kind of a vicious cycle there.

MR. ASHLEY:
A lot it, though -- you know, you made a very good point; piggy-back loans, those were loans that were 80/20. A lot of those 20% -- you know, a lot od people have second mortgages right now. The lender is willing to take, like, 500, $1000, $10 for a 50 or 80 or $100,000 position. A lot of times if you were to remove that payment from the equation and you take the borrower and you refinance them into an FHA loan, they can afford the house. But the thing is you have to outreach. You need a vehicle for outreach. You've got to get out to these people, because most people that are in foreclosure, stick their head in the sand, and they don't go out -- they don't get out. They don't get out and try to look for -- you know, they don't think that there's any answers. They don't think that there's any possible solutions.

LEG. D'AMARO:
You are absolutely right. Folks that get into foreclosure usually -- they know they've defaulted, and then the first -- what I've always heard from clients is, well, I'll worry about it when I get served. You know, they can't pay it anyway. And then they get served and they say, well, I'll worry about it when the Sheriff shows up. And it becomes more --

MR. ASHLEY:
I agree with you. But if they knew that there was an option right now where they could be saved, they may opt for that.

LEG. D'AMARO:
You're right. And some options are already out there. And again -- so any specifics that -- you know, I appreciate the specific proposals to try and, if nothing else, getting away from how much it costs or who's bailing out who, but at least have some kind of educational outreach or program to let people know what's available is a step in the right direction, at least short term. Long term, you know, you're going to probably need Federal legislation to cure the ills that caused this in the first place, I would suspect. But that's something we're going to address here. So, thank you. And, Mr. Chairman, thank you.

CHAIRMAN HORSLEY:
Thank you very much, Legislator. Legislator Kennedy.

LEG. KENNEDY:
Thank you. Like my colleagues, I appreciate you coming forward today. And similar to them, I've had some of the same opportunities they have had in the past, to see -- actually, as a matter of fact, I think clients who have financed through your firm. And atypically, I'd say that you've done a good job. You weren't like the option ones, some of the other, Fairmont Funding, and you know, trollers that were down there.

MR. ASHLEY:
You are familiar with the market.

LEG. KENNEDY:
Yeah. Yeah. But there's two points that I have heard you speak about that I guess I would ask. You are saying this in earnest that the HELOCs, you know the Bank of Ohios and all the other ones that were coming in with those 10% and 20%s with a simple contact were willing to go ahead and sack or they're looking to go ahead and forebear on that second?

MR. ASHLEY:
Let me tell you what I've done. I've hired a law firm to sit in my office and negotiate second mortgage payoffs. And that's how sure I am of it. Let me tell you what else has happened. What you're having now is I'm being contacted -- this is a pretty good educational point -- but I'm being contacted -- because this is good to help keep homeownership. I'm being contacted by hedge funds

who are calling me to say, "We bought all these loans at 40 cents on the dollar. Will you contact our borrowers and refinance them and get us 70 cents on the dollar?" Well, then, I get to call the borrower and say, "Hey, you owe, you know, 300,000 bucks. I'm going to give you 210,000 -- I'm going to give you a $210,000 loan with no closing costs."

That's what's happening. A lot of the market, the banks, a lot of the people that actually had paper that they were holding at the time and got stuck with it had to sell. And so they sold at huge discounts. And so now those people are coming back into market, they're holding loans here in Suffolk County some of them, you know, and they're saying, hey, I want to make money. Everyone's opportunistic, of course, they want to make money. But at the end of the day, it really helps our people, because we can get them, you know, lower financing.

But to answer your question, we have seen tremendous success. It's a well documented, well known fact that second mortgage -- now, I don't know about HELOC, you know, but I'm talking about second mortgages, you know, 80/20 piggy-back loans. Those kinds of second mortgages are being settled for a thousand dollars routinely every day.

LEG. KENNEDY:
Okay. Two other areas. One is what do you do -- or what has been your experience where you have the homeowner who as they're beginning to go into a foreclosure are clearly in the upsidedown position where they just now have more debt on that property and they've got the constraints there than what the property is ever going to appraise at at this point?

MR. ASHLEY:
Here's what I think, and here's what we've done successfully. And it doesn't work time, it depends on the lender. Again, this goes back to the attorney that I have inhouse doing this for me, is to contact the lender to tell them, we're going to refinance this client, but the house is worth 250, you lent them 300,00, I'm giving you 250. Now, to tell you, when there's a second mortgage involved, it's almost always no problem. When it's one big first mortgage, it's a different story, because, you know, they figure they'll hold on for the long term. Now, there are solutions. One of the solutions, and the HUD -- FHA's program allows for this --

LEG. KENNEDY:
Loss mitigation.

MR. ASHLEY:
Well is that -- or I can refinance the client, and the second piece, okay, that would be due, let's say, would be due only upon selling the house later on. They don't have to make any payments on it. So if the house came back -- and I think that's a fair alternative. You know, so that's something that we have done.

LEG. KENNEDY:
The third area that I hear from constituents that even in this time that we're in now continues to be a struggle is our veterans that are coming home from Veterans Service.

MR. ASHLEY:
I'm really tied into that a lot, because in racing, that's one of the things that we support; we're involved with a lot of -- we do a lot of POW functions. My partner in my race team is -- was a Prisoner of War at one time. So the whole front of our race car says POW on it, by the way. So we just recently, as a matter of fact, got our VA approval, and we're looking to reach out to the veterans.

LEG. KENNEDY:
That was going to be my question. In other words, do you originate VA back loans?

MR. ASHLEY:
Yeah. We just got our approval for it, and it's something that, you know, we're going to start to look at, because really there's not a lot of people that are actively pursuing it. You see a lot of people running into reverse mortgages, by the way. That's like the hot thing now, reverse mortgages. But we're going to start to veterans loans, because we're approved for that now.

LEG. KENNEDY:
Maybe I'll reach out to you separately. Thank you.

MR. ASHLEY:
Okay. Great.

CHAIRMAN HORSLEY:
I had just a quick question. Legislator Alden, do you have any questions? I didn't mean to pass you over.

LEG. ALDEN:
On the POW, though, I'd like you to explore expanding that to the MIAs also.

MR. ASHLEY:
We do that. It's POW-MIA. It's funny, if you go to my website -- you probably don't want to go, but if you go to my website, you'll see there's a whole thing, including Medal of Honor recipients. One of the Medal of Honor recipients, John {Cavianni}, is a personal friend of mine through my partner, but he's a friend of mine. He comes to all the races. At every race, we invite all the local POWs and any family of an MIA to come to the race, and we pay for their tickets. And we have, like, a little Saturday function for them where they get to enjoy the races. It's a pretty cool little deal.

LEG. ALDEN:
And there also should be Gold Star Parents too, but, you know, that's a different story.

MR. ASHLEY:
I don't know what it is. I'm sorry, I'm unfamiliar with it.

LEG. ALDEN:
A Gold Star Parent is somebody who lost a member of their family.

