

Statement From Good Jobs New York

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Watchdog Group Questions Abrupt, Secretive Deal to Let Metropolitan Life Escape

NYC Subsidy Commitment

But Reaffirms Mayor Bloomberg's Stance on

Additional Subsidies to Merrill Lynch

Good Jobs New York today released the following statement commenting upon the juxtaposition between Mayor Bloomberg's remarks about Merrill Lynch's search for new offices and his administration's decision to allow Metropolitan Life Insurance to escape commitments it made to the city as part of a \$27 million retention deal in 1997 to locate 1,750 jobs in Long Island City, Queens:

In October of 2003, Mayor Michael Bloomberg boldly declared at an Association for a Better New York event that the city had "essentially ended corporate welfare as we know it." As a successful businessman, Mayor Bloomberg understands that large corporations make location decisions based on factors such as the quality of the workforce, transportation infrastructure, proximity to customers and suppliers and a high quality of life. Not taxes. In 2001, after turning away a subsidy for Bloomberg LLC's new headquarters, Bloomberg told a reporter, "Any company that makes a decision as to where they are going to be based on the tax rate is a company that won't be around very long... If you're down to that incremental margin you don't have a business."

It has been reported that Merrill Lynch is considering a move from New York City after its World Financial Center lease expires in 2013. Although then-Mayor Rudolph Giuliani awarded Merrill Lynch a \$27 million job retention deal in 1997, Mayor Bloomberg responded yesterday that he has "always been opposed to subsidies to keep people in New York" and "would not expect Merrill Lynch to ask for any subsidy, nor would I expect the city to give them one." This is the type of leadership New Yorkers should expect from a mayor who understands how successful companies actually make business location decisions.

GJNY has applauded the Bloomberg administration and the leadership at the IDA for instituting strong clawback provisions (money back guarantees), improving transparency, and concentrating on job creation rather than job retention deals. But today's abrupt decision by Bloomberg and the IDA to allow Metropolitan Life Insurance out of its original deal with the city is a disappointing step backward on both substance and transparency.

Substance: Due to the strong clawback provisions written into the deal, the city could penalize Metropolitan Life \$24 million for breaking its agreement. In fact, benefits for both Metropolitan Life and Merrill Lynch have already been reduced due to the failure of each company to retain the number of jobs promised. But allowing Metropolitan Life to renege on its agreement in return for \$5 million and an extended job retention commitment is laughable and opens the door to more subsidy abuse.

Transparency: In the past few months alone, the IDA held public hearings when proposing to modify large deals from previous administrations to allow the transfer of unused tax breaks to new locations by companies such as AON, Bear Stearns, Hearst Corporation, AIG, American Stock Exchange and CBS. The proposal to allow Metropolitan Life to essentially buyout its deal should also have been subject to advance notice and public hearing and comment and would have given the city leverage in negotiating a better deal with Metropolitan Life.

Good Jobs New York is a non-partisan research group promoting accountability in New York City economic development. It is a joint project of Good Jobs First and the Fiscal Policy Institute. GJNY maintains the only publicly available database on the city's large corporate retention deals at <http://www.goodjobsny.org/deals.htm>. To receive GJNY's monthly alert regarding subsidy proposals please send an email to dsteinberg@goodjobsfirst.org.