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**A CASE STUDY IN
BROWNFIELD REDEVELOPMENT**

THE WATERFRONT IN GLEN COVE, NEW YORK

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I: THE CITY OF GLEN COVE: A SOCIO-ECONOMIC PROFILE

Glen Cove is a small, 7 square mile municipality of over 26,000 residents on the North Shore of Nassau County. The city has a diverse population; with 53.5 percent of the 9,461 households having married couples living together, the balance are households headed by single males or females. The average family size is 3.22 persons.¹ This compares unfavorably to Nassau County where 81.3 percent of households have married couples living together.²

Glen Cove is also an aging city, with those from 45 years of age to over 65 comprising over 40 percent of a population, with 89.4 males over the age of 18 for every 100 females. The future of Glen Cove rests with retaining the 30.6 percent of the population between the ages of 25 to 44.³

In comparison to Nassau County, Glen Cove residents are primarily middle-income wage earners. Glen Cove's nominal median family income is \$63,021, with males earning a median income of \$41,900 and females earning \$30,581. Nominal median per-capita income is \$26,627.⁴ This is below Nassau County levels, where the nominal median family income is \$81,246 with median per-capita income of \$32,151.⁵

The emerging socio-economic profile of Glen Cove is a city where long-term residents fear that they will no longer be able to remain, where the population is aging, family median and per-capita income is below surrounding Nassau County, more households are headed by women than men, and single headed households are almost equal to married households. Based on the latest U.S. Census data of the 9,461 occupied housing units, or 97.2 of all Glen Cove housing units, 5,533 or 58.48 percent are owner occupied with the balance of 3,928 or 41.52 renter occupied.⁶

Within the context of this economic base, the City of Glen Cove is confronting an immense budget deficit, with deficits as far as can be projected. While the property tax base is not growing, and the population is aging, the City of Glen Cove's plan to close a huge institutional deficit involved raising property taxes 27.81 percent in 2007. The bulk of this monumental tax increase of over \$ 5million fell disproportionately on existing residential property owners, implemented by an 11.9 % increase in the assessed valuation of their properties. This increase was minimally offset by a minor increase in new construction. The result is that the existing property tax base, comprising 86.4 percent of Glen Cove's net assessed valuation, will pay more taxes than it did in 2006. In contrast, the business base had a 19.82 percent increase in its net assessed valuation, with its tax rate per \$100 increase by 3.23% as compared to the 15.88 percent increase for residential properties.

What is evident is that the City of Glen Cove's residential property taxpayers are overtaxed and can no longer afford to bail out the city by continuing to carry the burden for what appears to be poor fiscal management. The New York State Comptroller, in his October 2006 *Report of Examination for the period January 1, 2005 – August 31, 2006*, calls Glen Cove a City in "severe fiscal stress."

II: THE NEW YORK STATE COMPTROLLER CALLS GLEN COVE A CITY IN "SEVERE FISCAL STRESS"

The Office of the New York State Comptroller's (OSC), in October 2006, issued its Report on the state of Glen Cove's financial condition as of December 31, 2005. The report concluded that the City, with a \$27.9 million general fund budget, a \$2.1 million recreational fund, a \$1.8 million water fund, and a \$3.4 million sewer fund had accumulated unreserved fund deficits in it these major operating funds totaling over \$5 million.⁷

The New York State Comptroller concluded, "City officials have not taken appropriate action to address recurring deficits in the general, water and sewer, and recreation funds and monitor revenues and expenditures." The Comptroller continued that "the City is currently experiencing severe cash shortages and will likely end 2006 with an accumulated deficit of almost \$9 million⁸, including the 2005 year unfunded deficit of nearly \$5 million. The \$9 million accumulated deficit, or projected cash shortage, is 109.5 percent of the 2007-budgeted debt service and over 15 percent of the Summary of 2007 Budget Appropriations. The Comptroller concluded, "Very poor budgeting practices have contributed to the City's 2006 accumulated fund deficit."⁹ In fact, Table 4 of the New York State Comptrollers Report, entitled 2006 Projected Operating Deficits, reflects that when the unfounded deficit in the Internal Service Fund is included, the Total Projected fund Deficit will reach over \$9.7 million. The current situation is that the debt has materialized as projected by the New York State Comptroller, with the City seeking New York State Legislative approval to issue debt to finance the deficit.

The New York State Comptroller projects that by fiscal year 2009, Glen Cove's budget deficit, when all funds are considered, will have a combined operating deficit approaching \$24.6 million. \$1.764 million of the deficit can be traced directly to revenue shortfalls expected in 2006 by the City Council from economic development activities not acted on. These include: (1) A \$674,000 debt payment from the Community Development Agency that is contingent upon the revitalization of the Glen Cove waterfront; (2) Revenues of \$590,267 from building permits that would have been generated from the development of the waterfront; (3) Real property taxes of \$299,890 that would have been received from the waterfront property under contract for development; and, (4) mortgage recording taxes of \$200,000 that would have been generated from additional home sales if Glen Cove was seen as an up and coming community with the promise of increasing property values.

Prior Glen Cove Mayors Tom Suozzi and Mary Holzenkamp saw the economic and property tax potential of an expanding city tax base from the waterfront development. That is why both supported the waterfront development and that is why the City Council approved the waterfront project to continue. They all understood that inaction would lead to projected fiscal duress for Glen Cove property tax payers as illustrated in the following Table 1 derived from the New York State Comptrollers Report entitled: *Glen Cove's Path Lurching Toward Fiscal Calamity*.¹⁰

¹ 2000 Census. Internet: http://en.wikipedia.org/wiki/Glen_Cove_New_York, 10 December 2006.

² Cantor, Martin R. *Long Island, The Global Economy and Race: The Aging of America's First Suburb*. Page 53. Long Island Development Corp., September 2006.