MR. ASHLEY:
Wow. That's deep. Let me know about that.

CHAIRMAN HORSLEY:
You had mentioned before that one of the ways to get out of this that we've got to improve the liquidity of our economy and that you need new buyers into the marketplace. How do you do that? I mean, what were you thinking?

MR. ASHLEY:
I think they are out there. Here's a couple of things. I think you have a collision. And I don't know, you might disagree with me, but I think you have a collision of things happening here; house prices are coming down to the point where they're becoming affordable, and, you know, I think there are more and more buyers that are going to be available to buy these houses. I really do. Let me just give you some statistics.

CHAIRMAN HORSLEY:
That next generation.

MR. ASHLEY:

Right. When I run my TV show, this is nationally, so, you know, I would have to run it locally and then kind of give you some numbers. But about 20% of my TV show reaches out to people to say, hey, buy a house, now is a great time to buy a house. You know, houses are at an all time low, and these are the reasons why. Even HUD has a $100 payment program. Give us a call and see if you qualify.

It's about 20% of the show, okay? Sixty percent of the phone calls are from people that want to buy houses. And if I tell you, I'd probably be conservative in saying that probably ten or 15,000 thousand people a month call my office wanting to buy houses. Now, a lot them don't qualify, because they can't qualify by a pulse anymore, they've got to qualify by income and checking their assets and everything. But it shows what? That there's interest.

So I think probably if I ran some TV shows -- I'm fairly certain if I ran some TV shows in the Suffolk County area, I would generate a lot of buyers. And, you know, the idea is to put those buyers with those foreclosures. The houses have to sell. They must sell. They cannot sit around. They must sell for a few reasons; the current loan holders have to get rid of them. They're REOs, they have to get rid of them, that's number one. And number two, it's going to ruin -- ruin our neighborhoods and ruin our local economy. And once real estate gets moving, real estate leads the market. Once real estate gets moving, things start to turn around. I mean, you know, we have other issues like gas, but I think real estate is important. So I think there is a way to reach out to these people. I mean, one of the things is --

CHAIRMAN HORSLEY:
You think they're out there.

MR. ASHLEY:
I think they are out there. I think they're out there. I think what happens is -- and I'm going to tell you this, and I've proven this over the years, there are a lot of buyers out, there a lot of renters out there -- let me requalify that statement. There are a lot of renters out there who automatically disqualify themselves from homeownership without realizing they can qualify to own a home, not because they can't afford it, because they think that you have to come up with 20% down and it's very expensive and it's very hard to qualify. You can't believe the uninformed public; people that call up that had no idea that you could buy a house, you know, with very little money down and closing cost assisted by the seller and things like this.

But the thing is the key to making that work is the budgeting. They have to go through the budget and the counseling. It's an eight hour program. They've got to go through it in advance. And I've had -- I've had very angry loan officers ready to kill me, because their loan, you know, was ready to be approved, but the budgeting came back that the people can't afford the house, and I refused to approved the loan. I just wouldn't do it. And I think I was doing that person a favor, you know, because down the road, they weren't going to make it. So, that's what I think.

CHAIRMAN HORSLEY:
Thank you. Here I stand, that's great. Any further questions from the Legislators? Anything else you would like to add, Mr. Ashley?

MR. ASHLEY:
No. I really appreciate the opportunity to come here. If I can be involved in anything and be of any help, you know, let me know. Love to. Everybody have a great day. Thank you.

CHAIRMAN HORSLEY:
Thank you very much. We do appreciate it.

CHAIRMAN HORSLEY:
Thank you, Michael. All right. We are now moving to the public portion, which we have two cards.

The first is Mr. Peter Quinn.

MR. QUINN:
Good afternoon, Members of the Legislature. I'm not marketing anything. I do want to remind you, however, it was only last August, ten months ago that American Home Mortgage went under leaving 1400 employees from Melville unemployed, which had an impact on this economy.

CHAIRMAN HORSLEY:
Mr. Quinn, could I just interrupt you? By the way, American Home Mortgage Building, you know who bought it? Mr. Ashley. That's who's in that building now.

MR. QUINN:
Didn't know that. Thank you. And I came here to speak about toxic waste, but I got sidetracked by listening to the presentation, to the earlier presentation about County and economic development. I think it's an anachronism in our own time. And I -- you know, I've been critical of the way in which perks have been arranged for companies, and then they neither maintain nor create jobs, and there no claw-back either at town, County or State Law that force the companies to give back after they've gotten the benefit.

But the real issue that I came to speak about today dealt with toxic waste. I've come to understand after looking at the issue over the last couple of years, that there is extensive, kind of underground waste, being, you know, hauled by truckers to various sites. And there doesn't seem to be any tracking. And that might account for some of the emissions, air emissions, say, at Northport where Jiffy Lube, I understand, and other companies have mixed all their waste together, brought them at night to the site, had the -- had the workers there stay away from there and arranged to have them maybe paid off. But at any rate, materials get burned, and it's illegal.

We discovered that there are landfills that are not under investigation by the EPA -- in order to employee the Superfund Law -- because there might be one or two cells in the entire landfill that are closed, such as at Brookhaven, because there's an distinction between active and inactive. So if it's an inactive landfill, then it's eligible to be inspected, such as North Sea site out in Southampton, which had dozens of different companies violating the law. And that lawsuit was instituted in 2007, so it's a relatively recent one.

But I found also that there is difficulty in getting jurisdiction. You can complain to one agency of government after another, and they will tell you, "Well, we don't have responsibility." Well, after you've examined about ten of them, you say, "Well, who does have responsibility?" And it just seems to me that the role of Legislative officials is to more closely examine the way in which toxics are moved across the Island to various places without full disclosure, because one thing we have to keep in mind; there's only one sole source aquifer. And once we destroy it, we may as well tell the citizens, "Move off Long Island or buy bottled water," not knowing where you are getting it from.

So I have grave concerns about the extent to which businesses are involved in moving these waste materials with impunity, that there is no followup inspection. I mean, there has to be a way of tagging the trucks, there has to be a way of identifying what they are hauling, and make it front page headlines of Newsday. If we can do it for lawyers gaming the education system, we can certainly do it for some of these businesses who have taken advantage of the law. Thank you very much.

CHAIRMAN HORSLEY:
Thank you very much, Mr. Quinn.

LEG. ALDEN:
Pete, when you say substances, what are you referring to?

MR. QUINN:

Oils that are contaminated with chemicals.

LEG. ALDEN:
Okay. Thanks.

CHAIRMAN HORSLEY:
Mr. Leonard Fillyor.

MR. FILLYOR:
Thanks, everybody, for hearing me today. And Mr. Ashley, he set the stage for me. Listen, I'm on the Board of Trustees for the Library of Central Islip, and I am here today to talk about higher education and how important it is in our American dream here. Let me show you something.

