

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON ECONOMIC
DEVELOPMENT

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HELD AT: 250 Broadway, Committee Room
14th Floor

B E F O R E: Karen Koslowitz
Chairperson

COUNCIL MEMBERS:

Mathieu Eugene
Julissa Ferraras
Letitia James
Diana Reyna
Albert Vann
Brad S. Lander
Steven T. Levin
Donovan Richards
Mark S. Weprin
Ruben Wills

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

Joe Coletti
Senior Vice President for Government and
Community Relations at New York City Economic
Development Corporation

Meredith Jones
General Counsel for Economic Development
Corporation

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COMMITTEE ON ECONOMIC DEVELOPMENT

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CHAIRPERSON KOSLOWITZ: Economic

Development Committee is now in session. Good morning, I am Karen Koslowitz, Chair of the New York City Council Committee on Economic Development. In today's hearing, the Committee will consider Intro 1166, a bill to amend the New York City charter in relation to certain entities under contract with the department of small business services. Intro 1166 addresses one primary substantive issue and two housekeeping issues. The primary issue addressed by the bill and the main focus of today's anticipated testimony concerns the disclosure of indirect lobbying activities conducted for the benefit of the New York City Economic Development Corporation. In June 2012, the New York State Attorney General found that EDC, under its former corporate status as a local development corporation, violated the state's special not-for-profit law by trying to influence legislation by engaging in lobbying activities. Specifically, the attorney general found that EDC, in connection with two other not-for-profit LDCs, sought to influence City Council

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2 legislation concerning city development
3 projects in Willets Point and Coney Island.
4 These LDCs were found to have fostered the
5 appearance of grass roots support from
6 community members, prepared the testimony for
7 community members supposedly in support of the
8 projects, organized transportation to City
9 Council hearings, retained an outside
10 government relations firm, were ghost writing
11 Op Eds and were drafting letters to City
12 Council Members. These activities were
13 contrary to law because as a local development
14 company, EDC was prohibited from lobbying--I
15 can't talk today--lobbying activities for these
16 EDC projects were conducted by and with third
17 parties, and were designed to deceive both the
18 Council and the public. Following the Attorney
19 General's investigation, EDC restructured its
20 corporate status, and now, although still a not
21 for profit corporation, is no classified as a
22 local development corporation. This means EDC
23 is now legally free to lobby the New York City
24 Council, the City Planning Commission, and
25 other public bodies regarding EDC projects

1 where city land and city tax benefits are
2 conveyed to private parties. Intro 1166
3 directly addresses this circumstance by
4 requiring that all lobbying and lobbying
5 activities, expenditures, and expense directed
6 at the City Council and other public bodies be
7 disclosed in quarterly reports submitted to the
8 Council. The lobbying activities of EDC
9 offices and employees need not be reported.
10 Intro 1166 also addresses two housekeeping
11 measures by amending the charter to recognize
12 and capture EDC's change corporate status and
13 as a result ensure that EDC is still required
14 to provide the Council an annual report on jobs
15 and economic development benefits, and assist
16 in evaluating the mythology for such reports,
17 that the Council maintains its right to notice
18 of port and trades related contracts and its
19 rights to prohibit such contracts by law. With
20 that, I would like to call our first panel of
21 the hearing representing the Administration and
22 EDC, and that is Meredith Jones and Joe
23 Coletti. Welcome.
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2 JOE COLETTI: Good morning, Chairwoman
3 Koslowitz and members of the Committee on Economic
4 Development. I am Joe Coletti, Senior Vice
5 President for Government and Community Relations at
6 the New York City Economic Development Corporation.
7 As you stated, joining me today is Meredith Jones,
8 General Counsel for EDC. Thank you for the
9 opportunity to testify today regarding Introductory
10 1166, which would require the preparation and
11 submission of new quarterly reports by certain
12 third party not for profit contracted entities of
13 which a majority of members are appointed by the
14 Mayor that are involved in Economic Development
15 activities. EDC agrees with the objectives of the
16 bill and shares the Council's goal of ensuring that
17 all stakeholders including elected officials,
18 neighborhoods, and communities have the information
19 they need to evaluate proposed economic development
20 projects. As you stated in your statement, last
21 year we testified in front of this Committee about
22 the New York City Economic Development
23 Corporation's restructuring, which was approved by
24 the New York State Attorney General and the New
25 York State Supreme Court, and became effective on