³ 2000 Census. Internet: http://en.wikipedia.org/wiki/Glen_Cove_New_York, 10 December 2006.

⁴ Ibid.

⁵ Cantor, Martin R. *Long Island, The Global Economy and Race: The Aging of America's First Suburb*. Page 62. Long Island Development Corp., September 2006.

⁶ Area Connect. Internet <http://glencove.areaconnect.com/statistics.htm>, 10 December 2006.

⁷ Office of the New York State Comptroller. *City of Glen Cove-Severe Fiscal Stress Report of Examination Period Covered: January 1, 2005-August 31, 2006* 2006-146. Division of Local Government Services and Economic Development. October 2006.

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.



TABLE 1: GLEN COVE'S FINANCES LURCHING TOWARD FISCAL CALAMITY

The Office of State Comptroller's adjusted projection
OFFICE OF THE NY STATE COMPTROLLER: Adjustment to the City's Multiyear Estimates

Adjusted Multiyear Financial Plan	Actual 2005	Projected 2006	2007	Projected 2008	2009	Total
General Water and Sewer Funds						
Combined Operating Deficit	(\$1,084,737)	(\$3,036,326)	(\$4,197,085)	(\$5,427,516)	(\$6,687,116)	(\$20,432,780)
Recreation Fund						
Operating Deficit	(\$353,994)	(\$611,591)	(\$600,000)	(\$600,000)	(\$600,000)	(\$2,765,585)
Debt Service Fund						
Operating Deficit	(\$219,102)	(\$355,909)	\$0	\$0	\$0	(\$575,011)
Internal Service Fund						
Unfunded Deficit	(\$672,450)	(\$161,225)	\$0	\$0	\$0	(\$833,675)
Combined Operating Deficit	(\$2,330,283)	(\$4,165,052)	(\$4,797,085)	(\$6,027,516)	(\$7,287,116)	(\$24,607,052)
Cumulative Fund Deficit as of January 1	(\$3,301,190)	(\$5,631,471)	(\$9,796,525)	(\$14,593,610)	(\$20,621,126)	
Cumulative Fund Deficit as of December 31	(\$5,631,473)	(\$9,796,525)	(\$14,593,610)	(\$20,621,126)	(\$27,908,242)	

Source: Table 10: October 2006 Office of the New York State Comptroller Report on Glen Cove, A City In Fiscal Stress.

III: RESTORE FISCAL ORDER: TAXES OR BROWNFIELD DEVELOPMENT

The Glen Cove Mayor concurred with the New York State Comptroller that the City was heading towards a significant fiscal crisis and in his response to the New York State Comptroller's Audit Report findings about resolving the fiscal crisis the Mayor wrote, "the City's multiyear financial plan proposes potential strategies, averaging approximately \$9 million annually, to eliminate the general and sewer fund budget shortfalls in future years."

Accordingly, there are two alternatives to restore fiscal solvency available to the Mayor. One would be based upon expanding the Glen Cove property tax base by developing the waterfront. The other would bring Glen Cove property owners to their fiscal knees by increasing taxes on Glen Cove residents by the approximately \$9 million annually, and continue to do so for years to come. The economics and financial benefits of the waterfront plan will be discussed later. The cost of the tax increase plan on wages of residential property tax owners follows in Table 2, and the impact on Glen Cove businesses appears on Table 3.

TABLE 2: WAGE IMPACT OF GLEN COVE TAX INCREASES

Residential (6775 Parcels) Property Tax and Fee Increases

Year	Property Taxes	Garbage Fees	Failed Budget Savings	Tripling Sewer Rates	Annual Tax Increases	Wage Increases To Pay New Taxes	
						Net	Gross
2006	\$ 649.98	-----	-----	-----	\$ 649.98	\$ 649.98	\$1,400.00
2007	663.00	\$ 244.00	\$ 256.83	\$ 436.61	1,600.44	1,600.44	3,100.00
2008	774.00	244.00	256.83	436.61	1,711.44	1,711.44	3,400.00
2009	935.76	244.00	256.83	436.61	1,873.20	1,873.20	3,800.00
Total	\$ 3,022.74	\$ 732.00	\$ 770.49	\$ 1,309.83	\$ 5,835.06	\$ 5,835.06	\$11,700.00

Table 2 quantifies the costs to each of the owners of the owner occupied residential properties in the City of Glen Cove and based upon the following analysis of the elements of the Mayor's plan to balance the City of Glen Cove budget.

Increase property taxes by 27.81%, generating approximately \$5,061,638 in FY 2007. This trend will continue unless the tax base in the City of Glen Cove is expanded. Projecting that 86.4 percent of the 2007 net assessed valuation of the City of Glen Cove is borne by Homestead properties, then it can be projected that \$4,370,244 of the increase would be borne by residential housing, whether owner or renter occupied with an average of \$755.69 per year of property tax increases for owner occupied units, resulting in \$3,022.74 over three years, not including sewer and water fees. To afford this the average homeowner, by 2009, will have to earn more than \$ 5,000 per year in gross wages just to pay for property tax and fee increases.

Begin **charging fees for residential garbage collection or privatize the service**, resulting in average annual revenue or savings of \$1.9 million, averaging another \$ 244.00 in annual fees to owner occupied housing units, or \$732.00 over three years.

Implement a **10% budget savings** in each City department through attrition or layoffs, which would reduce average expenditures by \$2 million per year. Despite these cutbacks severely impacting the quality of life for Glen Cove residents, where these savings will come from remains elusive. Thus, it is must be assumed that the savings will never materialize and that the residential owner occupied property taxpayer will have to pay for that government inaction, costing an average of another \$ 256.83 per year to Glen Cove beleaguered taxpayers, or \$770.49 over three years.



