



11 Park Place, #701
New York, NY 10007
www.goodjobsny.org
212.721.7996

**Testimony before the New York City Industrial Development Agency
Good Jobs New York – January 5, 2012**

Re: Extell's International Gem Tower

Good morning. Thank you for the opportunity to testify today. My name is Bettina Damiani and I direct Good Jobs New York, a project of Good Jobs First based in Washington, DC in partnership with the Fiscal Policy Institute, with offices in Albany and New York City. Good Jobs New York promotes accountability to taxpayers in the use of economic development subsidies.

There is no doubt that the diamond and jewelry industries provide a positive fiscal impact and image for our city. But this subsidy proposal raises transparency and accountability concerns for GJNY.

This development has evolved since it was first presented to the IDA board in 2006 including: a decrease in subsidies proposed; that the 47th Street Business Improvement District is now in favor of the tower and; construction on the project began four years ago. (A copy of our testimony to the IDA in 2006 is [available on our website](#).) Yet, GJNY still has concerns regarding how this subsidy will be leveraged for new jobs in the diamond district and how agency staff will hold Extell GT, LLC and its tenants accountable for its job promises.

Is this subsidy necessary? The materials do not make clear why New York City taxpayers need to subsidize a development in one of the most sought after commercial districts in the country. The applicant boasts of existing contracts and potential ones¹. And while these contracts might be related to the industry, we are concerned that the tower may incentivize new industries into the area that in the long-term could negatively affect the cluster of diamond industry related businesses.

1

* Extell now has signed contracts for 132,000 RSF of space to 33 industry companies, including a unit of 29,000 sq. ft. for the Gemological Institute of America ("GIA"); there are signed letters of intent for an additional 32,000 sq. ft. involving 8 companies, of which 4 have contracts out for signature. There is another approx. 60,000 sq ft. currently in active discussion with approximately 15 additional potential purchasers. The total sq. footage of these 3 categories is approx. 224,000 sq. ft.

A recent report commissioned by the Empire State Development Corporation does a thorough analysis of the opportunities and challenges facing the famed diamond district. The report's recommendations for the district's success include a unifying design element of existing buildings; developing strategies for new business models; increasing the number of skilled workers by collaborating with the area's universities and job training programs.² Yet, it is unclear how IDA benefits for the Gem Tower takes these issues into account to help solidify the area as the nation's center for international diamond and jewelry trade.

It is very troubling that there is no mention of the other subsidies awarded or promised to this development. Media reports indicate the developer and/or its tenants are expected to benefit from a New York State loan program and an immigrant financing program called EB-5 (ironically, targeted to low-income neighborhoods). A complete tally of expected and received benefits to the developer and potential tenants from other city and state agencies should be part of the project materials. It is critically important that the public and the IDA board know the full extent of the public investment in the tower to determine if further subsidies are necessary. If proposed public resources have not materialized or fallen short, the IDA materials should explain so.

Recapture Provisions and Jobs. We are pleased to see recapture provisions in the project materials. We encourage the agency to include this information in the future proposals. (Though, we would prefer staff to utilize, for example, the chart that calculates recapture provisions in five categories that was in the November 9, 2006 project materials.) We would appreciate more information about how Extell or the IDA will certify that a business is "industry" related and if the annual review of tenants and details of any funds recaptured will be made public on the agency's website. Also, we are confused by the schedule of reporting: will it be done annually or only once on October 1, 2015.³

As we understand it, benefits will not be awarded based on jobs but on amount of space bought. This seems a departure from previous IDA deals and we urge the agency to count new jobs in New York City as a public benefit rather than amount of a real estate transaction.

Finally, we recognize financing for development has been difficult in recent years. But that does not negate New Yorker's expectation that subsidies create new jobs in New York City. For the reasons stated above, we urge postponing a vote on this proposal until additional information about existing subsidies is publicly available and clearer measures that leverage subsidies for new jobs in the jewelry and diamond industries are put in place.

² *The Perfect Setting*, The Pratt Center, New York Industrial Retention Network, October 11, 2011.

³ This refers to the language in the middle of the second paragraph of the January 5, 2012 project materials.