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MEETING OF THE VILLAGE OF ISLAND PARK  
SPECIAL MEETING OF  
THE BOARD OF TRUSTEES

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127 Long Beach Road  
Island Park, New York

January 9, 2014  
7:30 p.m.

BOARD MEMBERS:

JAMES W. RUZICKA, Mayor

STEPHEN G. D'ESPOSITO, Deputy Mayor (Absent)

HENRY M. HASTAVA, Trustee, Trustee

JOSEPH M. ANNARELLA, Trustee

IRENE P. NAUDUS, Trustee

ANTHONY W. CORNACHO, Village Attorney

CONNIE CONROY, Village Clerk



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2 (Following recitation of the Pledge  
3 of Allegiance, the meeting was called to  
4 order.)

5 MAYOR RUZICKA: I call this meeting  
6 to order. This meeting tonight is pertaining  
7 to the settlement of the lawsuit of U.S. versus  
8 Village of Island Park for violations of the  
9 Fair Housing Act, better known as the HUD case.  
10 It is only for that purpose. There will be no  
11 other business taken tonight other than  
12 information for this.

13 This meeting will also be different  
14 than a regular board meeting. I ask everybody  
15 who wishes to speak to sign in so we have the  
16 signed in to be able to speak, and we will  
17 adhere to the three minutes speaking rule for  
18 this meeting. I ask everybody please pay  
19 attention so we can avoid any duplicate  
20 questions and answers.

21 At this time, I would like to  
22 introduce our attorney, Paul Millus, and before  
23 he starts, I want to thank him for doing a  
24 great job and getting this case to closure.  
25 Thank you very much.



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2 MR. MILLUS: Okay. Ladies and  
3 gentlemen, thank you for coming out tonight.  
4 I'm here to speak to the settlement, to discuss  
5 the case a little bit, to answer your questions  
6 where I can. This has been a very long road.  
7 We have now reached the end. It is a time that  
8 the matter will be fully settled, shortly to be  
9 signed by the judge, and that will put an end  
10 for to this long and tortured history of this  
11 HUD case, U.S.A. versus Island Park.

12 A quick background. In the 1970's,  
13 the United States government established a  
14 program called the 235 Program. It was  
15 established by HUD to basically build homes in  
16 various communities across the country. Island  
17 Park, through Nassau County, participated in  
18 this program, and as a result, received money  
19 to build forty-four homes in the community.

20 You think about that now, where would  
21 you build forty-four homes now, irrespective of  
22 Sandy, which I know is a tragedy. The fact is  
23 in those days, there was space in order to do  
24 so. And the homes were built in various stages  
25 over several years, and in the 1980's they were



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2 built, and a program was put into place,  
3 whereby people would be given, on a first come,  
4 first served basis, an opportunity to come into  
5 the homes, which was subsidized by HUD. HUD  
6 would pay a portion of the mortgage that the  
7 person would take, using federal funds.

8           What happened, something went wrong.  
9 I'm not here to relive the past because it's  
10 really pointless. I think a lot has been  
11 learned as a result of what took place. At the  
12 end of the day, the homes did not go to people  
13 on a random first come, first served basis,  
14 they went to other individuals. And always HUD  
15 envisioned that there would be a certain number  
16 of minorities; seventeen at the time is what  
17 they estimated would be purchased by minority  
18 applicants.

19           What happened is that after HUD and  
20 after the homes were purchased and the program  
21 went on, there came a point in time when HUD  
22 came to the conclusion that, in fact, the  
23 Village of Island Park had done wrong. They  
24 filed a lawsuit in 1990 in federal court called  
25 U.S.A. versus Island Park, against a number of

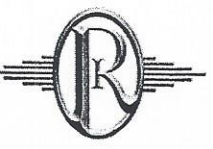


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2 defendants as well as the Village.