Doubling court fines would generate an additional \$200,000 per year. Most of these fines will come from Glen Cove residents. **Tripling sewer rates** beginning in fiscal 2007, would generate an additional \$3.4 million annually. This would mean an additional annual average of \$436.61 for the owner occupied units, and \$ 1,309.83 over three years.

According to the OSC report, this approach addresses only the future general and sewer fund budget shortfalls. This is significant, because the OSC was clear in pointing out that the current and future deficit projections should also include the recreation fund, debt service, and the international service fund. As Table 1 illustrates, these other sources add over \$4 million dollars to the cumulative FY 2009 deficit projection. To ignore them will have disastrous effects on the City of Glen Cove.

Aside from the average annual cost increase to the Glen Cove household of the deficit reduction plan is the chilling impact on the selling price on Glen Cove's housing stock. These cost increases will either limit the eligible buyers or force the housing prices to decrease to attract lower income buyers who can't afford the increased taxes. This is especially important when the inventory of homes for sale on Long Island are at record levels, and any increase in taxes drives the selling prices of homes for sale lower.

What is inescapable is that by 2009 the average Glen Cove owner occupied residential property owner will have to earn gross wages of over \$ 11,700 or \$225.00 per week, to generate wages net of withholding taxes of \$ 5,835.06 just to pay for the property tax and fee increases. This level of taxation approaches confiscatory levels, and will quickly make Glen Cove unaffordable for the average Glen Cove homeowner when placed in perspective of the level of wage increases and increases in consumer price increases since 2000.

Glen Cove Tax Increases –vs– Glen Cove Median and After Tax Family Income

The year 2000 nominal median Glen Cove family income of \$63,021 as per the 2000 U.S. Census, when adjusted for an average wage increase of just less than 1% per year of the average pay per Long Island employee,¹¹ results in a base 2009 year projected median family income of \$68,692.89. Applying a 2.35% CPI increase to the 2009 year estimated median family income of \$68,692.89 the additional Glen Cove taxes and fees of \$5,835.06 to balance the City's budget, as presented in Table 2, exceed the CPI increase of \$ 1,614.28 by \$4,220.78, or 261 percent above the Consumer Price Index (CPI) estimated increase of 2.35 percent¹² based upon the New York Area CPI between October 2005 and October 2006. Furthermore, the average estimated \$11,700 gross wage increase necessary to pay for the cumulative tax increases through 2009 is over 17% of the 2009 year estimated median family income, more than 1600 percent greater than the increase in the average pay for Long Island employee since 2000, and 723 percent greater than the 2.35 percent increase in the regional CPI increase since October 2005.

For the average Glen Cove family, this will mean a significant loss of its current effective buying power, with any increase in Glen Cove family income going to pay for the tax increases.

Glen Cove Tax Increases –vs–Glen Cove Housing Values

As shown in Table 2, the Glen Cove budget balancing tax increase will require a residential property tax owner to earn gross wages by 2009 at least \$11,700 per year. Mortgage lenders often require that one-third of a mortgage's gross wages be identified for debt service costs. On this basis, the tax increases will require potential buyers of Glen Cove housing stock to now to earn, on the average, an additional \$35,100 in gross wages to be able to get a mortgage. Placing this in perspective are recent home sales for Glen Cove properties illustrated on the Internet at www.trulia.com. Recent sales for homes that are less than 1,600 square feet, with 1 bath have sold for between \$420,000 and \$500,000. With these additional costs, if eligible buyers can't be found, which is unlikely in a City where an ongoing series of tax increases will be the norm to balance a City budget, Glen Cove residents will have to reduce their selling prices on the average of 7 percent. This is on top of the declining home selling prices occurring in the Nassau County residential market place. Furthermore, with the glut of housing inventory, to sell a home, the price will have to be dropped by more than the 7 percent necessary to attract a buyer.

TABLE 3: IMPACT OF TAX INCREASES ON GLEN COVE BUSINESSES

As Table 2 reflected the impact of the Glen Cove tax increase plan on wages of residential property tax owners, Table 3 illustrates economic impact on Glen Cove businesses that will have to bear the brunt of the commercial property tax increases.

Non-Residential (515 Parcels) Property Tax and Fee Increases

Year	Property Taxes	Garbage Fees	Failed Budget Savings	Tripling Sewer Rates	Annual Tax Increases	Gross Revenue Increases To Pay New Taxes	
						Net	Gross
2006	\$1,278.00				\$ 1,278.00	\$ 1,278.00	\$ 5,112.00
2007	1,278.00	\$ 479.61	\$ 504.85	\$ 858.25	3,120.71	3,120.71	12,482.84
2008	1,521.00	479.61	504.85	858.25	3,363.71	3,363.71	13,454.84
2009	1,839.00	479.61	504.85	858.25	3,681.71	3,681.71	14,726.84
Total	\$ 5,916.00	\$1,438.83	\$ 1,514.55	\$ 2,574.75	\$ 11,444.13	\$11,444.13	\$ 45,776.52

Table 3 indicates an unpleasant scenario for Glen Cove businesses if the City continues with its intentions to raise property taxes. By 2009, the business owner, who is able to generate a 25% profit margin, will have to gross over \$45,776.52 in annual revenues to pay for the property tax and fee increases. For those who have net revenue percentages below 25%, the annual gross revenues necessary to pay the tax and fee increases will be more.

The Glen Cove direct average annual tax increase for Glen Cove homeowners presents a double tax whammy for the Glen Cove residential property owner who also owns commercial property in the City of Glen Cove. That person will not only pay the additional residential and commercial taxes and fees, but that person will have to do it knowing that there will be a loss of local consumer spending activity resulting from the higher taxes and fees that the City will need to balance its budget for the next five years at the least.