1 November 1st, 2012. The restructuring was a
2 critical but technical step that has made EDC a
3 better organization. Our reorganization did not in
4 any way change EDC's responsibilities to other city
5 entities or to the public or its reporting to the
6 City Council. By making these changes to our
7 organizational structure, however, EDC is able to
8 carry out its economic development mission on
9 behalf of the people of New York City more
10 effectively, engaging in a more open conversation
11 with the public and elected officials about land
12 use plans just as our counterparts and city
13 agencies are able to do. In other words, the
14 City's primary economic development arm, thanks to
15 this restructuring, is now not only able to develop
16 important land use plans for the City, but is also
17 able to speak freely about them and explain to key
18 stakeholders why it believes that they are, in
19 fact, important. We believe this will continue to
20 increase both efficiency and transparency, allowing
21 EDC to continue to strengthen our City's economy
22 for the 21st Century and beyond, while ensuring
23 that there are no questions about compliance with
24 the law in the future. As I stated earlier, EDC
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2 agrees with the objectives of the bill, however, we
3 do have a substantive concern specifically relating
4 to the requirement for reporting with respect to
5 advice and analysis directly applying to any urban
6 planning, urban design, engineering, scientific or
7 similar technical discipline or any legal
8 accounting or other similar professional
9 discipline. The primary purpose of sharing these
10 analysis and advice is to supply technical
11 information to stakeholders so that they have the
12 tools needed to make informed decisions on proposed
13 projects. To require reporting on these technical
14 advisors would be a burden on a contracted entity
15 without illuminating different interests affecting
16 a proposed project for stakeholders. Therefore,
17 it's our belief that the bill should provide an
18 exception for reporting so that persons meeting
19 these descriptions are not covered. To conclude,
20 let me reiterate, that we believe that as the
21 City's primary arm of economic development, EDC is
22 most effective if it's able to advocate on behalf
23 of its own projects. EDC's restructuring that took
24 place last year has enabled the company to operate
25 freely and legally in areas that are necessary and

1 appropriate for it to achieve its economic
2 development mission, and these changes allow EDC to
3 have open conversations with the public, City
4 Council members, and other elected officials about
5 ULURP actions as our counterparts and other
6 agencies as I mentioned do, and as most other not
7 for profits are also allowed to do. EDC believes
8 Introductory 1166 will build upon these changes to
9 further increase transparency and we look forward
10 to working with the Council as this bill moves
11 forward. Thank you for your time, and we're happy
12 to answer your questions.

14 CHAIRPERSON KOSLOWITZ: Thank you, and
15 before I continue, I want to recognize our Council
16 Members, Council Member Brad Lander from Brooklyn,
17 Council Member Donovan Richards. My allergies are
18 killing me today. I am just not--my head is
19 clogged. Council Member Mark Weprin and Council
20 Member Al Vann, and my Counsel Thomas. The AG's
21 reported listed several activities EDC was found to
22 have participated in that many believe were
23 deceptive, such as fostering the appearance of
24 grass roots support, drafting testimony for non EDC
25 employees, etcetera. Are these particular types of

1 lobbying activities EDC has determined on its own
2 are not worthy of EDC and if so, what are they?

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4 JOE COLETTI: If you remember late last
5 year when our former President Seth Pinsky
6 [phonetic] was here to testify on the
7 restructuring, one thing that he made very clear
8 was that under his tenure that he would not be
9 contracting out any type of advocacy efforts. And
10 while we, while that continues to this day to be
11 the case, we obviously do not know in the future
12 what future Presidents may or may not decide. And
13 so, in terms of this legislation, I think from that
14 angle, that's why we think that it is a good thing
15 and we want to work with the Council to move this
16 ahead, because it's another element to transparency
17 that will improve this effort in the future, if
18 another President decides not to, and I think that
19 the most important thing here as I mentioned a few
20 times, is that any advocacy effort that EDC does,
21 we now are able to do it directly, openly, and
22 clearly ourselves. And that's the most important
23 thing that came out of the restructuring. From our
24 vantage point I think it's something that should be

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2 important for not only the Council, but I think the
3 general public to also recognize.

