

Suffolk eyeing Dennison sale

by John Callegari

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Suffolk County is considering a plan to sell its Hauppauge headquarters to a murky state agency in a 15-year lease-back deal that could yield as much as \$70 million.

The Judicial Facilities Agency was created in 1999 for pretty much the same sort of fiscal sleight of hand: Buying and leasing back the Cohalan Court Complex in Central Islip. That deal brought the county a quick \$64 million, which it finished repaying in 2009.

Since then, the agency has been overseeing financing of the county's new jail, which is set for an official hand-over Feb. 1. After that, the JFA would exist only on paper, according to its chairman, Martin Cantor, a former county economic development commissioner.

While a handful of Suffolk officials remain skeptical about the need to sell the mortgage-free H. Lee Dennison headquarters, most realize the county is running out of options. In addition to a budget deficit that is expected to top \$300 million this year, Suffolk faces repayment of \$84 million on a Revenue Anticipation Note it took out on an emergency basis last year.

And anticipations did not meet expectations.

"That's a one-year debt instrument, and last time I checked we don't have \$84 million to pay it back," said Leg. John Kennedy, R-Nesconset. "We will have to have some other method in place within two months or so that will be able to pay off the RAN and give us some additional capital to deal with other initiatives."

In addition to speed, the deal requires help from the state Legislature, which must vote to expand the agency's mission, according to Cantor.

"We would bond and buy the Dennison for whatever the appraised value of it is," Cantor said. "Whatever the annual amortization rate of that bonding is, the county would pay for us, and they would maintain the facility. That way the county's not the one borrowing the money."

Cantor predicts a deal could be closed in three months once the state Legislature passes an act to change the mission of the JFA. The county would then pay off the JFA's bonds over 15 years, at which time it would again own the building.

Besides skepticism from the legislative ranks, the proposed deal has drawn barbs from former county chief Steve Levy, who termed the deal a poorly conceived one shot.

“Once that one shot is dried up, they’re in trouble,” said Levy, who now runs a political consulting firm. “The Dennison building has no mortgage, yet you’re looking to start making annual payments on it again. It’s just bad fiscal policy.”

Levy said the proposed sale differs greatly from the Cohalan deal, since the lease rate was lower than the mortgage payments the county was then paying. Levy’s administration paid off the JFA’s bonds for the court complex five years ahead of schedule, saving the county \$4.5 million.

Named for Suffolk’s first county executive, Democrat H. Lee Dennison who served from 1961 to 1973, the 12-story building was built in the 1970s.

As the story goes, the county executive originally held court on the ninth floor – the highest point that could be reached by fire ladders. Robert Gaffney moved to the top floor when he took office in 1992, relegating the county comptroller to the lower level.

The current comptroller, Joseph Sawicki, was recently appointed to the JFA. While he said he’s also no fan of one shots, he can’t imagine sales tax revenue picking up by the 5 to 6 percent necessary to forestall the need to sell the building.

“It all depends on how severely the county needs the cash and revenue,” he said. “In this instance, we really don’t have a choice.”