¹¹ Long Island Business News. *Doing Business on Long Island* 2006, Source: Economy.Com, Collaborative Economics. Long Island, New York. 2006.

¹² Suffolk County Department of Labor. *Employment Trends*. Internet: www.suffolkcountyny.gov/labor

For the business owners there are also three looming problems. They are:

- at least \$46,000 of additional gross business income will have to be earned just to pay the current and future costs of Glen Cove Government.
- \$11,700 of gross residential household income will have to be earned to pay the increase of taxes and fees before City of Glen Cove businesses will begin to see incremental income increases for discretionary after tax wages.
- by 2009, the business owner who also owns residential property in the village will have to generate gross income of nearly \$1110.00 per week, or over \$58,000 per year just to pay the taxes and fees required to balance the projected deficits of the City of Glen Cove.

IV: NO TAX INCREASES: REVITALIZE THE GLEN COVE WATERFRONT

While the Glen Cove Mayor's plan calls for tax increases to fund the deficit, The City Council of Glen Cove, The Glen Cove Industrial Development Agency (GCIDA), the Glen Cove Community Development Agency (GCCDA), and Glen Isle Partners, LLC, have formed a partnership to develop an approximately 214-acre waterfront project area, the revenues from which can lead the City back from the brink of fiscal calamity.

The new revenues generated by the development of the Glen Cove Waterfront will come from the land acquisition payment, impact fees, sewer and water hookup fees and new property tax revenues from the expanding residential and commercial property tax base.

The Glen Cove City Council Waterfront Revitalization Plan and Existing Conditions

As clearly stated by the Office of the New York State Comptroller, the City of Glen Cove will almost quadruple its deficit by FY 2009 to over \$24 million, unless action is taken to avert this looming financial disaster. The plan enacted to resolve this began with the rezoning of the waterfront into a Marine Waterfront-3 District (MW-3) as enacted by the City Council of Glen Cove in 2004.

The MW-3 district replaced the former industrial district (I-3) that was initially adopted in 1999 and amended in 2004. The MW-3 zoning is designed to guide future waterfront development, specifically water-dependent, water enhanced, other related uses including mixed-use development with residential, retail, commercial business, entertainment, and cultural uses. Non-conforming properties to this zoning designation is an additional resource that can be used to determine whether or not a property can be considered "blighted" or otherwise incongruous with the plan.

A "blighted" property study was conducted to identify blighted conditions or influences and was found in 21 of the 28 businesses at the waterfront. These public and privately owned parcels included a concrete mixing facility, a fuel oil company, a salvage operation, and several formally contaminated vacant lots. The vacant lots were once part of Li Tungsten Site and the Captain Cove's site. Both of these sites and the vacant lots associated with them are classified as Brownfield sites and are undergoing remediation. The Captain's Cove's remediation is nearly complete. The remediation was partially paid for by low interest loans provided by the Federal Government that the City of Glen Cove must repay. Thus, as a result of the sites not being in accordance with the plan, and having negative influences on the waterfront plan and/or not being in accordance with the MW-3 zoning regulations they were determined to be blighted thus making them eligible for eminent domain, and for revitalization actions enacted by the Glen Cove City Council.

The economic and job creating potential of the waterfront is made more desperate by the reality that these businesses in the "blight" study, now employing approximately 500 people, will be significantly reduced by the Fall of 2006, when Konica Imaging closes its doors. The November 2006 Preliminary Draft Environmental Impact Statement makes note of this forthcoming event where over 180 jobs will be lost by this closure. Not in the plan was the unforeseen loss of over 740 jobs by the closure of Photocircuits, a long time mainstay of the Glen Cove economy.

Preventing Glen Cove Property Tax Increases: Revitalization of Glen Cove Creek

The Plan:

The effort to revitalize the waterfront in conformity with the MW-3 District zoning is contained in the Glen Isle LLC development plan that is awaiting action by the City. The plan not only will provide the revenues and expansion of the City of Glen Cove's property tax base necessary for the financial recovery of the City of Glen Cove, but also will add to the quality of life in Glen Cove through a mix of land uses. This will include residential, cultural, hospitality, commercial, specialty retail, and recreational uses; a connection between the existing downtown and the revitalized publicly accessible waterfront; and creation of a walkable waterfront neighborhood centered on smart growth principles. The construction will use state of the art green architecture techniques; place a de-emphasis on automobiles; provide for inter-modal transportation options including ferry service to New York City and shuttle links to the downtown, bus stops and LIRR stations; create a sense of place and community; and preserve the publicly accessible open space including a waterfront promenade.

Land Description and Ownership:

The waterfront property to be developed is identified as the Garvies Point Urban Renewal Area (GPURA), and is located on the north side of Glen Cove Creek. It is comprised of several types of land uses. These uses include industrial, municipal services, recreational, open space, institutional uses, and vacant land, the largest category. The vacant land occupies 43 percent of the total developable land area or 32 acres. Of the 54 lots in the GPURA, 34 lots, or a majority of the properties are under public ownership. The owners include: the City of Glen Cove, Nassau County, GCIDA, and the GCCDA. Fourteen different private entities own the remaining 20 lots. While acquiring the publicly owned parcels offer little complications, the multiple private owners of the remaining lots present a challenge.



V: GLEN COVE'S WATERFRONT: A FINANCIAL TALE OF ALTERNATIVES

The Glen Cove City Council has a choice to make. Either delay the Glen Cove waterfront revitalization which will lead to additional debt, multi-year property tax and fee increases, Glen Cove business and family economic stress, and reduced property values; or move ahead with waterfront development plan which will provide revenues to balance the Glen Cove City budget, provide revenues to insure no property tax increases, eliminate the business and household budget woes, and create a real estate market dynamic where property tax values increase.