3 At the end of the day, there was  
4 significant discovery, which we do in civil  
5 actions, done by my predecessor and partner at  
6 my prior firm. There was motion practice. It  
7 was fought, it was fought reasonably, and a  
8 position was taken and ultimately rejected by  
9 the Court. The Court granted judgment to the  
10 federal government.

11 After that, there was a hearing  
12 conducted, over a year and a half period, to  
13 determine what the measure of damages were. Up  
14 here you see what the total damage award was.  
15 Five million three hundred ninety-three  
16 thousand five hundred thirty-four dollars and  
17 eighty-eight cents. That was determined by a  
18 magistrate to be the appropriate amount of  
19 damages. It's made up of several components  
20 and I won't bore you with the details. The  
21 bottom line, that was the number.

22 There was subsequent motion practice  
23 to try to reject that report, and also to move  
24 for other relief. That was before the Court  
25 for approximately ten years. It was argued in



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2           November of 1998, and it was eventually decided  
3           in April of 2008. Essentially, the Court said  
4           I agree with the Magistrate. He had a full  
5           hearing, I had a full hearing. I went through  
6           all the facts and circumstances and all the law  
7           and I determined that it should stand.

8                        So the Village options at that point  
9           was to appeal, and we did file a Notice of  
10          Appeal. The Government did as well because  
11          they didn't get all the relief they wanted in  
12          connection with the applications that they  
13          made. Thereafter, we entered into settlement  
14          discussions. We knew that if five point three  
15          or four million dollar judgment plus interest  
16          in the judgment rate. In New York State, once  
17          you obtain a judgment you're entitled to nine  
18          percent interest. It's not compounded, but we  
19          were talking about four hundred ninety-four  
20          thousand dollars of interest per year.

21                       Just to manage the interest alone in  
22          terms of trying to resolve this would have  
23          broken this village. It would have been  
24          impossible. We made the case to the Government  
25          that while these were the damages that were



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2 found, and while we still had a right to appeal  
3 but with the slimmest, and I mean the slimmest  
4 of chances of ever being successful in that  
5 appeal.

6 The fact is, the Government entered  
7 into negotiations with us in good faith, and  
8 this took years because there were various  
9 machinations of how we would go about this and  
10 what each side wanted to receive. Our bottom  
11 line was we wanted to receive the lowest payout  
12 that we could do with the least restrictions on  
13 the Village. The Government wanted to  
14 establish a program in which people would  
15 receive mortgage assistance, and we found it  
16 was too complicated to try to do so.

17 We came to another resolution, and  
18 that is essentially to do what we had to do,  
19 have a housing administrator appointed who  
20 would then attempt to reach out to the minority  
21 community, particularly African-Americans to  
22 come to the Village.

23 Now, my point has always been,  
24 irrespective of what the Court found, and the  
25 Court found there was intentional



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2           discrimination a long time ago. My point has  
3           always been it's been a long time. Times have  
4           changed.

5           At the end of the day, no one is  
6           saying there is any intentional discrimination  
7           going on, but for whatever reason, we have a  
8           limited number of African-Americans in the  
9           community and there could be a million reasons  
10          for that having nothing to do with  
11          discrimination. It could be because of the  
12          school district. It could be because it's  
13          close to the water. It could be anything. It  
14          could be the cost of the homes. Bottom line  
15          is, we weren't going to have imposed on us  
16          something that was unreasonable.

17          So we realized that really we had to  
18          talk about money here and get a Fair Housing  
19          Program together, much like the way Nassau  
20          County Police Department and other police  
21          departments across the country found they were  
22          limited in terms of African-American candidates  
23          and entered into consent decrees and reached  
24          out to the African-American community. Whether  
25          people take the test, whether they pass the





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2 test, whether they're appointed police  
3 officers, that's all up to them.

4 That is really what we have here.  
5 The Fair Housing Administrator will come in.  
6 The Village Board will cooperate. The Village  
7 itself will cooperate. Because at the end of  
8 the day, I think what really it comes down to  
9 if a person can buy you home at a price you  
10 want, that is really what you want, that is  
11 what is going to happen, eventually.