If you had to tell my father, he'd see this, he'd tell you you were crazy. So America is a great country. I want to expand, it's a great country. I want to make an impression on you today. When I went into the Service, I came from an area where brothers were getting busted at 15, girls getting pregnant at 14. I just went to school, did my homework every day. And I went into the Army. And I was going to rocket school, I had to have a high clearance. And the FBI investigated me, and they looked and they looked and they looked, they couldn't find one thing on my record.

My boss George {Formoan} said, "Don't come back here anymore." He said, "How did you get our of Moore Street without a record?" I said, "You know, I never though about it until you mentioned it." So there I was able to realize the importance of education. I had a technical background by going to rocket school. I had a nice life, I really did. But I had a clean record. So the doors of opportunity were open to me through education. Now I have a son who's a doctor, I have a beautiful wife. Thank God my home was paid for five years ago.

I wanted to make some changes here in Suffolk County because I might be moving soon to North Carolina. I want to go down there. I want to start a library too. We have to have early literacy for young people, African Americans in that crime-poverty cycle so they have that path to education that Benjamin Franklin started libraries for. So what I want to do is start a reading doctor in our library as a program so all kids on welfare have to go to that library, have the literacy skills checked out so they can get that path to higher education and a better life; the American dream.

And I think this is going to work. Equal opportunity -- with education comes equal opportunity and social equality. People don't treat me the same now as when I was in the ghetto. They call me Mr. Fillyor because I have made my mark in the world. And I want that out to you. Some way, we have to get to deprived areas in the country that street life is taking over and we have gangs, to get those young people on a path to good citizenship, because this country has a lot to offer them.

And to be denied that opportunity, it's a crime. Like the temps say, thousands of lives wasting away. But I'm going to start, I'm going to come back before this committee again with a plan -- it's not going to solve everything -- to give those young children, all of our children, that equal opportunity that that crime-poverty cycle takes away from them. And I have to remind my son of that. He's a doctor now, he's got a beautiful practice. I say, "You didn't get here by yourself." If my father didn't keep us off the streets and the gangs off our back, I couldn't have got to be a Police Officer and you wouldn't be sitting there.

If Paul Revere didn't make the run, we wouldn't all be here. So we're all sitting on somebody's shoulders. So what I'm trying to do is I want the libraries throughout this country especially in Suffolk County, to get early literacy to our young people so they have a better future. I'll be back again. Thank you, gentlemen.

CHAIRMAN HORSLEY:
Thank you, Mr. Fillyor, appreciate you being here. Okay. Now, we'll move to the agenda. I am sorry. Would anyone else like to be heard before the committee? Anyone else? Everyone's good.

Excellent.

CHAIRMAN HORSLEY:
Tabled Prime, 1411, adopting a Local Law Number -- **1411, a Local Law amending the Suffolk County Empire Zone boundaries to include Mini Graphics, Incorporated (COUNTY EXEC).**

Carolyn.

MS. FAHEY:
Good afternoon -- good evening. The resolution before you amends the Empire Zone Boundaries to include Mini Graphics of Commerce Drive in Hauppauge. They're a manufacturer of label printing and folding inserts for the pharmaceutical industry. They are the ones you can blame for these things when you get your prescriptions, those tiny little inserts. They moved from the Empire Zone in Freeport in Nassau County because there was no further room for them to expand there.

They currently employ 155 with the commitment to add 50 new employees over the next five years. They will have an investment of 1.3 million of which 450,000 is of interior building renovations and minor moving of interior space in the building. The total credits that they can access over the five years maximizes that about $775,000.

They're already an Empire Zone certified business in Freeport, and that certification follows them here to Suffolk County. They were certified in 2006, and based upon that certification, were able to add 25 employees between '06 and current. Their baseline for the regionally significant project projections is 155, so they will add 50 more in Suffolk County.

With us today is Jim Delise who is the Vice President of Mini Graphics and their Counsel, Anthony Toussi. So if there are any specific questions, the company reps will be happy to talk to you.

CHAIRMAN HORSLEY:
Please. Would you like to invite them up, or would you like to speak to Carolyn?

LEG. KENNEDY:
Well, let's start with Carolyn. I know I had an opportunity to meet the gentlemen, I think, after the last public hearing. This is another project in my Legislative District, I guess, in the industrial park, Mr. Chair, somewhat different than what we've dealt with previously, though, because my understanding is this firm has already occupied existing space, and they are -- the renovation work, the interior renovation work has already occurred, and so they are a growing concern in this location now.

MS. FAHEY:
I believe so. I'd like the company principals to talk about the status of the renovations.

LEG. KENNEDY:
Also, while they're coming to the desk, can you -- Carolyn, can you tell me, again, I am just having a difficult time hearing, the projected number of new hires is 5 or 50?

MS. FAHEY:
Five-zero.

LEG. KENNEDY:
Five-0?

MS. FAHEY:
Five-0. In order to qualify for the Empire -- for the RSP designation, that's the commitment that every company has to make; a minimum of 50 new employees.

LEG. KENNEDY:
And give me idea of what that means as far expansion either by the individual -- can we talk about what the salary is of the individual or collectively, the biweekly payroll? How do we -- how do we view that as far as the economic impact for is in this area?

MS. FAHEY:
I'll let the company talk about the salaries of the employees, but collectively with their existing 155 and then as they phase in the 50 over the next five years, their total payroll for five years is going to exceed 31 million.

LEG. KENNEDY:
On an annual basis?

MS. FAHEY:
No. Over the five-year period.

LEG. KENNEDY:
I'm sorry, over the 60 month time period.

MS. FAHEY:
Right.

LEG. KENNEDY:
Okay.

MS. FAHEY:
So for the individual salaries, I would like either Jim or Anthony, whomever you'd like. Just introduce yourself.

MR. TOUSSI:
Thank you. I'd like to extend my appreciation to the committee for allowing us to make our presentation. My name is Anthony Toussi, I'm Counsel to Mini Graphics. I had the distinct pleasure of working with Mini Graphics a couple of years ago when we were able to certify their other location in Freeport to be part of that Empire Zone. At that time, it was a relatively new Empire Zone that had been set up in Nassau County.

In doing so, we made sure that Mini Graphics at that time understood the responsibility that's involved in being a certified Empire Zone business. Our practice has been to make projections that are on the conservative basis. I've been -- my firm has been heavily involved in doing Empire Zone applications, in particular, throughout the City of New York. And the Empire Zone Program has been an evolving program. And one of the problems that was happening with respect to Empire Zones is that projections that were made sometimes were just a little bit too aggressive, if I may.

In this case, when we did the application for the Freeport location, we ensured that the projections that the company had outlined both for workforce as well as for investment were projections that were reasonable and also on the side of conservatism, because we did not want to be in a position where we would be making representations that we would not be able to deliver. In this particular case, as Carolyn pointed out, I believe the law requires that in order for the business to be deemed a regionally significant project, first of all, it has to be a manufacturing company, and then secondly, they have to be able to project that they're going to be hiring at least 50 new employees over a five-year period.