4 CHAIRPERSON KOSLOWITZ: Since EDC's
5 board is different than that of the Land
6 Development Corporation, now utilize for Landers
7 positions that the old EDC corporate performed,
8 will new EDC consider lobbying the Land Development
9 Corporation Board or Council Members to approve of
10 a land disposition if an when EDC's board and the
11 Land Corporation's Board disagree? Again?

12 Currently the contract between the City and the
13 city's disposition of land for the Land Development
14 Corporation requires the Land Development
15 Corporation to dispose of Land that it receives at
16 EDC's direction so that there really isn't a need
17 for Land Development Corporation to be lobbied as
18 such. Is this Committee's December 2012 hearing
19 concerning EDC's corporate restructure your
20 previous President Seth Pinsky stated that EDC's
21 lawyers were not convinced that ULURP matters
22 before the Council should be considered legislation
23 for which EDC was prohibited from influencing. Now
24 that EDC has the power to lobby, please explain how
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2 EDC plans to conduct lobbying activities before the
3 Council regarding ULURP matters.

4 JOE COLETTI: Certainly, I think it's--
5 I think it's a fairly straight forward formula. I
6 mean, we obviously want to speak directly to you
7 and other elected officials. What we want to meet
8 with the community both formally and informally,
9 and I think that, you know, a big part of this is
10 also engaging with local groups, both for and
11 against projects. And, you know, there may be
12 times where groups that are in support of a
13 project, you know, will do something helpful and we
14 see that as perfectly okay now that we're
15 especially in a situation where we are the ones
16 advocating for our project. So, again, it's more
17 open. It's more clear. It's more direct. I think
18 it benefits both the Council, the general public
19 and EDC, and I think that we're now in a better
20 position going forward on projects to have these
21 sort of open dialogues.

22 CHAIRPERSON KOSLOWITZ: I'm going to
23 turn--any of my colleagues have any questions?
24 Brad Lander?

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2 COUNCIL MEMBER LANDER: Thank you very
3 much, Madam Chair. Thank you for coming before us
4 today. And I, you know, we--I was at the hearing
5 with then President Pinsky last week, and I guess I
6 am going to ask a question first that I asked him
7 then, and I just I still don't--I don't have any
8 trouble with EDC arguing for its projects, and
9 coming before us and arguing for its projects, and
10 going into the community and arguing for its
11 projects, obviously that's an entirely sensible
12 reasonable thing for it to do, and to the extend
13 that the law made that impermissible. Finding a
14 way to address that makes sense to me, but I still
15 am not clear why it's valuable from a public
16 interest point of view for you to contract with
17 lobbyist, whether to lobby us or to engage the
18 community, whether that's the kind of phony
19 grasstops caught in the lobbying that took places
20 in the cases the Attorney General looked at or
21 whether it's just the more normal you hire a
22 consultant lobbyist and they come meet with all of
23 us. You guys don't need a lobbyist to sit down
24 with us, and once lobbyists are in the situation,
25 you know, other things start to happen from time to

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2 time and so I guess I'm--if it's going to happen,
3 then I'm glad it will be recorded, but I'm really
4 not clear why it is a thing that needs to be
5 permissible.

6 JOE COLETTI: Sure, I mean, I think it-
7 -just, I mean, from a policy's perspective, I think
8 our former President and the current President have
9 continued this policy; we don't have any plans,
10 we're not going to. Obviously, we don't what a
11 future President will or will not do and a future
12 administration, however, we made that commitment.
13 We stayed true to that, and that's why we agree
14 that the legislation serves a good purpose, because
15 if that is happening, you know, the Council and
16 other stakeholders should be aware of that. Are
17 you speaking exactly to like why it's technically
18 allowed or legally allowed?