12 Is there going to be success in that  
13 program? I have no idea. He's going to be  
14 doing it for two years. He can do it up to  
15 four, depending on whether the Government comes  
16 in and tries to extend the time. As long as  
17 everybody does their job in terms of  
18 cooperation, which I expect and which I know  
19 will happen, at the end of the day, the market  
20 will tell the tale as to whether or not  
21 African-Americans are going to come to the  
22 community. If they do, great.

23 If they are willing to pay the price  
24 of your home, no one is asking you to subsidize  
25 your homes, or to cut your price. At the end



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2 of the day, you're free to sell your home to  
3 anyone, except for discriminatory reasons,  
4 because you know you can't do that as an  
5 individual homeowner.

6 Only time will tell. If it doesn't  
7 work out, it doesn't work out. And then we may  
8 have discussions with the Government sometime  
9 in the future. But the proof is in the  
10 pudding. There is plenty of opportunity in a  
11 free society, in a capitalistic system for  
12 people to come to this village and buy a home  
13 if they can afford it and if they want to live  
14 here.

15 What we entered into is settlement of  
16 one million nine hundred sixty-one dollars.  
17 That number, you should understand, also  
18 includes a nine hundred thousand dollar  
19 payment. The insurance company in this case  
20 has paid out a lot of money. I know there was  
21 one report when this first broke, someone was  
22 thankful that they don't have to pay the  
23 attorneys any more, namely me.

24 I assure you that the insurance  
25 carriers paid me at a much lower rate than I



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2 normally get. But they have paid me and every  
3 other attorney in this case throughout. The  
4 Village has never had to go in its pocket for  
5 attorney's fees. That is a good thing.

6 The insurance companies weren't  
7 necessarily happy about that. They put a lot  
8 of money into defense of this case and what is  
9 left of the policy is nine hundred thousand  
10 dollars. They stayed with us throughout.  
11 There were some bumps in the road in terms of  
12 what their positioning would be. We convinced  
13 them the better part of valor here and the  
14 wisest course was to keep the money on the  
15 table and continue to pay me as we continue the  
16 settlement process, and they have. They came  
17 through. They put nine hundred thousand  
18 dollars into the Court ready to settle. That  
19 money is there right now.

20 Once this is signed, which could  
21 happen tomorrow or the next day, very shortly,  
22 that money will be turned over and become part  
23 of the settlement. Three hundred thousand  
24 dollars of that money is reserved for the  
25 purposes of paying the Fair Housing



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2 Administrator, if it costs that much, but that  
3 is the number we came up with.

4 Five hundred sixty-eight thousand  
5 dollars is actually damages to the government,  
6 pursuant to the Order that was granted in this  
7 case. That will be held in an escrow account,  
8 possibly used to fund of some of the payments  
9 later on, but eventually paid over to the  
10 government.

11 And thereafter, a time will come, in  
12 2017, where there will be, sorry to say, a tax  
13 increase to deal with this. The Village has  
14 worked through this to determine what are we  
15 talking about. They can answer any questions  
16 that I'm incapable of doing. We're talking  
17 about a one point six percent tax increase  
18 coming around 2017 for the purpose of funding  
19 payments that are approximately twelve thousand  
20 dollars and change going forward for  
21 seventy-eight months.

22 At one point, the Government wanted  
23 its money faster. After Sandy, we made it  
24 clear to the Government that this village  
25 suffered tremendously and we needed more time.



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2 The payment's on the back end. We needed more  
3 time to begin the payments, because we didn't  
4 know what situation we would be in six months  
5 after Sandy and people are still not in their  
6 homes, and the Village is obviously still not  
7 in its.

