

1 STATE OF NEW YORK

2 BROOME COUNTY INDUSTRIAL DEVELOPMENT AGENCY

3 - - - - -

4 Public Hearing Regarding
5 FREEWHEELIN ANSCO, LLC

6 - - - - -

7 A Public Hearing held at 185 Court Street,
8 Binghamton, New York, on the 12th day of April, 2018,
9 commencing at 5:30 PM.

10
11 BEFORE: JOSEPH B. MEAGHER
12 Counsel for Broome County
13 Industrial Development Agency

14
15 REPORTED BY: CZERENDA COURT REPORTING, INC.
16 71 State Street
17 Binghamton, New York 13901-3318
18 KEVIN CALLAHAN
19 Shorthand Reporter
20 Notary Public
21 Binghamton - (607) 723-5820
22 (800) 633-9149
23
24

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1 HEARING OFFICER: All right. Good
2 evening.

3 My name is Joseph Meagher, and I'm
4 counsel to the Broome County Industrial
5 Development Agency.

6 The Agency is conducting a hearing
7 pursuant to General Municipal Law 859A to
8 seek public comment on an application for
9 financial assistance submitted by
10 Freewheelin ANSCO, LLC, in connection with a
11 building to be used for market rate
12 apartments, commercial office space and a
13 parking lot to be located at 16 Emma Street
14 and 9 Emma Street in the City of Binghamton,
15 County of Broome and State of New York.

16 The acceptance of the filing by the
17 Agency does not infer any position on the
18 approval or disapproval of the financial
19 assistance requested. No position will be
20 taken until the public hearing is concluded.

21 A copy of the application along
22 with the cost-benefit analysis prepared by
23 the Agency is available at the office of the
24 Agency for your review.

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1 Notice of this hearing was
2 published in the PRESS & SUN BULLETIN on
3 March 28, 2018.

4 I request that each person wishing
5 to speak state his or her name, and if
6 you're speaking on behalf of an entity or
7 organization, please, identify that entity
8 or organization. The hearing will remain
9 open until all public comment is concluded.

10 First I'm going to ask
11 Kevin McLaughlin, Executive Director of the
12 Agency, to explain of the tax benefits that
13 have been requested by Freewheelin ANSCO,
14 LLC.

15 Kevin.

16 MR. McLAUGHLIN: Thank you, Joe.

17 Freewheelin ANSCO, LLC, is going to
18 rehab what is commonly called the ANSCO
19 camera factory building located at 16 Emma
20 Street. The building is presently
21 underutilized. It's a 150,000-square-foot
22 building, and it's totally underutilized,
23 unfortunately.

24 Freewheelin is going to do a

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1 complete rehabilitation using a number of
2 financing sources including historic tax
3 credits and some other environmental tax
4 credits.

5 They intend to construct 100 market
6 rate apartments and at least 50,000 square
7 feet for commercial use.

8 Freewheelin ANSCO, LLC, is
9 requesting a payment in lieu of tax
10 agreement, a mortgage -- a reduction of
11 mortgage recording taxes and an exception of
12 sales taxes.

13 Thank you.

14 HEARING OFFICER: Does anyone else
15 wish to be heard relative to this
16 application?

17 MR. WHALEN: Yes, I would. My
18 name is Brian Whalen.

19 I'm a taxpayer in the City of
20 Binghamton and I'm speaking against this
21 payment in lieu of tax agreement, and there
22 are a number of reasons why I'm speaking
23 against it.

24 I'm not opposed to pilots in

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1 general given that they provide an economic
2 benefit to the community that they serve.
3 However, it's been my experience since the
4 creation of the Industrial Development
5 Agency as provided for in a number of
6 audits, state audits, across the state for
7 industrial development agencies in general
8 that they do not provide the financial
9 benefits that they claim to. As a result of
10 the -- at the completion of pilots the tax
11 base has not been improved. The economic
12 environment has not been improved, and the
13 money given to the project by the taxpayers
14 who are -- who are saddled with the
15 additional tax burdens not paid by the
16 developer or the owner of the pilot is
17 insubstantial.

18 It's been my experience that the --
19 there are three main organizations that are
20 forced to give up their tax base in terms of
21 their ability to tax given that they're --
22 sign tax warrants and are also responsible
23 for the financial and operational care of
24 their organizations that are not engaged in

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1 the pilot approval process. Specifically,
2 school districts are not included. They
3 bear the largest amount of reduction in tax
4 revenues. And, however, although the school
5 districts will remain able to collect the
6 taxes, the tax burden is shifted to the
7 remaining business owners. And so, it
8 creates a noncompetitive advantage for those
9 individuals who receive these pilots.

10 Specifically, this pilot is a
11 deviated pilot and my understanding is it's
12 for 20 years, and it is front loaded in
13 terms of the benefits that it provides to
14 the -- first to the organization that
15 receives the pilot. So, they get a much
16 higher benefit in the beginning than in the
17 end. And it is also my understanding that
18 within under five years that the liability
19 to those organizations to that pilot owner
20 becomes zero so that they could walk way
21 from the pilot and leave the property as it
22 is, and there would be no further -- I'm
23 sorry -- there would be no further ability
24 for the tax entities to collect their taxes.

