

Comments of Good Jobs New York
Bettina Damiani, Project Director
Before the New York City Industrial Development Agency

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Re: Proposed Commercial Growth benefits for Deloitte LLP

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.

Good Jobs New York urges the board to vote no on the Industrial Development Agency's proposal to subsidize Deloitte's move from Midtown Manhattan to the World Financial Center. Subsidizing large firms is always a questionable game but providing tax breaks to a company that is moving from one highly prized Manhattan business district to another is a waste of tax dollars and reinforces an ineffective policy of job creation. Certainly, having Deloitte's world headquarters in New York City is good for New York. Yet, the company's effort to game New York City, New Jersey (where Deloitte is benefiting from millions of dollars in subsidies) and Connecticut in an economic development battle between the states is a greedy demand that should not be rewarded.

An Unnecessary Proposal

Last year, Deloitte reported earnings of over \$26 billion and added over 40,000 people to its workforce in the midst of one of the worst recessions in U.S. history. Indeed, as Deloitte CEO Jim Quigley noted, "turbulent markets create opportunities that wouldn't otherwise be there" (Deloitte Annual Review 2009). Turbulent markets mean big business for Deloitte. Thanks to sweeping financial reform financial firms based in New York - many already benefiting from IDA subsidies to stay in New York City including JP Morgan Chase, Citigroup, Bank of America (including now dissolved Merrill Lynch and Bear Sterns) - will need Deloitte's services now more than ever. Why wouldn't Deloitte want to be located in the World Financial Center?

In addition to having a strong customer base here, Deloitte has contracts worth tens of millions of dollars with New York City and New York State agencies, including both Comptroller offices. This information should have been included in the IDA project materials. In fact, Deloitte has an office on the same floor in the Municipal Building as the New York City Comptroller. Granted, it is not unusual for city and state governments to have independent auditors, but why should firms with a particularly unique understanding of the city and state finances also have access to subsidies?

The Inspector General of Pennsylvania didn't think it was such a good idea. Last fall, Pennsylvania's Auditor General Jack Wagner found that Deloitte was being awarded subsidies from the very entities it was auditing and called for major reforms to the state's procurement process. This is not to say Deloitte has done anything improper in New York, but it does raise the question if its part of the firm's business plan to demand subsidies from states and municipalities it has contracts with.

Value of Existing Subsidies

Another reason this proposal is unnecessary is Deloitte was already awarded approximately \$14 million in post 9/11 grants and is potentially eligible for a variety of other as-of-right benefits since 4

World Financial Center is adjacent to the World Trade Center. For example, the firm's decision to relocate from Midtown to Lower Manhattan could earn them an additional \$3,000 per relocated employee in tax credits under REAP (the Relocation Employment Assistance Program).

The IDA and Deloitte must release total value of all other city and state subsidies the firm is benefiting from, eligible for and has applied for. Without this information, the public and the IDA board do not have a full understanding of existing level public investment in this firm.

Deloitte's expansion is a City Priority. Really?

The City's budget was recently passed that included cuts to vital services for New York's seniors, children and people with HIV/AIDS. The state budget is now months overdue and Governor Paterson has threatened layoffs. Unemployment in some neighborhoods has for too long hovered at 25%. Yet, the city found the resources and wherewithal to develop a subsidy package worth up to \$21 million for a major accounting firm? Making matters worse this proposal doesn't leverage any of the anticipated tax breaks to address the immediate needs of New Yorkers.

In its application, Deloitte states that equipment for renovation will fall under pre-existing national contracts. Does this mean there is no commitment from Deloitte to buy materials locally? A clear commitment from Deloitte to support local manufacturers and hire locally would have been a boost to New York's manufacturing economy, be more environmentally friendly and create good jobs.

Why didn't the IDA include provisions to make this proposal less egregious? Where are the local hiring guarantees? Are there goals for local purchases? How about benchmarks to utilize environmentally friendly materials?

The IDA's proposal for a corporate give away to Deloitte seems remarkably tone deaf to the real needs of our economy and fails to address the employment needs of unemployed New Yorkers. Deloitte, too should feel embarrassed at this request. We urge the IDA board to vote against this proposal.

Thank you for this opportunity to present our testimony today.