

Testimony of Good Jobs New York

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At the New York City Industrial Development Agency

Public Hearing Regarding its Proposed Subsidy for the Development of

One Bryant Park

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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, after the attacks of 9/11, we launched Reconstruction Watch to help grassroots groups better understand the many incentives that were developed for the redevelopment of Lower Manhattan.

The city's proposed subsidies to the Durst Organization and the Bank of America to build an office tower at One Bryant Park raise serious questions as to the need for these deals and how New Yorkers will benefit. But it is possible this project can succeed by gaining the trust of the public and allowing the IDA to fulfill its mission to improve the economic welfare of the people of New York. This will, however, require the IDA to break from the past and think outside the box.

Why the Current Proposed Subsidy Lacks Public Benefit:

➤ *The Great Unknown: What are the costs and the benefits?*

The problem with this deal is we don't have enough information to weigh the costs against the benefits. This is not to say the IDA, under Mayor Bloomberg and its current president Andrew Alper have not made recent strides towards better transparency. They have. However, as of Friday, the public still didn't know what the cost of the project will be or what clawbacks (a money back guarantee) have been agreed to by the companies in exchange for lost revenue to the city. This lack of transparency is a step backward and fails to foster the trust that the city is negotiating a truly beneficial deal on behalf of New Yorkers. By not releasing information in a reasonable time, it also doesn't allow the public to weigh-in with its opinion of the deal. GJNY had hoped this kind of back

door negotiating had ended with the previous administration. Job retention deals back then, interestingly enough, produced agreements like the one Bank of America received in 1993; void of public participation in its negotiation and resembling Swiss cheese in its promises to New Yorkers.

After the first attack on the World Trade Center in 1993, the Bank of America was lured to Tower One with \$18 million in incentives over 15 years in exchange for the bank to retain 1,700 employees there. However, by the middle of 1998, the bank had reduced its workforce at Tower One to 830 and in response, the IDA terminated any future benefits for the Trade Center deal. Were there penalty fees? No. What happen to those people that lost their subsidized jobs? The IDA doesn't know. Unless the IDA responds to these basic concerns before making any new agreement with the Bank of America we can only assume this current proposed subsidy is as egregious as the previous one.

Better transparency in the Bank of America 1993 deal would have made for a better return on our city's economic development investment. Sadly, this still won't happen with the 2003 deal since IDA's public hearing process resembles a charade. The ink on this proposed deal is nearly dry and tomorrow, with no time for reflection or amendments to the agreement, the Board of the IDA will vote on this project. Despite the fact that board members are not present at this hearing.

➤ *9/11 Resources for Midtown Manhattan?*

When the "Job Creation and Worker Assistance Act" was signed by President Bush in 2002, it recognized that in order for New York to recover from the terrorist attacks, some percentage of the Federal resources needed to be allocated outside Lower Manhattan, (in our view, far too little money and recognition was given to those businesses that suffered and continue to suffer in other parts of the city). But considering these resources in the form of Liberty Bonds (a.k.a. Private Activity Bonds) for speculative office space in one of the most economically viable business districts in the world is simply unfathomable. One Bryant Park is a highly desirable location due in most part to its access to a large, educated workforce and unsurpassed local public transportation, not to mention the development would sit between three suburban hubs - Grand Central Station, the Port Authority Bus Terminal and Penn Station. Unless there are significant public benefits to this deal, there are surely better ways to use these limited resources.

While this deal, as we currently understand it, doesn't clearly benefit New Yorkers, there are unique opportunities to this proposed project that would benefit taxpayers and working New Yorkers alike.

How This Deal Can Set the Standard for Economic Development in our City:

➤ *Bring Negotiations Out From Under the Table*

The public has a right to know – now - what promises the Bank of America and the Durst Organization must keep in exchange for these benefits. In particular, what will happen if Bank of America again lays off employees? For example, what responsibility does Bank of America have to those employees? It would be bad economics - not to mention ironic – if the banks’ fired employees are expected to access public services in the form of unemployment insurance, food stamps, public hospitals, etc after the corporation benefited from tax breaks. It is the responsibility of the IDA to ensure that recipients of corporate retention deals do not financially benefit when a deal is terminated while former employees then utilize already strained city services. The agreement with the Bank of America must contain strong clawback provisions and be made available to the public.

➤ *Improving the Business Climate by Creating Housing*

Michael Bloomberg as a businessman and the city’s Mayor recognizes that the cost of housing in this city is a deterrent to new businesses and is a strain to the majority of those living here. While the residential portion of the Liberty Bonds allocated by the City and the State has failed to address this dire need in Lower Manhattan, the Bloomberg Administration implemented a creative approach to raise revenue for affordable housing in other areas of the city by charging a 3% fee on the residential portion of Liberty Bonds. We urge the IDA to consider this for the commercial allocation of Liberty Bonds as well. For example, a 3% fee on the \$650 million requested by the Durst Organization, (it’s possible that the Bank of America and Durst could split the fee) could raise \$19.5 million for low and moderate-income housing that would be built throughout the city.

➤ *Breaking New Ground*

The use of Liberty Bonds in Midtown should offer extraordinary public benefits if it is to be justified, and it could. As we understand it, the Durst Organization plans to build this office tower – as he has in previous developments - as an environmentally friendly building. We applaud this type of development and believe if done with some creativity, the public benefits could be extraordinary and improve the lives of New Yorkers and the city’s economy.

For example, the Durst Organization (and Bank of America for office related items) should make a commitment to purchase a large percentage (if not all) of construction materials from New York City based manufacturers. While we realize it may not be possible to purchase all the building materials in New York City, this should be seen as untapped job market. Since the construction of green buildings will be the wave of the future, the city must take this opportunity to work with developers

like the Durst Organization and the manufacturing industry to foster a market for environmentally friendly building materials.

New York City is the perfect location for this. Imagine, for example, manufacturers creating green materials that are based near our airports and other transportation hubs. This scenario has the advantage of benefiting Queens and aviation, both of which were hit especially hard by 9/11. Also, we can't overlook the positive health benefits that come with this and the potential for green building to reduce our reliance on unpredictable energy sources.

We urge the Industrial Development Agency to look towards the future with a creative eye that will spur economic development opportunities for New Yorkers. In the end, New York's companies - big and small - as well as the city's workforce and ultimately our economy will benefit.