19 COUNCIL MEMBER LANDER: Well, I mean I
20 guess I had--I had talked to--like I said, I didn't
21 do my homework to follow up. I had talked about
22 legislation that would essentially prohibit the
23 contracted entities from engaging in hiring third
24 party lobbyist, and I still think that would
25 preferable, and it sounds like to some extent your

1 former and current presidents concur with that. So
2 maybe we can follow up. I think it is good to have
3 it reported if it's going to happen and put it now,
4 and if--but anyway, maybe we can do some further
5 exploration to figure out whether it's something
6 that we could just take off the table so we didn't
7 have to worry, but anyway, I do support this
8 legislation, and I thank the Chair for holding this
9 follow-up hearing and making sure that we're not--
10 that we're following up on the hearing that we had
11 last year. I am supportive of it, and would like to
12 have my name added to it. So, thank you.

14 CHAIRPERSON KOSLOWITZ: And also, I
15 commit to keep looking at this with the new
16 administration, 'cause that will be important also.
17 Council Member Reyna, we've been joined by Council
18 Member Reyna, and now she has a question.

19 COUNCIL MEMBER REYNA: I understand
20 that this hearing--thank you, Madam Chair--is about
21 the Intro of Law 1166 and I just wanted to
22 understand because part of the briefing paper, the
23 master contract and maritime contract as far as
24 requirements for EDC is three parts, right? The--
25 to devise and oversee projects for commercial and

1 industrial development, stabilize and improve
2 industrial areas within the city and manage and
3 maintain city owned properties, but the break down
4 of what has been 66 million in tax benefits and how
5 much of the 66 million in tax benefits are going to
6 each of these three goals is not clear. Do you
7 have a break down of those three goals as part of
8 the master contract achieved in relationship to the
9 66 million dollars in tax benefits.
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11 JOE COLETTI: Sorry, just to clarify,
12 that 66 million number you're getting--

13 COUNCIL MEMBER REYNA: This is--

14 JOE COLETTI: From our contract?

15 COUNCIL MEMBER REYNA: According to the
16 last two decades of EDC's initiation of 600
17 economic development projects. So in the last two
18 decades there's been--it's part of our briefing
19 paper.

20 JOE COLETTI: I didn't see it myself.
21 I'm not exactly sure where that number comes from,
22 but we're happy to follow up on that. That's not a
23 problem.
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2 COUNCIL MEMBER REYNA: So I would like-
3 -it's part of the IDA reports in relationship to
4 all benefits issued in the last two decades.

5 MEREDITH JONES: I think you're
6 speaking of the reports that are required under the
7 City Charter for projects that have been undertaken
8 both by EDC, by EDC and we also report for IDA, and
9 I'm not sure--I mean, I'm not--I can't say
10 specifically what the 66 million is, but I
11 understand what reports your talking about, and I
12 think we should get back to you.

13 COUNCIL MEMBER REYNA: I would like
14 that, and you know, and I'm just trying to in a
15 very sterile way just understand what, as far as
16 the terms of the master contract with EDC and what
17 is required of EDC in relationship to the three
18 main goals, right? Devise and oversee projects for
19 commercial and industrial development, stabilize
20 and improve industrial areas within the City and
21 manage and maintain city-owned properties of which
22 there has been activity of 600 projects within the
23 last two decades.

24 MEREDITH JONES: I think the 600
25 projects, that's the number that is the number of

1 projects that IDA has that are outstanding, I
2 believe. I mean, that's my recollection. IDA and
3 New York City Industrial Development Agency is a
4 different corporation than New York City Economic
5 Development Corporation, and New York City
6 Industrial Development Agency is not party to
7 either the annual contract or the maritime
8 contract, but what the annual contract does provide
9 is that it's one of the duties EDC has in the
10 annual contract is to support the Industrial
11 Development Agency, so we can look into that for
12 you.

14 COUNCIL MEMBER REYNA: I would
15 appreciate that very much, just to get an
16 understanding as to how those three goals have been
17 met in relationship to benefits in relationship to
18 city-owned land that has been either leased or
19 sold.