In this particular case, I believe in consulting with the company as well as the accounting department and the outside accountants, we had projected, I believe, it's 55 as opposed to 50. And once again, the theory was we wanted to be conservative as opposed to project what more than likely the history will hopefully approve.

LEG. KENNEDY:
Can I interrupt you for just a second, Counselor?

MR. TOUSSIE:
Sure.

LEG. KENNEDY:
So you're looking at 55 over a 60 month time period. That's predicated on, I guess, on a business plan that you're going to expand as far as your clientele or the amount of actual inserts that are being produced, are you moving to new drug manufacturers? There's got to be some basis that you're going to look to do that. I mean, you've been servicing your existing clientele with the number of employees that you have at this point.

MR. TOUSSIE:
I'm going to take this opportunity to introduce the Vice President of Mini Graphics. He can give you a little bit more insight as to their business plan as what their growth is based upon. Thank you. James Delise.

MR. DELISE:
Thank you. Good afternoon. To answer your question, we have had growth in the past years and will continue to grow due to the growth of our existing customers. In fact, I got off the phone today with one of our larger accounts and asked them how many new drug lines they're putting in this year, and they just got one up running and they're going to have another one this year as well. So they're continually growing as well as putting on -- bringing in a new customer base as well.

LEG. KENNEDY:
Okay. So a stable existing customer base with expanding line of pharmaceuticals as well as efforts to go out and recruit new manufacturers as well.

MR. DELISE:
Correct.

LEG. KENNEDY:
And you've had success with this previously in a period that we've measured against?

MR. DELISE:
Correct. For example, in the past five years, we've more than doubled our business. We've grown over 100% over the past five years.

LEG. KENNEDY:
It occurs to me that with the Empire package, we're looking at a variety of different tax reductions, both on payroll reduction, utility reductions, property tax reductions. But also, you have not been able to expand in the Freeport site. I'm pleased that you're here in Suffolk, doubly pleased you're in the 12th Legislative District. Do you anticipate that you're going to have to go beyond the confines of the building that you're in now, or is this footprint going to allow for that addition of 50 employees?

MR. DELISE:
I hope we will expand within the Hauppauge area.

LEG. KENNEDY:
Okay.

MR. DELISE:
And we looked for quite a few years in the Freeport area, and just nothing suited.

LEG. KENNEDY:
Okay. We would love to see you expand as well. When you do expand, based on the fact that we're -- at least in my case, I'm looking at wanting to go favorably -- I'd ask you if you're attuned to some of what we look at as far as a desire when you do do your expansions as far as contemplating prevailing wage and at least making a fair and equal playing field available for labor when it goes out there.

MR. DELISE:
Absolutely. We're open minded to that. We have to get the jobs done and get them done correctly. Being that we deal with pharmaceuticals companies, we're open to audits, and they come into our facility with the white glove, so to speak. Everything has to be perfect.

LEG. KENNEDY:
Is any of your workforce organized now? Do you have any union representation with the existing workforce?

MR. DELISE:
No.

LEG. KENNEDY:
The printing that's done in there is done by, I guess, regular printers?

MR. DELISE:
Correct.

LEG. KENNEDY:
Is it automated or what?

MR. DELISE:
Yes. It's all automated; printing presses, folding paper, folding machines, etcetera. We're also looking into new opportunities with technology such as RFID for track and trace. There's {E-Pedigree} mandates from California, Florida, etcetera to have a fill track and trace of drug products from -- cradle to grave, so to speak, through the supply chain. And we're working extensively with that, labeling each product with a radio frequency chip to track it. So that's a whole nother (sic) industry that we're also looking to invest in.

LEG. KENNEDY:
Good. I appreciate the fact that you are willing to expand into other technologies. Okay. I'll yield.

CHAIRMAN HORSLEY:
Thank you very much, Legislator Kennedy. Legislator Alden.

LEG. ALDEN:
Hi. Thanks for coming down. Did you buy the building that you're going into now.

MR. DELISE:
Yes.

LEG. ALDEN:
And then when did you do the renovations on it?

MR. DELISE:
We purchased the building in September, began renovations, and we started moving equipment in in November. And we're complete in January.

LEG. ALDEN:
And that was kind of predicated on getting this designation?

MR. DELISE:
Yes. I believe so.

LEG. ALDEN:
Do any of the breaks go to the renovations that you performed on the building?

MR. DELISE:
Excuse me?

LEG. ALDEN:
Any of the incentives or the breaks that you got, do they go towards the renovations that were performed on the building?

MR. TOUSSIE:
Well, basically, and this is just based under the tax code, New York State Tax Code, the only breaks that you get as a manufacturing company would be the acquisition of capital assets. So to the extent that they went ahead and brought piece of equipment, processing equipment, then that particular equipment, the purchase of that equipment, may be -- you may be able to get an investment tax credit.

LEG. ALDEN:
Well property and building are capital assets.

MR. TOUSSIE:
Well, with the exclusion of real property. In other words, they're looking at processing equipment. The building itself, if you were to make a capital improvement, that would not be an item that you enjoy a benefit under the Empire Zone. The only is provided you're a manufacturing company, is the actual -- the capital asset excluding capital improvements/real property, machinery and equipment would be something that you would be able to qualify.

I just want to just clarify with respect to the application that's before the committee, basically what Mini Graphics did was they acquired a building that for all intents and purposes was almost like a turnkey operation. The only thing that they needed to do was to go into the building, and I believe what they did was they converted from gas -- I'm sorry -- oil to gas and ultimately had to upgrade their electric. And then other than that, it was just basically saying, okay, well, this machine is going to go here, that machine is going to go there.

The forecast that the company made, vis a vis the Empire Zone, was basically a five year forecast. So in other words, we didn't go in and say we intend to spend X amount of dollars on renovations in a period of three months prior to going into the building. Basically, the application that is presented to the Empire Zone Committee is an application, which is based on the growth of the company, vis a vis the employees and also the acquisition of production equipment.

LEG. ALDEN:
But a benefit to the company -- isn't there a property tax relaxations or?

MR. TOUSSIE:
Well, clearly, the -- as far as the tax credits themselves, the tax credits will include some credits for the real estate taxes that are paid to the government. Provided you meet all of the necessary employment standards, you will be entitled to a credit for a certain amount of the real estate taxes, depending on the amount of growth.

LEG. ALDEN:

That's a credit towards your income?

MR. TOUSSIE:
It's a credit towards the New York State taxes.

LEG. ALDEN:
Corporate taxes.

MR. TOUSSIE:
Correct. It's just a State tax credit.

LEG. ALDEN:
New York State has Real Property Tax also. But they're just going to give you credit toward your -- basically, your operating -- not expenses, but income.

MR. TOUSSIE:
Basically, the certification that we are seeking is basically just an initial step, and then every year the accountants would look at the employment data and look at the requirements, which are very rigid standards to see whether or not the company is entitled to benefits that year, and if they are, to quantify them.

