Testimony by Bettina Damiani Director, Good Jobs New York
New York City Council Economic Development Committee Jointly with the Select Committee on Lower Manhattan Redevelopment
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Good afternoon. Thank you Chairmen Sanders and Gerson, as well as committee members, for organizing this hearing and giving me the opportunity to speak before you today.

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 tax payers in the use of economic development subsidies. Our website, www.goodjobsny.org contains the only publicly available database of the city's large corporate retention deals. In addition, we’ve recently launched a new project called Reconstruction Watch, to assist grassroots groups to better understand the numerous incentive proposals being pressed during the redevelopment of Lower Manhattan.

We are here because the attack on the World Trade Center changed the course of economic development in New York City. A consensus is emerging that the World Trade Center site should be rebuilt differently, that the city's economy will be best served by diversifying the area to include housing and cultural institutions as well as businesses and most certainly a memorial. Details of how this community will be developed are still forthcoming. Rightfully so, since less than six months after the attacks is too soon to have a concrete plan of what will be built on the 16 acres - there still needs to be public input. However, given that funds of historical proportions are about to be allocated, it is absolutely urgent that New York City and New York State embrace public input, transparency and disclosure to best enable all New Yorkers to participate in the incentives debate.

Good Jobs New York believes that company-specific tax-break deals are not the right tool to bring Lower Manhattan back. It is much too early to determine what the demand for office space in the area will be. Instead, emphasis should be on public goods, such as improving the transportation infrastructure, to ensure that the area has access to regional labor markets and to vital linkages for businesses.

Earlier this month, $700 million of the $20 billion promised by President Bush was released by the US Department of Housing and Urban Development to the LMDC. Taxpayers have the right to know what companies receive grants or loans and how much they receive and the number and kinds of jobs they will provide in exchange for their benefits. HUD's allocation of these CDBG (Community Development Block Grants) funds are already unusual since HUD waived the requirement that funds be used only in low-income neighborhoods. Because of the terrific scrutiny the rebuilding efforts will receive, the LMDC must assure taxpayers that public funds are being allocated efficiently and fairly. Firms must be held accountable to create good jobs that pay a living wage, provide benefits and allow career advancement for New Yorkers.

Concerning disclosure, the Empire State Development Corporation, in their adopted Action Plan for the first $700 million of the CDBG funds mentions that grantees "will develop and maintain" reporting and tracking systems of their "operations and activities." It causes us alarm that the LMDC would rely on firms receiving these funds to create their own system of reporting. In the event a company fails to deliver promised benefits to the City, the recapture language is exceptionally vague. In its "Guidelines for the WTC Business Recovery Grant Program" it says the LMDC "may require" recipients to return funds if they don't keep a significant portion of their operations in New York. Such vague and indefinite language is fertile ground for misunderstandings.

To avoid the problems of inconsistent reporting and vague recapture language, we offer three options to bring greater integrity to the process:

1) Reporting: Reports are only helpful if the same information is asked of each firm and reported to the same agency. The LMDC being the lead agency could create a standardized form. Two suggested elements include A) summary of the deal and companies goals including: the name of the recipient, the source and value of the subsidy, the number and quality of jobs the firm agreed to create or retain and for how long and B) the release of reports showing the company's progress toward each goal. The reports would be public documents available, ideally on the Internet.

2) Clawbacks, also known as recapturing funds: How will the LMDC ensure that companies keep their promises? The “Guidelines for WTC Business Recovery and Grant Program” currently proposes random auditing of firms. A simpler and fairer process would be to simply review all companies' progress reports against Unemployment Insurance payment records, to ensure that taxpayer dollars are being spent truthfully.

3) Public Input: Companies that receive funds must be in compliance with environmental and job standards. Input from the community and members of organized labor should be viewed as an important participant in this process. Currently, New York State law requires the New York City Economic Development Corporation hold public hearings for any corporation that is eligible for $100,000 or more of financing[2]. We encourage this practice be applied to the allocation of LMDC grants as well.

We would be remiss if we didn’t urge you to work with the New York Congressional delegation to support anti-poaching legislation to impose a moratorium on any government provided aid from non New York City municipalities or states to companies considering leaving Lower Manhattan. For a decade, New York City has used the low road approach to incentives that bribes companies to stay in New York City. This approach has failed working New Yorkers.

The federal government is making billions of dollars available to New York to use in providing incentives to business to stay in and or return to New York City. This is an acknowledgment of the importance to the nation as a whole of the revitalization of the economy of Lower Manhattan. The strength of these incentives, however, is undercut if other states and cities are offering incentives to firms to leave Lower Manhattan.

Quite simply the rebuilding of New York will be made more difficult if other state and local governments offer monetary inducements to displaced businesses to encourage them to leave Lower Manhattan or to not return to Lower Manhattan as it is rebuilt.

Disclosure, recapture provisions and job quality standards are hardly novel concepts in economic development today. At least nine states have enacted annual, company-specific disclosure procedures. At least 19 states apply recapture rules to one or more incentive programs. And at least 37 states now apply wage and/or healthcare standards to companies that receive development subsidies.

We appreciate the difficult task that lies ahead for the LMDC. However, as these funds are poised to be allocated, New Yorkers, and indeed all of America, will be watching how New York benefits from these funds. The LMDC has the obligation to assure the public these investments are being allocated efficiently and fairly and that firms will be held accountable to create jobs for New Yorkers.

Thank you for the consideration of our testimony.