A: ALTERNATIVE 1: DO NOTHING

Overview: The Preliminary Draft Environmental Impact Statement (November 2006) asserts that a “do-nothing” scenario assumes that the existing conditions of the GPURA would remain as they currently are. No major development would occur on the 100-acre MW-3 District area along the north side of Glen Cove Creek, and all existing uses including heavy industrial would remain on the site. It is further assumed that under this scenario, the approximately 56 acres identified for redevelopment will be left undeveloped and while the existing businesses might experience growth, they would not generate new sales or property tax revenues necessary to fund the City of Glen Cove’s deficit. Furthermore, a do-nothing scenario would waste the \$121 million that Glen Cove City, New York State and the Federal Government have committed for site clean-up and related infrastructure improvements. Additionally, a do-nothing scenario would hamper further investments in the Glen Cove waterfront and stall the additional remediation required for the eastern portion of the project area. It is also unlikely that new businesses would be attracted and that any new jobs and economic activity for Glen Cove’s downtown would be created. In this situation, the Office of the New York State Comptroller (OSC) projected deficits will still hold true and the City of Glen Cove will continue drifting towards a significant fiscal emergency and possible bankruptcy.

Projected Revenues

As shown in Table 4, there are two lots on the north side of Glen Cove Creek that currently generate approximately \$115,000 in real estate tax revenues, with properties on the south side of the creek generating approximately \$103,000. It is assumed that these revenues, included in the total of \$260,000 of total property taxes, and the 59 jobs from existing businesses would remain if nothing were done to improve the waterfront. In fact, under the do-nothing alternative, property taxes would increase if the Mayor’s strategy for balancing the Glen Cove budget is enacted. Furthermore, the City of Glen Cove has outstanding obligations, including those to the Federal Government, of approximately \$15 million directly related to the Brownfields cleanup of waterfront property resulting in \$500,000 annual debt service payment.¹³

TABLE 4: A WASTE OF GLEN COVES'S UNTAPPED ECONOMIC POTENTIAL
Annual Revenues Generated from Existing Properties Within or Near the Project Area

Section/Block/Lot(s)	Acreage	Future Use	Current Owner	Current Use	Current Property Taxes	Current Employment
21/A/661 & 662	.69	Cultural Arts District/ Turning Basin	Herb Hill Holdings, LLC	Office	\$17,000	10
21/A/677	.44	Cultural Arts District/ Turning Basin	ZBQ Properties, LLC	Office	\$25,000	15
21/A/659	1.17	Public Boating Center/ Turning Basin	Windsor Fuel Company, Inc.	Fuel Storage/ Distribution	\$48,000	7
21/A/664	1.71	Cultural Arts District/ Turning Basin	Dominick Mastroianni	Concrete Production	\$67,000	12
21/A/428 & 6	2.28	Possible Public Recreation Use	Morris Avenue LLC	Asphalt Production	\$103,000	15
21/A/220 & 320	.04	Public Boating Center/ Turning Basin	County of Nassau	Vacant Land	0	0
21/A/485	1.65	Possible Public Recreation Use	City of Glen Cove	City DPW Yard	0	6
21/A/21/213/214	1.31	Possible Public Recreation Use	County of Nassau	County DPW Yard	0	8

Source: Glen Isle Partners, LLC; and AKRF, Inc.

B: ALTERNATIVE 2: TAPPING INTO GLEN COVE'S ECONOMIC POTENTIAL

The Glen Isle LLC Plan for revitalizing the 56-acre Glen Cove waterfront will tap into the economic potential that is slowly progressing through the planning review process. The plan calls for private investment of as much as \$820 million for direct construction costs and the continued remediation of the eastern portion of the site. Completion of this project would highlight an important aspect of Glen Cove, which is its waterfront, while bringing in new residents, tourists, the performing arts and a nightlife, all of which will have positive economic benefits to the rest of the City, including the downtown business district.



¹³ AKRF, Inc. Preliminary Draft Environmental Impact Statement. Chapter 3.10, pages 1-2.

The Glen Isle LLC Plan: A Prescription for Economic Revitalization

The Glen Cove Creek development includes a mixed-use smart growth project that includes the following elements:

Program and Mix

- A total of 1,120 residential units of which 10% will be work force housing (the maximum amount of residential units allowed under MW-3 District regulations – 20 units/acre)
- Approximately 41,000 square feet of cultural/arts, entertainment and recreational uses. (These include: art galleries and exhibitions, a museum, a performing arts center, an environmental center, a culinary and wine school, market festivals, ice skating rink, a carousel, a sailing school, recreational boats, a scuba diving center, a boat restoration facility, a rowing training center)
- A 200-suite (+/-) hotel complex and luxury spa
- New marinas
- New catering/restaurant facilities
- Approximately 50,000 square feet of office space
- Approximately 32,000 square feet of complementary retail space.

Public Amenities and Enhancements

- 25% public open space and parkland
- Public access to Glen Cove Creek and Hempstead Harbor via a continuous water-front esplanade
- Habitat and wetland restoration
- Enhancement and restoration of Pratt Park
- Restoration of the existing beach along Hempstead Harbor for public use
- New bicycle/pedestrian connector trails, linking the downtown to the proposed esplanade and trails within the adjacent Garvies Point Preserve
- Preservation of views of Garvies Point Preserve through clustering of buildings and the layering of building heights (all within the guidelines as set forth in the recently mended MW-3 District)
- Project related waterfront improvements along the south side of Glen Cove Creek
- New inter-modal transit connections, including ferry service, water taxis, bus and other connections
- A potential amphitheater for public use
- A public boating center
- Reconstructed public boat ramp

Glen Isle LLC Plan: Preventing Tax Increases and Glen Cove City's Fiscal Disaster

Table 5 below indicates that there will be significant “one-time” revenues, where the City of Glen Cove will receive approximately \$28,500,000 in total “one-time” revenues from land acquisition and building permit fees. These revenues, when combined with revenues presented in Tables 5, 6, 7 and 8, and shown on Table 9 clearly shows how the Glen Isle LLC Plan for redevelopment of Glen Cove Creek will benefit Glen Cove by eliminating the need for any property tax and fee increases, and preserving Glen Cove household budgets, business sustainability, and property tax values.