8 So the Government agreed. I gotta  
9 tell you I have to give credit where credit is  
10 due. We worked closely with the Justice  
11 Department on this. This went up to the second  
12 in command at the Justice Department to be  
13 signed off on. Particularly the U.S. Attorney,  
14 Richard Hayes, who I worked with for years now.  
15 I have known him for many years. He was an  
16 advocate to a deal, and we got a deal done and  
17 he agreed to reasonable terms.

18 We don't have to begin payment  
19 immediately. We can begin them once we get our  
20 feet under us as a result of Sandy and pay it  
21 off in the normal course. No one likes a tax  
22 increase; I understand. I'm sure there are  
23 some of you saying why do we have to pay for  
24 something that happened so long ago? I  
25 appreciate that nobody in this room did



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2 anything wrong and nobody in the Village who is  
3 probably still here did anything wrong. But it  
4 is what it is. That's simple enough.

5           There was a situation. It turned  
6 into a judgment. It took a while for the  
7 judgment to be fully decided, but a judgment it  
8 is nonetheless. It's not going away simply  
9 because we say time has passed, but I think it  
10 helped us get a number that was reasonable and  
11 rational. I think in some respects that was a  
12 benefit to us.

13           So here we are right now with a one  
14 million nine hundred sixty-one thousand dollar  
15 judgment. While again, any tax increase, I  
16 appreciate, I'm a homeowner too. I know what  
17 you're going through. We're talking probably,  
18 on a four hundred thousand dollar home twenty  
19 dollars a year. It's built into the tax rate  
20 and it goes forward. We are not talking about  
21 a one point six percent increase each year,  
22 we're talking about a one point six increase  
23 which is then rolled in each year. Your taxes  
24 are what they are. That is your base line.

25           We believe this settlement benefits



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2        the Village and puts this behind you. Gives  
3        you a chance to do a lot more of what you need  
4        to do in rebuilding from Sandy. I'll give you  
5        an example. There is something called  
6        Community Development Block Grant Funds. It's  
7        another program run by HUD. Every municipality  
8        in the County participates in it. They go  
9        through the County and asks for money to build  
10       a road or build a firehouse.

11                Because of this litigation,  
12        there were concerns in Nassau County, although  
13        we have been working them, there were concerns  
14        where they said look, we would really like to  
15        see this thing settled. I didn't really agree  
16        with them at that time, but I knew we were  
17        coming close to resolving this and there was no  
18        point in fighting. Once this is done, it  
19        receives us up to receive Community Block  
20        Development Grant funds. That is good thing.  
21        That money is used -- it has nothing to do  
22        with the settlement -- to help rebuild your  
23        infrastructure.

24                In addition, every village, every  
25        municipality borrows on the bond market. With



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2           a judgment of that amount, and there is a  
3           judgment sitting today, which will hopefully  
4           not be sitting Monday once it's signed off on,  
5           it prevents you from going to the market and  
6           getting a fair rate in terms of borrowing. It  
7           has inhibited the ability of this village to go  
8           to the bond market and borrow money at the  
9           interest rates right now that are still low.  
10          That will be removed as well.

11                 All these things are a benefit to the  
12          Village going forward. This is a deal that we  
13          struck. I believe it's a fair deal. The Board  
14          stood by me as we negotiated this and we worked  
15          together closely for a lot of years going  
16          through this. A lot of machinations and a lot  
17          of changes were given to us, as requested by  
18          the Board and granted by the Federal  
19          Government.

20                 I say you to that is exceptionally  
21          the settlement that we entered into, and I open  
22          the floor for questions.

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CERTIFICATION

STATE OF NEW YORK)  
 )  
COUNTY OF SUFFOLK)

SS:

I, JUDI GALLOP, a Notary Public in  
and for the State of New York, do hereby  
certify:

THAT this is a true and accurate  
record of the meeting of the Village of  
Island Park Board of Trustees, as reported  
by me and transcribed by me.

IN WITNESS WHEREOF, I have hereunto  
set my hand this 11th day of January,  
2014.

*Judi Gallop*

JUDI GALLOP

