

Testimony of Good Jobs New York

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at the New York City Industrial Development Agency

Re: Proposed Tax Breaks for Bank of America

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Good morning. My name is Bettina Damiani, director of Good Jobs New York, a joint project of the Fiscal Policy Institute with offices in Albany and New York City and Good Jobs First, based in Washington, DC. Good Jobs New York promotes accountability to taxpayers in the use of economic development subsidies. Our website, (www.goodjobsny.org) contains the only publicly available database of the city's large corporate retention deals.

In addition to our database, Good Jobs New York today released a report *Know When to Fold 'Em: Time to Walk Away from NYC's "Corporate Retention" Game.* After analyzing dozens of corporate retention deals, we highlight thirteen particularly egregious deals allocated mostly in the 1990's. Our analysis of these retention agreements - never before made public - proves that deals made by this agency failed to retain, much less create jobs in our city.

Yesterday, for the first time Good Jobs New York received recapture terms for a proposed subsidy. We are happy to say they are strong, and seemingly close a gigantic loophole by encouraging job growth. We are hopeful this recapture language is also in agreements approved in last two years for the Hearst Corporation and Pfizer Pharmaceuticals and ask that the IDA make these agreements available to the public as soon as possible.

Despite yesterday's disclosure concerning recapture provisions, Good Jobs New York believes it would be hard to find a less deserving recipient of taxpayers' money at this time.

- There is little doubt as to the magnitude of Bank of America's resources and its important role in New York City's economy. Yet, it is just this type of financial

wherewithal that raises the question why a bank – expected to be the second largest in the country after its merger with Fleet Bank for approximately \$47 billion – needs assistance from taxpayers. In fact, some industry experts estimate that Bank of America may save over \$1 billion due to the merger.

- The Bank already received subsidies in the form of Liberty Bonds for its new headquarters at 1 Bryant Park, allowing the Durst Organization to provide office space for the Bank at cheaper rates. Also, since the Bank is co-developing the office tower with the Durst Organization, it will benefit from the \$40 million subsidy package offered by the state. Moreover, the property for the building was taken over by the state's use of eminent domain, a substantial subsidy in terms of financial and human resources paid by residents of New York State.
- Bank of America failed to deliver on a 1993 promise to keep 1,700 jobs at the World Trade Center. Despite receiving over \$1.7 million in tax breaks, the Bank cut its staff to 800 employees. While the city cancelled any future benefits in 1998, no fines were paid to the city for this action.

It is time to ensure this type of abuse of tax dollars doesn't happen again. Good Jobs New York is encouraged by recent procedural changes at the IDA that have allowed for greater transparency. These changes include posting public hearing notices on the EDC's website, providing some details of the proposed subsidy six days prior to the public hearing and changing the date of the public hearing to allow time for the IDA board to review public comment. Also, it is critical to have the recapture provisions made available with the cost benefit analyses and project application that the IDA makes public six days prior to the hearing.

Even in the face of yesterday's news of strong recapture provisions, a most important question still remains. Where is the due diligence on whether the Bank really needs these public resources? New Yorkers deserve to know the process currently in place to determine if this subsidy is critical to the Bank's decision to expand in the city. Without this information, it is hard to expect taxpayers to believe Bank of America, with its vast resources and recently subsidized office space, would not want to consider New York City its home.

As stated in our report, numerous CEO's, a former IDA board member and even Mayor Bloomberg question the influence these types of subsidies have on a company's location decision. We encourage the administration to instead focus resources and energy on its recent efforts to diversify our city's economy and bring real economic development opportunities to all areas of New York City.

In previous testimony regarding proposed subsidy deals, Good Jobs New York felt it necessary to offer suggestions that include an emphasis on job training and job quality standards should the deal be approved. While we offer these suggestions for this proposed deal, it cannot be overstated that Good Jobs New York would consider the approval of \$42 million in tax breaks for Bank of America nothing short of a corporate giveaway.

Good Jobs New York looks forward to continue working with the IDA to promote even better transparency regarding the agency's allocation of public resources. Thank you for consideration of our testimony.