LEG. ALDEN:
Good. Thank you. Thanks, Mr. Chairman.

CHAIRMAN HORSLEY:
Legislator D'Amaro.

LEG. D'AMARO:
Thank you. Gentlemen, welcome. Ms. Fahey, I had a question for you. But before I ask my question, I just want to jump on the, "We love Carolyn bandwagon," that was parading before and just also thank you for all the work you do.

MS. FAHEY:
There will be T-shirts available later.

LEG. D'AMARO:
You're an extremely informative, competent, capable, professional, and I always appreciate that. But what I don't understand is -- and I know the gentlemen behind you may take this as a negative comment, it's not, but I don't know how else to ask this, but -- and I know our Chairman's not happy I'm going to ask this either.

But just -- especially that I'm new to the committee -- you know, explain to me how we have a business come before us and says we're growing, business is good, we've grown over 100% in the last five year, we've already bought the building, we're operating, we plan to expand, we're going to create more jobs, but we need a tax break. I don't -- I get a disconnect with that. Explain that to me.

MS. FAHEY:
It's not a tax break. I mean, they understand that there is a commitment on their end in order to access credits. And the State has said, you know what, if you commit to doing this and you follow this process -- and it is a growing program and it is an evolving program, the process is beyond tedious. They started back in September -- April of last year. I mean, this is a very tedious process that the State has laid out.

So a company at some point in time has to take the jump and say, okay, I'm going to buy the building and start in hopes that this ends up going through for me. In the end, if it doesn't, does it hurt them? Yeah. It hurts us all. But there is an acceptance of a slight risk knowing that the process takes so long, and they need to make business decisions along the way. So they've made a commitment of the 50 new jobs. As a manufacturer, that all the State is asking for them to commit to, is to commit 50 new jobs in a certain period of time. The process is what takes so long. We met in April, they applied, the Zoning Board has to review, it has to go to New York State for preliminary review, then it comes back to the Zoning Board, they need to do a big application, then it comes before you.

LEG. D'AMARO:
But I have to believe then the flip side of that would be that if I were a businessperson making a major move -- and, you know, guys, this is really not specific about you, so just bear with me here, okay -- but making a major move, and I know there's a risk out there as a businessperson, I may not get this break, you know, because it's a subjective process, it's subject to votes and criteria and that kind of thing, but I do it anyway. So why do we need to incentivize that?

MS. FAHEY:
You know, from an economic development standpoint, you know, our job isn't only to retract, it's to retain and to help create a strong foundation for companies for the next 10, 15 years. If we're able to access a program that allows that company to make that move, take that slight risk, and then to create a foundation allowing them to make it a little bit easier for the next five years to do business here, that gives us a stronghold on them for the next five or ten years after that.

LEG. D'AMARO:
Let me ask answer the question a little differently myself. See, I don't really agree with you. I think that, you know, this is a free-market economy. I think businesses make business decisions based on profitability as they should, as was probably done here. I think Suffolk County offers a tremendous pool of potential employees and all of that, and I think there's a lot that's attractive about doing business in Suffolk County.

See, in my mind, the Empire Zone was really designed to help more economically depressed areas to attract businesses into those areas where the unemployment rate, let's say, is a lot higher, okay, median income may be a lot lower, you know, things like that to create, to the extent we can control it, higher paying jobs or to help revitalize an economically depressed area or revitalize -- that kind of thing -- or develop.

So, you know, we seem to be using this in it County as a tool to just kind of say to folks that are profitable -- you know, I think we should have a discussion with these businesses and tell them, you know what, you should come to Suffolk County not because you can get a tax break, but because look what we have to offer. I'm all for that. Okay. And I think we should be using the Empire Zone, which is taxpayer money to help areas that really need help the most. And are we doing that? And does this fit into that criteria?

MS. FAHEY:
Yes, we are. We are doing that on a County-wide basis, but not through our zone. We don't have any geographical areas that meet the criteria that the State has set for economically distressed. There are two in Suffolk County; there's one in North Bellport, and the Brookhaven Town Empire Zone addresses it from that phase of the Empire Program. For the economically distressed communities, Brookhaven applied for an Empire Zone in North Bellport, and they're working on that North Bellport area. Islip Town applied and received, I think it was the first Empire Zone in the State, for the Central Islip area. There are no other areas in this County that qualify under that first eligibility of economically distressed in order to bring the zone to those communities.

LEG. D'AMARO:
Fair enough. But forget about what New York State says are the areas that would qualify. Have we, through our Economic Development Department, said there are some areas that may need more incentivized --

MS. FAHEY:
Yes, we have. Wyandanch is one. Wyandanch is one of our zones.

LEG. D'AMARO:
Okay.

MS. FAHEY:
Wyandanch is one of the second-phase zones.

LEG. D'AMARO:
Right. So it's not about state criteria. It's about how do we exercise our discretion in granting an Empire Zone at a county level? What's our criteria?

MS. FAHEY:
Our development plan has two distressed areas in it; one is Wyandanch and the other one is Downtown Riverhead. Those are the two areas -- you have the initial Empire Zone that targeted economically distressed areas that you could quantify; that's Bellport and Islip. The second phase of the Empire Zone Program allowed for counties and only counties who have realized a state -- a hospital closing or a former military facility closing to apply for the region as a whole with the understanding that the economic impact from something like a Grumman didn't just stay in that area, it actually affected business throughout the County, really throughout the region.

So they've allowed us to take that second-phase zone, and we're allowed to have six blobs, they call it. So we have six blobs; one is Wyandanch, one is Downtown Riverhead, one is Calverton, one is Gabreski Airport to help bring year-round jobs there. We have six of those blobs. And then the third phase, the State realized, you know what, the State is losing businesses left and right, if they're going to pack up, they're not staying in New York, they're going to go south or they're going to go to Jersey, they're going to cross a bridge. If they're going to pack up, we have to give them a reason to stay. And they gave the Empire Zones the ability to say, you know what, follow the company to keep them in New York, keep them here. If this company were to pack up and wasn't able to come to Suffolk County -- I'm sure they've looked elsewhere. I know we've talked about them looking elsewhere.

All the companies that have come before you are being flown down to Virginia, are being flown down to South Caroline, are being given land in Georgia free, no taxes, nothing for 15, 20 years, you know, employment tax credits, free workers, things that we could never ever come close to. So the third phase of the Empire Zone Program was the State realizing, you know what, we need to follow the business, let them land where they see think is best for them, and let's help them to the extend that we can.

The benefits are not the same as the distressed areas for the investment tax, there's more incentive for those distressed areas. But you can't ignore the fact that you need to follow the business, let them land where they feel is best and keep them in New York. And that's what the third phase of the program does.

