

**Testimony of Good Jobs New York**  
**Bettina Damiani**  
**September 15, 2008**  
**Before the New York City Council Committee on Economic Development**

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**RE: Int. No. 822**

Good afternoon Chairman White and committee members. 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](http://www.goodjobsny.org)) contains the only publicly available database of the city's large corporate retention deals and we have released numerous reports on the city's use of economic development incentives to create and/or retain jobs, including our exhaustive efforts around the rebuilding of Lower Manhattan after 9/11 and the new Yankee Stadium project.

Thank you for the invitation to speak to you today about the proposed Industrial and Commercial Abatement Program (ICAP), which would replace the Industrial and Commercial Incentive Program (ICIP). With \$512 million of forgone property taxes last Fiscal Year<sup>1</sup> ICIP is the most expensive economic development program and the second most expensive tax expenditure program in the city<sup>2</sup>.

Good Jobs New York has long been an ardent critic of the ICIP program, claiming that too many of the tax breaks benefit large Midtown Manhattan property owners rather than small, growing firms outside of the major commercial district of Manhattan, as was the program's original intent. Over the years ICIP has become so distorted that some of the priciest commercial districts in the country receive tax benefits. For example, last year, these Midtown Manhattan properties got exemptions totaling nearly \$14 million: Met Life Building (200 Park Avenue), 666 Third Avenue (tenants include major League Baseball), 245 Park Avenue, 715 Fifth Avenue and 19 East 57<sup>th</sup> Street.

In 2007 the Bloomberg administration took the impressive initiative of releasing an extensive analysis of ICIP and recommending concrete and plausible reforms<sup>3</sup>. These reforms included cutting subsidies for Midtown Manhattan property owners and much of the retail in the city. These

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1 The New York City Independent Budget Office, "With Changes to Commercial property Tax Program, Breaks Will Not be as Costly for the City". August, 2008

2 The house tax credit known at 421-A is the most expensive economic development incentive.

3 Conducted by the New York City Economic Development Corporation

recommendations fell in line with the Administration's attempts to provide healthier food choices to the city's poorest residents <sup>4</sup> and the Mayor's infamous claim to "have ended corporate welfare as we know it"<sup>5</sup>.

The efforts of the Manhattan Borough President's Office, which this summer released a thorough report – "Senseless Subsidies" – detailing the counterproductive subsidization of certain types of retail in Manhattan under ICIP, spurred City Hall and legislators to finally act and reform ICIP. <sup>6</sup>

At the end of last legislative session, officials in Albany reauthorized ICIP under the new name, Industrial and Commercial Abatement Program (ICAP). While ICAP is an improvement over ICIP in that it no longer provides tax breaks to power authorities and limits subsidies for the city's retail and fast food properties, it only slightly reduces the needless tax breaks associated with Midtown Manhattan commercial properties. Instead ICAP only reduces the amount of time commercial properties would be eligible for subsidies from twelve to ten years, and retail and fast food outlets in all the outer boroughs and above 96<sup>th</sup> Street in Manhattan are still eligible.

If ICAP is approved, it will expire in 2011. We hope that at that time city and state officials will work even harder to ensure that ICAP provides subsidies only to those businesses who truly need them and who don't undermine other public policies.

Thank you for the opportunity to testify today.

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4 Press release, December, 7, 2006: "Health Department Launches "Move To Fruits and Vegetables" Campaign With Bodegas"

5 "Bloomberg's Bribes", *New York Post*, November 12, 2007

6 May, 2008, *Senseless Subsidies, A Report on Tax Benefits under the Industrial and Commercial Incentive Program* available at [http://www.mbpo.org/newsroom\\_details.asp?id=1170](http://www.mbpo.org/newsroom_details.asp?id=1170)

