

Testimony of Dan Steinberg

Good Jobs New York

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Regarding the Proposed UTEP Amendments for

Hudson Yards Commercial Construction Projects and Industrial Recapture Provisions

Good Morning. I'm Dan Steinberg, Research Analyst for Good Jobs New York, a joint project of the Fiscal Policy Institute and Good Jobs First, based in Washington, DC. Through our research and advocacy, we promote accountability to taxpayers in the use of economic development subsidies

GJNY supports the redevelopment of Hudson Yards into a dynamic, mixed-use area that will contribute to the city's ability to capture its share of regional economic growth. Investment in transit infrastructure is generally one of the least risky and most equitable strategies for economic development, and the extension of the 7 line will undoubtedly expedite development activity in the district. This recently rezoned area situated next to Midtown is ripe for private investment, and the extended 7 line qualifies as a subsidy for landowners in itself.

For these very reasons, the case for offering significant tax breaks for 24 million square feet of office space in the core of Manhattan is dubious. It is questionable whether there is a sound economic development justification for these tax breaks, or if they are being proposed due to a financing plan that is based on a very aggressive build-out schedule. The Hudson Yards Infrastructure Corporation debt is likely to carry a greater degree of risk than City general obligation bonds, and the city is consequently counting on an enormous amount of development in a relatively short amount of time. GJNY is concerned that the proposed tax breaks have little to do with an economic development rationale. Rather their main purpose is to facilitate a questionable financing plan.

In addition, Good Jobs New York is more generally concerned that this program will help institutionalize a system of ill-advised tax breaks for Manhattan commercial projects. The city has been vastly increasing the value of property tax breaks awarded in the name of economic development, and discretionary benefits are disproportionately awarded to large companies. In FY 2005, city tax breaks for economic development purposes totaled about \$2.0 billion. By oversubsidizing an area that is already poised for growth and

capturing revenue that may have been generated without subsidies, this project will further shift the city's tax burden to small businesses and other taxpayers.

As a related point, how will the development of Lower Manhattan interact with the development of the Far West Side, especially since a comprehensive subsidy program has also been enacted for the financial district? To what extent has the city fostered an environment where neighborhoods within the same tax jurisdiction are using subsidies to compete for growth? This is an expensive and irrational scenario to say the least.

In the event that these UTEP amendments are approved, it is imperative that the IDA requires subsidized companies to create jobs that meet certain standards, such as paying a living wage and providing health insurance and full-time hours. It is also recommended that a funding stream be established for workforce development programs.

Good Jobs New York supports the additional UTEP amendments intended to improve the IDA's recapture policies with regard to industrial and not-for-profit transactions. At the same time, however, it is also important for the IDA to address the vague recapture provisions currently on the books for commercial incentives. Much of Good Jobs New York's research has focused on failed corporate retention deals. On a deal to deal basis, recapture terms have been much improved under this administration. That's why it's important for these standards to be codified in the UTEP. While recapture terms may need to be negotiated, it is beneficial for parties on both sides of the table to have clear, written expectations that will be followed by future administrations.