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1 So, also, one of the other issues
2 with these pilots is that there is no
3 communication between the Agency and the
4 owner or the authority that is responsible
5 for approving a deviated pilot. In this
6 case that would be the City of Binghamton,
7 and the individual that is authorized to
8 approve that is the Mayor of the City of
9 Binghamton.

10 The Binghamton City School District
11 is responsible for operation and the
12 financial expenditures authorized by the
13 voters in the City of Binghamton in the
14 amount of, roughly, \$114 million a year
15 currently. The only notification that the
16 school district receives is a notification
17 of a public hearing, and by that time this
18 is a done deal.

19 There has never been a single
20 application for a pilot agreement that has
21 not been approved by the board of the
22 Agency. The board of the Agency is made up
23 of political appointees by the chairman of
24 the County Legislature, and up until

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1 recently there were no members of the board
2 of directors for that agency that resided in
3 the City of Binghamton. And currently there
4 is one, I believe, who was the former Mayor
5 of the City of Binghamton, and this is very
6 inappropriate. The process of their
7 approval lacks any accountability to the
8 residents of the City of Binghamton.

9 In addition, the school district's
10 responsible for signing tax warrants.
11 They're responsible for planning their
12 financial outlays and they're also
13 responsible for managing staffing and the
14 student attendance in the district. Without
15 any inclination or identification of what
16 these projects are in advance there can be
17 no planning for increased attendance at
18 schools, which can impact classrooms and
19 cause the city school district to expend
20 significant outlays of money to house
21 additional students if warranted. And then
22 they also have -- the tax burden to them is,
23 like I said previously, 50 percent or more
24 that the payment in lieu of tax agreement

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1 gives that they give up. Although, that
2 really falls on the taxpayers of the City of
3 Binghamton, primarily the business owners,
4 because it is a non-homestead tax rate that
5 gets increased to accommodate, in this case,
6 \$5.8 million in payment in lieu of tax
7 agreement over the course of the 20 years.

8 I find it a little ironic, and this
9 isn't the only case, this isn't -- this is
10 kind of a trend that you see with agencies.
11 And by the way, they changed their name from
12 Industrial Development Agency to Agency
13 because they don't do any industrial
14 development anymore. All they do is
15 projects that should be undertaken based on
16 supply and demand. Economic market forces
17 should avail here.

18 In addition, it baffles me that the
19 projects that you see come through are
20 pretty significant in the amount of money
21 that the project cost represents. In this
22 case, if I'm not mistaken, the project cost
23 is \$23.5 million. \$20.7 million is going to
24 be taken out as a mortgage by the recipient

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1 of the pilot. And yet when the project is
2 done, the assessed value of the property is
3 only 4.4 million. Now, I'm not a
4 mathematician, but that's about 20 percent
5 or less of what the cost of the project was.
6 And who determines what that assessment is?
7 That would be the assessor for the City of
8 Binghamton. So, the taxpayers once again
9 are left holding the bag because of these --
10 even when the pilot is completed, the
11 assessed value of the property is
12 significantly lower than what the cost of
13 the project was.

14 Now, I liken this to building a
15 house for \$150,000 and then having it
16 assessed and the assessment coming in at
17 \$50,000, and that would result in me only
18 being able to sell the property for \$50,000.
19 What's wrong with this picture, folks?

20 A little more on this project in
21 particular. This is even more unusual in
22 that the entire sales tax looks like it's
23 part of this pilot; whereas, in the past the
24 state has waived their 4 percent of the

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1 sales tax. However, this appears to be a
2 request for a pilot that waives the entire
3 8 percent of the sales tax.

4 When the county abdicated their
5 responsibility, the County Legislature
6 abdicated their responsibility to manage
7 pilots and turned it over an agency with a
8 board of directors that do not represent the
9 constituents in where these projects are
10 being built, specifically here in the City
11 of Binghamton, they added a provision to
12 that agreement, and that was that the county
13 would collect their share of the sales tax,
14 which is 4 percent, which, by the way, gets
15 split with the city. So, they each get
16 2 percent. The school district gets
17 nothing, and none of these agreements the
18 school districts were ever involved in.

19 Now, with a tax cap in place of
20 2 percent mandated by the state and city
21 school districts with -- that generally have
22 significantly high poverty rates, Binghamton
23 School District is, approximately,
24 73 percent, and that's based on the school

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1 children who are eligible for free and
2 reduced lunches, this seems like a
3 tremendous burden on the ability to run a
4 school district.

5 What used to be a philosophy of
6 local rule for school districts no longer
7 exists. It is controlled by the state, and
8 this is nothing more -- these pilots are
9 nothing more than the anti-Robin Hood where
10 they are legally stealing from the poor and
11 giving to the rich.