CHAIRMAN HORSLEY:
Carolyn, can I just add to the -- maybe this might also assist, that Long Island has -- at one time had a dearth of manufacturing jobs. It was the land of manufacturing. We are unable to compete oftentimes on Long Island these days. And we've lost so many of our manufacturing jobs. So when I was in Economic Development, I used to hear that a manufacturer was coming to town, it was -- that was the day to go celebrate, because it was so rare. And we lost our plastic injectors, we lost -- you know, you go down the list, and printers was one of those ones that we were losing. Brown, there's a whole number of them that I recall them leaving the State because they got incentivized to Virginia and elsewhere. So the fact that we have manufacturing jobs, it brings in a certain type of jobs for our population that we are losing, which meant that our middle class was moving elsewhere.

Those people that work in manufacturing, it is truly something to treasure when we do get a manufacturing -- a successful one and that we have to nuture them.

MS. FAHEY:
We do. We have to nuture them. And I'm a real big proponent that need to create a foundation for the next five or ten years in order for them to expand and grow. Legislator, I went to a conference in Pennsylvania about six years ago, the International Economic Development Council, and I sat with individuals who spent more time in the Hauppauge Industrial Park then our staff does. They all tell me they can give me a list of companies that they wooed out of the Hauppauge Industrial Park to go to Pennsylvania, to Jersey, to Virginia. I said, "Well, if you're ever in the area, give me a call." Four months, I got six calls. They're here all the time knocking on doors. If we have the ability to bring a small program to a company that's willing to stay and willing to grow, we have to do it.

CHAIRMAN HORSLEY:
Not to mention we've got to deal with high electric costs.

MS. FAHEY:
I mean, honestly, if you look at the comparative cost, you just can't compete.

LEG. D'AMARO:
I don't disagree that it's extremely expensive to operate on Long Island or in Suffolk County, you know. But, you know, this is just a basic philosophy I have that rather than attack the cause of that, what we do is we take middle class working individuals' taxes and throw it at business. And I don't see it as a solution. I think the Empire Zone is a great idea if you use it as an economic tool to help develop areas that really need help. Okay? But I think that to believe that you are going to give these tax breaks to businesses and somehow solve the problem of businesses leaving Long Island, you could never make a dent with this program, because that is an issue -- those are issues that are national, if not global.

So what are we really doing? What we're doing then is we're taking tax money that could be otherwise allocated and giving it to businesses I'd venture to say unless they're going into an economically depressed area that 90% of the time would make the move anyway. So I don't -- I don't agree with you. I just don't agree with you. I think the program is great as far as helping areas that truly need the help. But, you know, in allocating scare government tax money, you know, here in this County, and then, of course, on the State level, because this is a State Program, I just don't see how we necessarily need to say, well if you qualify at the State level, you qualify at this level.

That's why we have the discretion to review these applications. You folks come in here thinking, well, you know what, we met the State criteria, this is a rubber stamp. And I do not agree with that at all. We are being put, on the local level, in a position of giving up State tax money. And the reason for that is because at the local level, we are more in a position to know whether or not the businesses we want to give this to are truly going to help our economy. And I think that if we have a limited amount to give, we should be putting it into the areas that most need it. That's my impression.

MS. FAHEY:
I don't tell that it's the end-all and be-all of our economic development issues. You know, this company in particular, for every $43 they're putting in in investment, they're getting one dollar in tax credit back. The State is making $42 for every dollar that they're giving back. So there is a benefit to the State and for us in retaining this company. There are other issues.

LEG. D'AMARO:
I don't disagree with that, but all I'm saying is there is absolutely a benefit -- gentlemen, I appreciate your business and that you are here in Suffolk and that you're helping our economy, but we're not talking about that. I don't think anyone would disagree with that. We are talking about

taking taxpayer money and giving it to businesses. And if there's only so much to go around, we need to target where it goes. That's what I'm talking about.

MS. FAHEY:
But where are you going to get that money from? This business is going -- for every dollar in credit they're getting, they're spending $43 into the economy.

LEG. D'AMARO:
You can say that for any business.

MS. FAHEY:
Right. But that's where the State has said --

LEG. D'AMARO:
So why we just go into subsidizing all business?

MS. FAHEY:
But there is a cost benefit analysis criteria that goes into the eligibility. It's not just everybody.

LEG. D'AMARO:
That's the State criteria?

MS. FAHEY:
Right. But it's the State dollars. You're talking about the State dollars, and what I'm saying is --

LEG. D'AMARO:
Right. But the State in its wisdom gave us the discretion to make the final decision. And I think the reason for that is that the State criteria are -- have to be met, their guidelines, but they specifically did not impose on localities because we are in a better position to know where that State money is best spent. And I do not think that your department grasps that concept when you have these businesses coming into Suffolk County, and it seems to just be like, you know what, if you meet that State criteria, it's done, yeah, you have to go to the Legislature, but, you know what, this is a done deal. And I don't think that's the right approach. I think that you should be coming here with applications that are going into Riverhead, that are going into Wyandanch. What are we doing there? You know.

MR. TOUSSIE:
If I may, I'd like to respond. I understand your position. And there are -- I guess, over -- this program has been around for quite some time and there's been a lot of opposition one way or another. But the bottom line is that you're dealing with a public policy that is being promoting by the State of New York, and the public policy in this case being they're looking to create manufacturing jobs.

And the question becomes whether or not -- in fact, just to belabor that point a little bit more -- the focus that we're getting from the people that are reviewing the application in Albany are, in fact, can you provide us with some assurances that you, in fact, will be able to meet that criteria, will be able to hire the jobs? Because at the end of the day, if this Legislative Committee only supported organizations which made projections that did not have the financial backing to create the job, then the question looking back on hindsight, where would -- where would we have been better; having the 25, 50 jobs with an organization that has the commitment and the wherewithal to make it happen or possibly looking at saying we're not going to approve this application because in our -- even though public policy of New York State says you are entitled to that tax exemption -- and I think it's important to note, and any tax professionals in the room would appreciate -- that the calculation of the tax benefit in many, many cases is really overstated in the sense of when you really start cutting the numbers, the State, in the modified program in Albany when they're looking at the Empire Zone application years ago, what you're saying to some degree, at least from my experience, they were approving a lot of applications without really looking at a cost benefit analysis.

Today, in order for the application to get approved, not only does it have to get approved by the Legislature, but in Albany, it has to be approved by the New York State Department of Economic Development. They have to be assured that we have met the criteria that the Legislature has enacted. So all I'm saying is I understand your position. Our application is based upon the following: It's based upon that you have an organization that has been -- has received benefits through the Empire Zone with respect to a prior location; they have seen how it help them as a catalyst to do their business plan, to create the jobs, and they're in a position where they had to sort of look for additional space, and they were fortunate to find a space in Hauppauge that was somewhat centrally located. And they felt that they can continue to carry out their business plan. And that really was what the public policy was all about when they changed the law two years ago in New York State to say, well, if you have a manufacturing facility, we're trying to promote manufacturing throughout the State of New York, even though you're not within the confines -- the confine Empire Zone, the priorities were different.

The priorities were looking at certain areas to see if they can try to up the economic -- how can I say -- the economic environment, and they were looking at different criteria. And that's why it's so difficult to be able to have an Empire Zone in every district.

