

11:00 am draft

Testimony of Good Jobs New York
Bettina Damiani
June 19, 2008
Before the New York City Council
Committee on Economic Development

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Re: Intro No. 779 and Regionally Specific Projects

Good afternoon Chairman White and committee members. My name is Bettina Damiani, and I direct Good Jobs New York, a project of Good Jobs First (GJF) and the Fiscal Policy Institute (FPI). FPI focuses on tax, budget, and economic policy issues in New York State; Good Jobs First, based in Washington, DC is a national resource center promoting accountability in economic development and smart growth for working families.

Thank you for inviting me to testify regarding a proposal to amend the boundaries of the Hunts Point Empire Zone to designate Bronx Westchester Tempering Corporation a Regionally Significant Project (RSP) so it may be eligible for Empire Zone benefits.

This would be the second RSP in New York City and we are greatly concerned about the possible growth of RSPs in New York City at a time when the Empire Zone program has been criticized from a variety of policy makers. In addition, the fact that the this property has already been purchased by the owner of the business and has property just across the street (in the country of Westchester, city of Mt. Vernon), makes it less of a candidate for a program whose original intent is to help firms expand.

To subsidize this business would reinforce complaints that the Empire Zones program has gone astray – far astray – from one created to target benefits in areas of extreme poverty and high unemployment. The program has been found by former New York State Comptroller Hevesi, New York State Assembly Member Richard Brodsky and the Fiscal Policy Institute<sup>1</sup> to be a flawed program that unnecessarily subsidizes businesses and rewards firms in the absence of job creation.

Consider: NRG Energy, a New Jersey-based company that runs electric plants in upstate New York, which received \$21 million in tax breaks for creating half a job.<sup>2</sup> Then there's American Landmark Properties, an Illinois Real Estate Group that is eligible for \$1.3 million a year in Empire Zone benefits for five Syracuse office buildings, despite having only 3.75 employees.<sup>3</sup> Corning Inc. laid off about 3,000 employees in 2001, but qualified for tax breaks worth about \$5 million a year by creating a new real estate division.<sup>4</sup>

Albany has finally started to take notice of this run away program. Last year State economic development officials issued warning letters to about 3,000 (about 30 percent of all) EZ companies, citing shortfalls on thousands of jobs and billions of dollars in capital investment.<sup>5</sup> And earlier this year the Empire State Development Corporation removed 26 businesses that didn't reply to ESDC inquiries saving taxpayers over \$3 million a year.<sup>6</sup>

Also last a report prepared by management consultant firm A.T. Kearny for the Empire State Development Corporation claimed:

“[Empire Zones are....] perhaps the best example of good economic development intentions gone wrong. Its original mission has been morphed by political patronage, legislative revision and commercial manipulation, effectively repositioning it from a program primarily helping distressed communities to one routinely offering tax relief for ongoing businesses.”<sup>7</sup>

Good Jobs New York urges you to consider the unintended consequences of opening up a new subsidy to New York City firms. Regionally Significant Projects are not limited to benefiting a manufacturing firm can be used for financial institutions, high tech or bio tech firms. It would be unconscionable for a financial firm in the financial capital that is New York City to benefit from this subsidy.

The city council should take a leadership position to incorporate a thorough process of due diligence and create strong reporting requirements to ensure any new RSP's will only benefit the firms that *need* assistance. This would help restore the original intent of the Empire Zones by creating an even-keeled program that rewards manufacturing firms that are committed to creating job opportunities for unemployed and underemployed New Yorkers.

Thank you for consideration of our testimony.

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<sup>1</sup> “New York’s Empire Zone, Trude Renwick, Senior Economist , Fiscal Policy Institute , September, 2007. [http://www.fiscalpolicy.org/publications2007/Renwick\\_NewYorksEmpireZoneProgramSept07.pdf](http://www.fiscalpolicy.org/publications2007/Renwick_NewYorksEmpireZoneProgramSept07.pdf)

<sup>2</sup> “Money for Nothing.” Mike McAndrew. *Syracuse Post-Standard*, September 17,2006

<sup>3</sup> “Hire a Janitor or Two and Receive...Towering Tax Breaks.” Mike McAndrew and Michelle Breidenbach. *Syracuse Post-Standard*, April 29,2007

<sup>4</sup> “No Breaks for Shirt-Changers.” Mike McAndrew, *Syracuse Post-Standard*. May 9,2007.

<sup>5</sup> “State Warns Companies in Tax Deals.” Nicholas Confessore and Danny Hakim. *The New York Times*. July 31, 2007.

<sup>6</sup> “26 Empire Zone Companies Targeted” Mike McAndrew, *Syracuse Post-Standard*, April 8, 2008

<sup>7</sup> Delivering on the Promise of New York State A Strategy for Economic Growth & Revitalization. Prepared for Empire State Development by A.T. Kearney