12 Once again, when the pilot is done,
13 it's assessed at a fraction, in this case
14 probably about, like I said, 20 percent or
15 less, of what the actual project cost is.
16 And this isn't unusual. This is typical of
17 the pilots. And a look at any of the audits
18 that have been done across the state
19 indicate that pilots do not work as an
20 economic development tool.

21 As a matter of fact, the people
22 that are responsible for picking up the
23 taxes as a result of these pilots are often
24 overburdened in taxes and leave the

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1 community in which they were conducting
2 business, which ends up in a net decline in
3 the business environment in the city.

4 We've been faced with,
5 approximately, 20-plus pilots in the last
6 couple of years. Not a single one, and
7 that's just in the city, not a single one
8 has been disapproved by the Agency board of
9 directors.

10 My other concern is if you follow
11 the money either from a perception at the
12 very least or certainly in actuality there's
13 a concern of this being -- wittingly or
14 unwittingly causing the people that work for
15 the Agency and the board of directors
16 exposure to a pay-and-play scenario. And
17 when I say that, if you look at politicians'
18 contributions, and they're easily accessible
19 on the state website, you can see that there
20 are a number of developers or owners of
21 pilots who have contributed, especially in
22 the case of deviated pilots because it's
23 not -- the standard pilots don't
24 require the -- don't require the

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1 municipality's approval, but have received
2 significant contributions from the
3 developers and/or owners. And that's
4 usually after the fact, but the timing is
5 suspicious when that occurs.

6 So, there needs to be more light
7 shed on the process that occurs here and
8 also there needs to be more control, more
9 accountability and communication between the
10 affected parties and to the extent where
11 school districts should have the option of
12 opting in or opting out of pilots because
13 they're not part of the process. They are
14 responsible for collecting the taxes. They
15 do sign the tax warrants and they have no
16 control or say or even acknowledgment and
17 they're not provided any information on when
18 these pilots are going to happen and what
19 the impact is to the community and the
20 school districts.

21 The other thing that I'd like to
22 say is that in year one of this pilot
23 specifically it states that it will employ
24 100 people, if I read that correctly, with

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1 wages and benefits of \$4 million. Now that
2 appears to me to be strictly the
3 construction cost and the renovation cost of
4 that building.

5 In year two through three or even
6 further on there doesn't appear to be any
7 acknowledgment of an increase in employment
8 as a result this pilot. So, we're going to
9 spend 5.5 million, 5.4 million -- I'm sorry,
10 \$5.8 million in tax money to, basically, get
11 100 jobs for one year and the -- in
12 accordance with the application the
13 sustained employment would only be one
14 full-time person and one part-time person
15 with salaries projected to be for the
16 full-time person \$40,000 and for the
17 part-time person to be \$25,000. Now, this
18 certainly isn't a job producer.

19 We recently had a similar project
20 at 50 Front Street that cost -- projected
21 cost was 31 million with an assessment,
22 proposed assessment, of 11 million, I
23 believe, if my memory is correct, and it's
24 been known not to be. Once again, that's

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1 about a 36 percent assessment to the project
2 cost, and the tax rates won't change at all.

3 We're driving the individuals who
4 own businesses in this community out because
5 they're paying an unfair amount of taxes,
6 and that's probably why these people along
7 with others request these pilots.

8 So, what I'm asking for is the
9 Agency to reconsider this project and at a
10 minimum not allow this project to be more
11 than a standard pilot at best.

12 Thank you.

13 HEARING OFFICER: Thank you,
14 Mr. Whalen.

15 Does anyone else wish to be heard?

16 (Whereupon there was no response)

17 MR. McLAUGHLIN: No.

18 HEARING OFFICER: Hearing none
19 further, I'd ask the record to reflect that
20 it is presently 5:50 and I'm going to draw
21 this hearing to a close.

22 But prior to that I'm going to ask
23 that the notice of public hearing, affidavit
24 of publication, letter to the taxing

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1 authorities, affidavit of mailing and
2 affidavit of posting be spread upon the
3 record of these proceedings.

4 A copy of the transcript of these
5 proceedings will be provided to the members
6 of the Agency prior to the time in which
7 they consider this application.

8 That said, I'm going to draw this
9 matter to a close.

10 (Whereupon the hearing concluded at
11 5:51 PM)

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I N D E X

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EXHIBIT:		PAGE :
1	Notice of public hearing	16
2	Affidavit of publication	16
3	Letter to the taxing authorities	16
4	Affidavit of mailing	17
5	Affidavit of posting	17

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1 STATE OF NEW YORK :

2 COUNTY OF BROOME :


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4 I, KEVIN CALLAHAN, Shorthand Reporter, do
5 certify that the foregoing is a true and accurate
6 transcript of the proceedings in the matter of
7 Freewheelin ANSCO, LLC, held in Binghamton, New York,
8 on April 12, 2018.

9

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11



12

KEVIN CALLAHAN

13

Shorthand Reporter

14

Notary Public

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CZERENDA COURT REPORTING, INC

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71 State Street

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Binghamton, New York 13901-3318

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