This particular program, the focus was not that. We're not coming here saying we're looking for an Empire Zone benefit because of the area that we're located in. We're looking for an Empire Zone benefit because we are committed to hiring the manufacturing jobs. And we're giving you the track record of an organization that has already been approved by the State under the old regime, and also now we're going under the new cost benefit analysis where the State is actually putting a dollar value for every dollar that the applicant spends, how much they're going to actually save in taxes. So that's the only thing i can add.

LEG. D'AMARO:
I appreciate that. And I know we're short on time. I'm just going to conclude by saying that I am not opposed to this resolution, but I am opposed to not targeting the areas, I think, that the Empire Zones were really meant to help. And, again, this does not go to the applicant or your counsel. This is an issue that we're having, I think, a dialog we should be having about this.

I would just hope that going forward that the administration across the street as it's looking to develop our local economy would spend some time -- more time perhaps focusing on the areas that need it the most. And this might be one tool that would help to do that, you know, encouraging folks that contact us about -- you know, what about the Empire Zone? Well, yeah, maybe we need to talk a little bit more about where you would like to locate and maybe this is how you can help the community; when you go to the Legislature, you can say to the Legislature, you know what, we're locating in or near Wyandanch or Riverhead or some other areas that are economically depressed. What a great thing that is. You know, and I haven't heard that sitting here.

MS. FAHEY:
Well, you're not going to see the businesses in Riverhead. You're not going to see the businesses in Downtown Riverhead. They're certified businesses aside from the Legislature. We have over 30 businesses in Downtown Riverhead and in Riverhead that are certified underneath this -- underneath the Empire Zone.

LEG. D'AMARO:
Okay. Well, not to beat a dead horse, but whatever areas we have jurisdiction over and we deem that we could use the help more then other, that's what I mean.

MS. FAHEY:
By all means.

LEG. D'AMARO:
Okay. Thank you, Mr. Chairman.

LEG. KENNEDY:
Mr. Chair.

CHAIRMAN HORSLEY:
Yes. Very quickly.

LEG. KENNEDY:
Well, no. I'm going to make it real quick. As a matter of fact, I'm going to make the motion to go ahead and approve, but I do also want to go ahead and just comment on what Legislator D'Amaro has spoken about. And I think he brings up extremely important philosophical issues that we've wrestled with now for the better part of five months. And through the Chair, what I'm going to ask is if we could possibly, either as a committee or with yourself, meet with Economic Development so that we as a committee have the ability to have some input on what's going on with this process at the outset.

Like Legislator D'Amaro, I very much want to see this manufacturer located in the Hauppauge Industrial Park. At the same time, I disagree that this is just some State-based deduction in that there's going to be substantial utility abatements that are involved there. And I have to substantiate to my constituents why they're looking at a 2% increase in LIPA bills, and this manufacturer is now going to sustain a decrease. So we have it. We have is here. We've got to be able to go ahead and substantiate that on a $31,000 a year job, there's a benefit here to the balance of Suffolk County.

I want to move this one, I want to move it forward. I'd very much like to see you succeed here in Hauppauge. I'd like to also hear though how you are promoting this success; maybe you're doing some hiring out of those economically deprived areas; out of Wyandanch, out of Riverhead, out of some place else. Maybe you're engaged in some training to go ahead and bring some economically disadvantaged individuals into the workforce. Those are the kinds of things I think we need to hear from you regardless of where it's going. Nevertheless, I'd like to move this one now.

LEG. ALDEN:
Not this moment.

CHAIRMAN HORSLEY:
I'll second the motion. All in favor? Opposed? Motion passes. **APPROVED (VOTE: 5-0-0-0).**

Congratulations, gentlemen. Good luck.

LEG. D'AMARO:
Good luck. And, Carolyn. Thank you very much.

MS. FAHEY:
One less T-shirt?

LEG. D'AMARO:
No. No. No.

LEG. STERN:
Everybody loves me and all I got was this lousy T-shirt.

CHAIRMAN HORSLEY:
All right.

Introductory Resolution **1477, amending the 2008 Capital Budget and Program and appropriating funds in connection with the renovation/rehabilitation of water pollution control plants - College wide (COUNTY EXEC).**

This is for the college. Motion? Chuck, did you want to speak on it?

LEG. D'AMARO:
Mr. Chairman, I had a few question on this one.

MR. STEIN:
Very quickly. 1477 and 1478 are really -- have to be taken together. What it does is it's moving appropriations from the RPZ Capital Project over to the water pollution control project to meet State environmental issues.

LEG. D'AMARO:
Thank you, Mr. Chairman. This is -- I'm reading the bill itself, that's my only real familiarity here, but it raises a couple of questions maybe you could help me answer today. The bill itself -- the resolution itself says that this went out to public bid April 17, 2008, and that the lowest bid received actually exceed the project budget. So what we're doing here today is coming back and saying -- we are asking the Legislature now to increase the amount in the Capital Budget allocated for this particular project to meet the bid; is that correct?

MR. STEIN:
I'm going to allow John DeMaio to step forward who worked on this.

MR. DEMAIO:
Thank you. The answer to the question insofar as how the bids came in is correct, that we're asking for the additional funding so that we can complete the scope of work that was proposed to upgrade the sewage treatment plant that is reaching its useful life. Insofar as how it affects the overall Capital Budget when the two resolutions are taken together, the budget does not change. It's not an overall increase. The appropriations do not go up. We are taking the RPZ project and reducing it by the same amount that we're requesting an increase to the sewage treatment plant project.

LEG. D'AMARO:
Okay. I understand that, but nonetheless, the amount of this project is exceeding what was budgeted.

MR. DEMAIO:
Correct.

LEG. D'AMARO:
Right. So putting aside the offset for now because the offset funds may never be spent.

MR. DEMAIO:
Okay.

LEG. D'AMARO:
So let's put that aside for a moment. So when this was bid and the bid exceeded the budget that we had proposed, I guess, in our Capital Budget, why not rebid?

MR. DEMAIO:
We did.

LEG. D'AMARO:
Okay. What happened?

MR. DEMAIO:
It exceeded it again.

LEG. D'AMARO:
Now, what were -- what was our budget based on?

MR. DEMAIO:
The budget was based on two sewage treatment plants at the Community College that needed major renovation; one at the Eastern Campus, and this particular one at the Ammerman Campus. The Eastern Campus was completed. It is a small sewage treatment plant, however, that did not necessarily affect the cost of that upgrade. That upgrade was substantial due not only to New York DEC regulations, but the requirements of the Suffolk County Department of Health Services. I certainly say it's fair to say that exceeded what we anticipated that project to cost. It was completed, it was the one that was in more disrepair.

When we moved to Selden, there was less money in that budget. When we did move forward, we tried to be conservative, we tried to be frugal with our estimates, but at the same time, there are certain pieces of equipment that just are on their legs, and if we lose them, we're going to be in violation of our permit.