TABLE 5: NEW REVENUES: DEVELOP GLEN COVE CREEK¹⁴

Fiscal Category	Direct Revenues Generated	Indirect & Induced Revenues Generated	Total Revenues Generated
One-Time City Revenues			
Disposition of Land -- Minimum	\$25,000,000	-	\$23,000,000
Building Permit Fees	\$3,500,000	-	\$3,500,000
Total One-Time City Revenues	\$28,500,000	-	\$28,500,000
One Time County Revenues: County Sales Taxes:			
• Construction Materials	\$17,295,700	-	\$17,295,700
• Purchases by Construction Employees	-	\$3,411,100	\$3,411,100
• Other Indirect & Induced	-	\$2,966,300	\$2,966,300
Mortgage Recording Tax	\$12,410,800	-	\$12,410,800
Miscellaneous Other Taxes	\$173,000	\$63,800	\$236,800
Total One-Time County Revenues	\$29,879,500	\$6,441,200	\$36,320,700
One-Time MTA Revenues: MTA Sales Tax			
• Construction Materials	\$1,536,100	-	\$1,536,100
• Purchases by Construction Employees	-	\$ 242,600	\$ 242,600
• Other Indirect & Induced	-	\$ 215,100	\$215,100
Typical Corporate and Business Taxes	\$ 604,400	\$ 583,300	\$ 1,152,700
Mortgage Recording Tax	\$ 5,151,000	\$63,800	\$ 5,151,000
Total One-Time MTA Revenues	\$ 7,281,500	\$1,006,000	\$ 8,287,500
One-Time State Revenues: State Income Tax			
• Construction Employees	\$ 16,546,300	-	\$16,546,300
• Indirect Employees	-	\$10,878,200	\$10,878,200
State Sales Tax:			
• Construction Materials	\$16,278,300	-	\$16,278,300
• Purchases by Construction Employees	-	\$ 3,938,700	\$ 3,938,700
• Other Indirect & Induced	-	\$ 3,748,800	\$ 3,748,800
Typical Corporate/Business Taxes	\$ 5,045,800	\$ 4,735,100	\$ 4,363,300
Total One-Time State Taxes	\$ 40,268,000	\$25,267,500	\$ 65,535,500
TOTAL ONE-TIME REVENUES	\$105,929,000	\$32,714,700	\$138,643,700

Table 6 reflects that development of Glen Cove's waterfront would generate \$25,433,900 annually for the City of Glen Cove and its school district. The \$5,143,300 annual Glen Cove City property taxes will contribute towards preventing any residential property tax increases, stabilizing Glen Cove home values and family budgets.

¹⁴ AKRF, Inc. Preliminary Draft Environmental Impact Statement. Chapter 3.10, page 13. New York, November 2006.



TABLE 6: NEW TAX REVENUES TO AVERT FISCAL CALAMITY¹⁵
Annual Revenues Generated from Development Scenario B (2006 Dollars)

Fiscal Category	Direct Revenues Generated	Indirect & Induced Revenues Generated	Total Revenues Generated
Annual City Revenues			
City Property Taxes	\$5,143,300	(1)	\$5,143,300
School Property Taxes	\$20,288,600	(1)	\$20,288,600
Total Annual City Revenues	\$25,431,900	(1)	\$25,431,900
Annual County Revenues:			
County Property Taxes:	\$2,552,100	(1)	\$2,552,100
Hotel Sales Tax	\$1,388,400	-	\$1,388,400
Hotel Occupancy Tax	\$395,000	-	\$395,000
County Sales Taxes:			
• Project Area Sales	\$809,500	-	\$809,500
• Purchases by Project Employees		\$317,800	\$317,800
• Resident Purchases		\$3,004,700	\$3,004,700
Mortgage Recording Fee: Re-Financing	\$773,000	-	\$773,000
Total Annual County Revenues²	\$5,918,000	\$594,200	\$6,512,200
Annual MTA Revenues:			
MTA Sales Tax			
• Project Area Sales	\$193,900	-	\$193,900
• Purchases by Project Employees	-	\$22,600	\$22,600
• Resident Purchases	-	\$265,100	\$265,100
Typical Corporate/Business Taxes	\$41,600	\$34,100	\$75,700
Mortgage Recording Fee: Re-Financing	\$309,200	-	\$309,200
Total Annual MTA Revenues²	\$544,700	\$70,100	\$614,800
Annual State Revenues:			
State Income Tax			
• Residents ³	-	\$15,072,600	\$15,072,600
• Employees	\$1,287,600	\$659,900	\$1,947,500
State Sales Tax:			
• Project Area Sales	\$2,068,600	-	\$2,068,600
• Purchases by Project Employees	-	\$354,400	\$354,400
• Resident Purchases	-	\$2,827,900	\$2,827,900
Typical Corporate/Business Taxes	\$335,800	\$245,100	\$580,900
Miscellaneous Other Taxes	\$139,400	\$122,200	\$261,600
Total Annual State Taxes²	\$3,831,400	\$1,676,600	\$5,508,000
TOTAL ANNUAL REVENUES	\$35,726,000	\$2,340,900	\$38,066,900

Notes:

- (1) *The project would be expected to have a positive impact on most surrounding properties, but such an effect has not been quantified at this time and any resulting revenues would be in addition to those shown.*
- (2) *The indirect subtotal and total numbers include sales tax from the purchases by project employees, as well as sales tax from indirect and induced activity, but not that from resident purchases to avoid double counting revenues at both where they accrue and the residence of the payer.*
- (3) *Residents' income tax is shown for illustrative purposes only, and is not included in the totals, because the residents would not necessarily be to New York State.*

Sources: The characteristics of the proposed project; the IMPLAN economic modeling system; the tax rates by applicable jurisdiction; AKRF, Inc., August 2006; and Urbitran Associates, Inc.

