

Testimony of Good Jobs New York  
Bettina Damiani  
June 4, 2009  
Before the New York City Council  
Committee on Economic Development

~~~~

Re: Intro 940

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 Intro 940, a proposal to amend the boundaries of the Chinatown Empire Zone to designate two parcels of land known as the East River Science Park in Manhattan so it may be eligible for Empire Zone benefits.

We understand the city's interest in nurturing a cluster of biotech companies in this area and applaud efforts by those involved to diversify the city economy. But it would be more productive to promote positive features of doing business in New York City: our labor force is next-to-none; we are home to world renowned universities, scholars and investors that help make the East River Science Park an excellent place to do businesses and; the city and state have already invested heavily in the project's development.

In fact, we'd argue pushing tax breaks for the biotech industry via the unaccountable and broken Empire Zone program could have the unintentional effect of tarnishing the city's economic development reputation. Leaders in New York State have made great strides to try and fix (and some even proposing to eliminate) Empire Zones; what does it look like for this council to propose an expansion of it?

Cavalier amendments to the boundaries of Empire Zones in upstate New York fueled, in large part, the negative results of the program. It's disheartening that leaders in New York City, which is home to Zones with more integrity than many upstate, expect tax-payers to believe this proposal builds symmetry between the economic development and employment needs of Chinatown with the biotech industry that will dominate the East River Science Park.

## **Empire Zones: Poster Child of a Broken Subsidy Program**

The Empire Zone program is a notoriously broken subsidy program and its intent has gone astray – far astray – from one created to target benefits in areas of extreme poverty and high unemployment. The program has been described as a failure by a variety of agencies and officials: former New York State Comptroller Hevesi, New York State Assembly Member Richard Brodsky, a report commissioned by the Empire State Development Corporation, the Citizens Budget Commission and others.

The 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>1</sup>

Our previous testimonies before this committee (that has approved the extension of Empire Zone benefits via three Regionally Significant Projects) warned that opening the program to allow non-manufacturers to benefit could lead to wealthy financial firms taking advantage of the program. Again, we implore the city council to take a leadership position to ensure amendments to the city’s Empire Zones benefit the strong but challenged manufacturing industry before moving forward with Intro 940. This would help restore the original intent of the Empire Zones by creating an even-keeled program that rewards manufacturing firms that have a history of and are committed to creating job opportunities for a wide range of New Yorkers.

## **The Need to Leverage Public Investments**

Before the Council moves forward with this proposal, there needs to be an accounting of how much taxpayer monies have already been invested. After a review of public records, GJNY has learned that this property has already been the beneficiary of:

- \$3.5 million in a mortgage recording tax exemption approved in 2006 from the New York City Industrial Development Agency to develop the site;

---

<sup>1</sup> Delivering on the Promise of New York State A Strategy for Economic Growth & Revitalization. Prepared for Empire State Development by A.T. Kearney. 2007 available at: <http://www.nylovesbiz.com/pdf/atkearneyreport2007.pdf>

- \$258 million in property and sales tax breaks under its lease with the New York City Health and Hospitals Corporation
- Contributions from the city and state for infrastructure that total \$39.5 million.

In addition, tenants will be eligible for Qualified Emerging Technology Company (QETC) benefits from the state worth up to \$1 million per company over four years.<sup>2</sup>

How the current public investments have leveraged jobs for unemployed or low-income New Yorkers is unclear. Without a doubt, construction jobs and the multiplier effect associated with the development have generated employment. And public investment in infrastructure can be an appropriate use of funds, especially in an attempt to diversify our city's economy<sup>3</sup>. However, the extension of Empire Zone tax credits (the wage tax credit in particular) - a program created to benefit communities with extreme unemployment - for the benefit of companies to employ scientists without any attempt to leverage employment or training opportunities for unemployed New Yorkers seems illogical.

Any subsidy agreement, either through this proposal or others should require clawbacks. For example, the New York City Industrial Development Agency regularly invokes a non-transfer clause in its subsidy agreements: should a company move out of the location it must return a portion of the subsidy it had been awarded, and in some instances pay a penalty. Considering the volatile nature of the life-science industry this would not apply to a firm that ceases operations; but would only apply if it moves its operations out of New York City.

We applaud the city for making efforts to diversify the economy and create new good jobs for New Yorkers. Yet, by amending Chinatown's Empire Zone program to flaunt subsidies on the biotech industry without a clear understanding of past taxpayer investments and without a clear understanding of how this would benefit working New Yorkers, there is a great possibility that precious resources could be squandered.

Thank you for consideration of our testimony.

---

<sup>2</sup> More information available at <http://www.nycbiotech.org/incentives.html>

<sup>3</sup> There have been numerous egregious examples of publicly subsidizing infrastructure for private interests including the current administration's commitment to stadiums and arenas.