LEG. D'AMARO:
So the initial budget or projected budget for the project was prepared by whom?

MR. DEMAIO:
That project predates me. It was certainly a combination of the college, primarily from the college insofar as the estimate was concerned. It was based on the regulatory requirements when the project was first initiated. Those regulatory requirements are a little more strict now. And certainly at a State and local level, when you look at what had to be done at the Eastern Campus sewage treatment plant compared to what it looked like when it was originally constructed, there are significant differences there.

LEG. D'AMARO:
All right. And just a couple of other quick questions. Who was the bidder -- what was on this contract?

MR. DEMAIO:
Benson Contracting.

LEG. D'AMARO:
And where are they located?

MR. DEMAIO:
I believe Holtsville.

LEG. D'AMARO:
Holtsville.

MR. DEMAIO:
They are a Suffolk County firm. I'd have to check the specific town.

LEG. D'AMARO:
And what was -- you know, I find this process very interesting that we come here to vote to give, what is it, another 187,000, I think what the increase is, right?

MR. DEMAIO:

In County funds with matching State support.

LEG. D'AMARO:
Right. But yet, I don't know anything about why. I don't know was this cost overrun? You know, how is the project being developed? Is it waste? Is it not waste? Is it truly unforeseen items that just cost more and, you know, we have to deal with that? I have no information.

You know, we are -- we are sitting in this Legislative chamber on Tuesday, as we did last time, and I'm watching some of my colleagues vote no on every single bonding issue coming here in Suffolk County. I can tell you that Legislator Barraga votes no just about every time. And there's -- whether or not I agree with that or not, there's legitimate concern here about how much we spend. And we are the watchdog of how much gets spent. And you are coming here today and asking for another $187,000 to be bonded, we have to the interest on those bonds. But I don't have any justification other than a copy of the bill in front of me telling me why there's a cost overrun. Can you tell me why?

MR. DEMAIO:
Yes, I believe I have some information. A couple of reasons. The project -- and I don't have specific dates in front of me -- does date back quite a while. It predates me being at the college, and I started in 2000. So the cost to renovate sewage treatment plants back in let's say 1999 are certainly substantially different from a labor and materials perspective than they are now. The budget was never increased. This is our first request for an increase.

We managed to get all the way through design and bidding successfully and completing the Eastern Campus sewage treatment plant. We then moved to a successful design, we did a bid for the Ammerman Campus sewage treatment plant. We found there were cost overruns. We forced our consultant to go back, Value Engineer, and rebid. We separated the bid further into a base bid alternates in the event that there was another overrun. And we were successful in breaking it up so that if for some reason we couldn't get additional funding, the really important issues, the operations that were on their last legs, could be addressed.

So we tried to take into consideration the material increase in costs, the fact that the project was originally budgeted many years ago, the increase in labor costs, and the fact that this sewage treatment plant over the course of that time, although it meets its permit, has gone past its useful life by another ten years after the project was originally budgeted. All those things in combination result in this request. And I think they are valid, and we did make every attempt, including a rebid to try to avoid requesting additional funds. But then we have to think about our environmental responsibility and that its come to this.

LEG. D'AMARO:
Right. And I truly appreciate the specificity in which you answered my question. And that is exactly the kind of information that I would need to come from a credible source such as yourself to tell me, look, you know, when I go out an spend money on interest and take out a loan to finish a project, here's why there's a problem, because we -- you know, just read about in the newspaper when everyone in hindsight finds out, well, you know, the contractor on the job was absconding with funds or something like that. You know, so it's my responsibility to understand why this did not need meet the projected budget. And I appreciate you helping me to explain that. But let me ask you one more question. What if you don't get the 187, you can't finish the project?

MR. DEMAIO:
We specifically bid it so that we had I think -- the number escapes me -- there are at least eight alternates beyond the base bid, okay, so that if we didn't get the extra money, at least the work in the base bid, the particular systems that are falling apart; the nitrification sand filter, which has to de done; the two clarifiers of which one is down already; the aeration system piping, which is the consistency of swiss cheese at this point. At least those unit operations could be done if we didn't get the additional money. Does the equalization tank need to be done, are the walls falling apart?

Absolutely. That was alternate number one. Are the aeration systems in the sludge holding tank falling off the walls? Absolutely. That was alternate two. But we had to make really tough choice in the event that we could not move the money from one project to another. So if for some reason we couldn't do this, can we do the worse things now? Yes, we can. Will the plant continue to have problems and will that challenge its ability to meet permit without the additional funding? Yes.

LEG. D'AMARO:
Thank you, Mr. Chairman.

CHAIRMAN HORSLEY:
You're welcome. Appreciate it. Anyone else?

LEG. KENNEDY:
Yes, if I can, Mr. Chair. Tell me just a little bit then about the sewage treatment plants. Is the college the only contributor or are there -- you have no contractees, you have no outside entities, you're servicing --

MR. DEMAIO:
The college is the only discharger.

LEG. KENNEDY:
Okay. Did you bid with prevailing wage requirements and a project labor agreement?

MR. DEMAIO:
Prevailing wage requirements, yes.

LEG. KENNEDY:
Okay. So Benson at the very least is the prime contractor. Do you have to go through the whole process still in place at this point under Wicks, or you're going to have to break down to your plumbing and electrical -- obviously, we have no HVAC.

MR. DEMAIO:
No. No, not in the sewage treatment plant. The project is outside of any buildings. It's all tankage and plumbing outside, so Wicks Law as it applies to buildings doesn't apply to the sewage treatment plant work. So we can go with one GC who has to meet all of the prevailing wage requirements and other requirements of the County.

LEG. KENNEDY:
Okay. What kind of time frame do you expect regardless of what goes on with this expansion in order to undertake the project?

MR. DEMAIO:
We want to get them going right away. Flow, unfortunately, dictates what you can and cannot shut down in a sewage treatment plant. And now that graduation is over and we're into summer session, we need to get this company in isolating tanks and renovating as soon as possible before flows increase at the end of August.

LEG. KENNEDY:
Okay. All right. I'll yield.

CHAIRMAN HORSLEY:
Any further questions from the Legislature? I'll make a motion to approve --

LEG. STERN:
Second.

CHAIRMAN HORSLEY:
-- 1477. All in favor? Opposed? So moved. **APPROVED (VOTE: 4-0-0-1 - Not Present; Legis. Alden)**

1478, amending prior capital authorized appropriations for installation of RPZ Valves (COUNTY EXEC).

I'll also make the same motion for 1478, seconded by Legislator Stern. All those in favor? Opposed? So moved. **APPROVED (VOTE: 4-0-0-1 - Not Present; Legis. Alden)**.

I believe that is it. I'll make a motion to adjourn the meeting, seconded by Legislator Stern. All those in favor? We're adjourned.

(*THE MEETING WAS ADJOURNED AT 4:36 P.M.*)

{ } Denotes being spelled phonetically