New Economic Activity: Retail Purchasing and Tax Increment Financing Potential

In addition to the recurring revenues as reflected in Table 6 and the “one-time” land sale and impact fees shown in Table 5, Table 7 reflects a recurring \$127 million economic impact from additional purchasing power that the City of Glen Cove will receive from the residents living in the 1,120 housing units at Glen Cove Creek and the new jobs created by the commercial and tourist related activities from waterfront development. Also shown is the \$301 million tax increment financing potential that the City of Glen Cove and the Glen Cove School district will be able to use to fund borrowings that will pay for improvements to their respective aging infrastructure.



¹⁵ AKRF, Inc. Preliminary Draft Environmental Impact Statement. Chapter 3.10, page 14. Glen Cove, New York, November 2006.

TABLE 7: REVIVING DOWNTOWN GLEN COVE: TAPPING ECONOMIC POTENTIAL OF GLEN COVE CREEK¹⁶**Additional Economic Benefits from Development Scenario B (2006 Dollars)**

Fiscal Category	Revenues Generated
One-Time Retail Purchasing Power:	
Construction Employees	\$123,084,000
Total One-Time Retail Purchasing Power	\$123,084,000
Annual Retail Purchasing Power:	
New Residents	\$100,260,000
New Employees	\$ 21,874,000
New Businesses	\$ 5,070,000
Total Annual Retail Purchasing Power	\$127,204,000
Tax Increment Financing Potential	
By taking the future stream of property tax revenue generated by the project, subtracting the existing property taxes to obtain the tax increment, and capitalizing the values at 5.5% for a 20-year period, the government could finance bonds for the following amounts:	
City of Glen Cove	\$ 60,815,000
School District	\$240,800,000
Subtotal: City and School District	\$301,615,000
Nassau County	\$ 29,845,000
Total Government Entities	\$331,460,000

Notes: The figures for annual retail purchasing power exclude expenditures for shelter, personal insurance and pensions, and cash contributions.

Source: For retail purchasing power, the U.S. Department of Labor, Consumer Expenditure Survey, 2004, and AKRF, Inc. For increment financing potential, AKRF, Inc.

While balancing the City of Glen Cove's budget and funding the budget deficits would fall on the backs of the Glen Cove residential and commercial property tax owners, what seems to be a better, fairer, and less onerous way is to begin accessing the new property tax and water and sewer fee revenues that can be generated from the smart growth-development of the Glen Cove waterfront as envisioned by the Glen Isle Development LLC. Table 8 projects how those taxes and fees will become available to the City of Glen Cove to fund the past, current and future deficits. While it is difficult to project the schedule of development at this time, for the purpose of financial projections, Table 8 reflects an even development process. Clearly, if the development of Glen Cove Creek accelerates, so will the additional property tax, sewer and water fees.

Of the annual increases in property tax revenues that will be generated for the City of Glen Cove, the Glen Cove School District, and Nassau County \$ 4.1 million will be from the office, hotel, catering facility, spa, retail, and cultural/entertainment facilities.

TABLE 8: AVOIDING DISASTEROUS PROPERTY TAX INCREASES: NEW INCREMENTAL REVENUES FROM GLEN COVE CREEK¹⁷

Year	Units / Cumulative		Water	Sewer	School	City	County
2009	140	140	\$77,500	\$23,250	\$2,536,000	\$637,500	\$540,625
2010	140	280	\$155,000	\$46,500	\$5,072,000	\$1,275,000	\$1,081,250
2011	140	420	\$232,500	\$69,750	\$7,608,000	\$1,912,500	\$1,621,875
2012	140	560	\$310,000	\$93,000	\$10,144,000	\$2,550,000	\$2,162,500
2013	140	700	\$387,500	\$116,250	\$12,680,000	\$3,187,500	\$2,703,125
2014	140	840	\$465,000	\$139,500	\$15,216,000	\$3,825,000	\$3,243,750
2015	140	980	\$542,500	\$162,750	\$17,752,000	\$4,462,500	\$3,784,375
2016	140	1,120	\$620,000	\$186,000	\$20,288,000	\$5,100,000	\$4,325,000

What is clear from Table 8 is that the strategy of raising taxes to fund existing deficits, and eliminate future deficits as projected by the New York State Comptroller in his report of Glen Cove City finances for the period of January 1, 2005 to August 31, 2006 need not happen. Using the additional revenues generated by the Glen Cove Creek development to fill the deficits has to be a more preferable alternative to taxing the overburdened Glen Cove property tax base.

Table 9 illustrates how the additional tax and revenues generated by the Glen Isle Development, along with the land acquisition and impact fees of \$28.5 million will eliminate the need for new property tax and water and sewer fee increases on the beleaguered Glen Cove property owner. Also presented is how the new revenues that the City of Glen Cove will receive from the Glen Isle development of Glen Cove Creek would eliminate the New York State Comptroller's calculated "Adjustments to the City's Multiyear Estimates" and accumulated deficits. Table 9 also clearly shows that by 2009, when property tax revenues begin flowing to the City of Glen Cove, all the current and future deficits will be wiped out by commencement of the development of Glen Cove Creek.