20 MEREDITH JONES: The 600 do not really
21 include the city-owned land that's been leased or
22 sold. The 600 are primarily situations where the
23 Industrial Development Agency has either taken
24 action that removes the property of the project
25 companies from the tax rolls and then substitutes

1 pilots and payments in lieu of taxes which are paid
2 to the Department of Finance but are at a lower
3 rate than what real estate taxes would be. So
4 that's one thing that IDA does. The second thing
5 that IDA has done in the past is it has issued tax
6 exempt bonds to the public and taken those monies
7 that it receives from its issuances of taxes and
8 bonds and lent that money to project companies to
9 carry out their industrial development projects and
10 those bonds are then repaid by the payments from
11 the project companies. So that money does not come
12 out of the City treasury and doesn't go back into
13 it, but there may be a very few of those 600
14 projects where the project company is working with
15 land that it bought from the City, but by in large,
16 that's really not the case. It's usually the land
17 involved in the IDA deals is land that the project
18 companies have bought from other private parties
19 consensually with no city involvement.

21 COUNCIL MEMBER REYNA: Well, there's
22 Bam South as an example, went through EDC.

23 MEREDITH JONES: But not through IDA.

24 JOE COLETTI: Not IDA.
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2 MEREDITH JONES: It's not one of the
3 600. It's the second part of that report, which
4 reports on the land activities, but I don't believe
5 Bam South received any IDA benefits, or any tax,
6 that kind of tax benefit.

7 JOE COLETTI: NO, and I--

8 MEREDITH JONES: [interposing] But I'm
9 getting really--I really should go back and--

10 COUNCIL MEMBER REYNA: [interposing]
11 Right.

12 MEREDITH JONES: Get you the definitive
13 answers and not speculate.

14 COUNCIL MEMBER REYNA: Sure.

15 JOE COLETTI: And just to be clear, I
16 know from the out--especially from the outside
17 things like IDA and some of these entities can, you
18 know, be confusing, and so if there's any other
19 clarification that we can do in terms of talking to
20 you and help you kind of understand like how it,
21 you know, what it does, how it functions, you know,
22 in terms of--in relation to EDC. A little bit more
23 specifically, we're happy to do that.

24 COUNCIL MEMBER REYNA: And I appreciate
25 that. I just wanted to understand the efforts of

1 this bill in formation of what is further
2 transparency on lobbying, city and relation to
3 city-owned land as well as tax benefits that's
4 managed through EDC, and the opportunities to
5 understand, you know, an RFP put out for a certain
6 piece of land then there are benefits through that
7 RFP that are drafted. It's through city action
8 that a private corporation would access the land.
9 So there's certain, a menu of different benefits
10 that come with that RFP, and then it turns out to
11 be a different plan afterwards, right? So, you
12 know, the City's face is behind the action of
13 disposing of all this land, and yet there's a
14 private applicant who's receiving. So I wanted to
15 understand exactly what projects have fallen under
16 which goal and how does that take into account what
17 would be this particular bill in relationship to
18 all of that.

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20 JOE COLETTI: Sure, certainly, and I
21 mean, and we can continue this conversation. You
22 know, I think there's two pieces to that actually.
23 You know, there's the one where, you know,
24 traditionally as EDC is better known for is some of
25 the larger sort of, you know, transformational

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2 economic development projects around the City, and
3 there's a process for which the real estate group
4 at EDC, you know, rights an RFP on behalf of the of
5 the City, and puts out an RFP for a competitive
6 bid, certain real estate property and then there's--
7 --we negotiate on behalf of the city and there's a
8 selection, you know, of a particular project.

9 Obviously, with, you know, community input and
10 consultation with elected officials along the way,
11 but that's one side. Then there's sort of the IDA's
12 side which is a little bit different. You know IDA
13 has its own board. What happens is companies come
14 and actually submit an application to IDA.

15 COUNCIL MEMBER REYNA: Right, and none
16 of what you've just referred to as far as the RFP
17 side of EDC has ever gone before the IDA?