¹⁶ AKRF, Inc. Preliminary Draft Environmental Impact Statement. Chapter 3, page 15. Glen Cove, New York, November 2006.

¹⁷ Glen Isle Development Company, LLC. November 2006.

TABLE 9: GLEN ISLE LLC: FISCAL RESCUE OF THE CITY OF GLEN COVE¹⁸

Cumulative Fund Deficit¹⁹	2005	2006	2007	2008	2009
As of December 31	(\$ 5,631,473)	(\$9,796,525)	(\$14,593,610)	(20,621,126)	(\$27,908,242)
Table 4: Land/Impact Fee	<u>\$28,500,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Carry Forward Surplus	\$22,868,527	\$18,703,475	\$13,906,390	\$ 7,878,874	\$ 591,758
Property Tax Phase In <i>See Table 7</i>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	738,250
Surplus Carry Forward to 2010.....					\$1,330,008
Property Tax Phase In 2010 (<i>See Table 7</i>)					<u>1,476,500</u>
Minimum Surplus and New Revenues to offset 2010 Budget					<u>\$2,806,508</u>

C: CONCLUSION

What is obvious from conclusions drawn by the New York State Comptroller in his October 2006 audit is that there is no change in the projected financial health of the City. It remains in jeopardy. However, this should never have been the case. Warning signs have been around for over ten years.

Previous mayors saw the fiscal storm clouds and realized that the only way to save the city from rising property tax increases, just as was recently enacted and projected for 2007, was to expand the tax base. The recycling of the idle, non-property tax generating waterfront brownfield industrial property, contaminated by industrial waste was the answer. That is why previous Glen Cove mayors worked with the Federal government to bring low cost loans and Brownfield clean up grants to the City to finance the waterfront cleanup efforts. The Glen Cove City Council saw this financial calamity approaching, and that is why it rezoned the waterfront to MW-3 District.

The benefits to the quality of life in the City of Glen Cove from the Glen Island Development are many. As Tables 8 and 9 indicate, the future financial health of the City of Glen Cove can be secured by the development of the waterfront. Glen Cove Creek will bring vibrancy back to the city from the millions of dollars of discretionary income from the occupants of the residential properties, from the employees of the new commercial and retail space, and from the nightlife generated by the cultural and entertainment venues. A nightlife is especially important because without one, downtowns find revitalizing themselves very difficult.

Furthermore, with a property tax base stabilized by new development and the potential for tax incremental financing, Glen Cove's aging infrastructure can be repaired. Additionally, a stabilized property tax base will also sustain the market values of the existing homes from decreasing, and Glen Cove will be able to attract a new generation of homeowners to take their place in the City as baby boomers sell their homes and retire.

This is the vision for the City of Glen Cove and the financial benefits of brownfield redevelopment.

¹⁸ Revenues from Land acquisition and Impact Fees furnished by Glen Isle Development, LLC., November, 2006.

¹⁹ Office of the New York State Comptroller. *City of Glen Cove-Severe Fiscal Stress Report of Examination Period Covered: January 1, 2005-August 31, 2006.* 2006-146. Division of Local Government Services and Economic Development. October 2006.



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Martin R. Cantor has a Bachelor of Science Degree in Accounting from Brooklyn College of the City University of New York, and a Master of Arts Degree in Interdisciplinary Studies from Hofstra University. He has served as Suffolk County (New York State's largest suburban county) Economic Development Commissioner ; Chief Economist, New York State Assembly Subcommittee for the Long Island Economy; Senior Fellow at the White Plains, New York based Institute for Socioeconomic Studies; a Suffolk County building trades labor/management arbitrator; a faculty member in the Brooklyn College Department of Economics; Executive Director of the Patchogue Village Business Improvement District; Revitalization Citizen Advisory Panel; and Director of Economic Development and Chief Economist for Sustainable Long Island and the Long Island Fund for Sustainable Development, providing financial, and technical assistance to Long Island's underserved communities, businesses and not-for-profit organizations; His work is included in the National Tax Rebate-A New America With Less Government, and has prepared downtown revitalization plans for Long Island and New York City neighborhoods featuring arts districts, economic restructuring, waterfront projects and community organizing. He was the architect of the Nassau County Comptroller's debt restructuring plan for resolving Nassau County's fiscal crisis; has been a Long Island Business Journal columnist; and has authored: federal, state and local legislation; economic impact analyses; socio-economic profiles of the New York City and Long Island economic, employment and educational bases; annual reports on the State of the Long Island Economy; and a convention center feasibility study.

He is a Certified Public Accountant in private practice; a consulting economist and economic development and planning consultant to counties, towns, villages, Industrial Development Agencies, and communities; the economic development advisor to the Suffolk County Executive; chairman of the Suffolk County Legislature Downtown Revitalization Citizen Advisory Panel; Chief Economist for the Long Island Development Corp.; and chairman of the Suffolk County Judicial Facilities Agency. He provides economic and business commentary on television and radio; is a columnist for the Long Island Business News, Long Island's largest business weekly; has appeared in the New York Times and Newsday, and some of his work has been syndicated nationally by Newsday, Bridge News and Knight-Ridder/Tribune News Service. He is an Honorary Member of Delta Mu Delta - The National Honor Society in Business Administration and his work has been recognized by the National Association of Counties for innovative uses of Industrial Revenue Bonds, for international trade promotion initiatives, and down revitalization. He was invited by Dr. William Julius Wilson of Harvard University's John F. Kennedy School of Government to present his paper entitled *Race Neutral Sustainable Economic Development*, a jobs, skills and employment policy; and he is the author of *Long Island, The Global Economy and Race: The Aging of America's First Suburb*.