18 MEREDITH JONES: Correct.

19 COUNCIL MEMBER REYNA: None of those
20 projects ever go before--

21 JOE COLETTI: [interposing] Yeah. No,
22 yeah. We don't--there's--yes. That's--they're
23 sort of exclusive that way.

24 COUNCIL MEMBER REYNA: Okay, thank you.
25

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2 CHAIRPERSON KOSLOWITZ: Thank you. Can
3 you describe the types of legislation and other
4 public matters and the frequency with which EDC
5 plans to lobby the Council and other public bodies?

6 JOE COLETTI: Certainly. You know, I
7 think that the most experience that the Council has
8 with us is obviously on larger, you know, real
9 estate developments, primarily that obviously
10 involves the ULURP process. Again, you know, we're
11 going to be direct--having conversations more
12 directly, more openly throughout that and I think
13 that is, you know, one of the instances where you
14 obviously will see us the most. You know,
15 historically, on particular pieces of legislation,
16 EDC hasn't been particularly active, although I
17 imagine in the future that, you know, we have an
18 obligation as the economic development arm of the
19 City to weigh in on important pieces of legislation
20 that effect that area. You know, we may see some
21 of that in the future, but again, it's, you know,
22 at this point we haven't done a lot on that front.
23 It's been much more in sort of the Land Use area
24 and we expect that, you know, to continue under
25 future administrations.

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2 CHAIRPERSON KOSLOWITZ: Do you have any
3 kind of budget for lobbying?

4 JOE COLETTI: No, I mean, look, we have
5 staff, and part of my job is I run the Government
6 Affairs Unit and, you know, part of our job is to
7 help advocate for our projects and to work on
8 things like ULURP, the 384 before process, which is
9 something the borough board approves. You know, and
10 that will continue into the future. It's no
11 different than, you know, City Planning or another
12 agency going through a process that they need to go
13 through and communicating and trying to educate
14 both the public and work with the City Council and
15 Community Boards to make sure that projects that
16 are important, you know, to the administration and
17 to the future of the City are able to be
18 accomplished.

19 CHAIRPERSON KOSLOWITZ: So you don't
20 have a specific budget?

21 JOE COLETTI: No, it's staff like
22 myself that will work with other members, and you
23 know, as many of you know, you know, we visit;
24 we'll be here in hearings speaking. We obviously

1
2 have informal conversations, and that's all part of
3 advocating for the project.

4 CHAIRPERSON KOSLOWITZ: Okay. And I
5 have to say, you do a good job.

6 JOE COLETTI: I'm sorry, one more
7 thing, I know I've mentioned it before, but just to
8 reiterate, we don't--we don't have any separate
9 budget for a contracting external partners, and we
10 have absolutely no plans to do so.

11 CHAIRPERSON KOSLOWITZ: And I just--you
12 didn't hear me, but I said, and you do a good job.

13 JOE COLETTI: Thank you.

14 CHAIRPERSON KOSLOWITZ: Has EDC
15 considered providing additional transparency
16 regarding its internal operations, subsequent to
17 the AG's investigation in EDC's corporate
18 restructuring?

19 JOE COLETTI: Well, as I mentioned at
20 the beginning, all of reporting to the City
21 Council, to the Mayor's office to the Comptroller
22 will continue. Nothing has changed post
23 restructuring. We will continue to be here during
24 budget time and participate in the budget hearings
25 and explain how our budget is being spent, and

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2 we'll be--we'll continue to talk through our
3 capital budget. So all those things that
4 everyone's is used to holding us accountable for,
5 we'll continue, and obviously, we look forward to
6 continuing to work with the Council and find ways
7 to improve transparency. We've come a long way in
8 the last 10 years, EDC has. I know that Mr.
9 Pinsky, my former boss, has said many time in front
10 of the Council there's always room to improve, and
11 that's where we need to work together.

12 CHAIRPERSON KOSLOWITZ: Okay, thank
13 you. Anybody have any other questions? No
14 questions. Well, this was a very speedy meeting.
15 Thank you very much, and this meeting's adjourned.

16 [gavel]

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C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify there is no relation to any of the parties to this action by blood or marriage, and that there is no interest in the outcome of this matter.



Date 10/26/2013