

Comments by Dan Steinberg

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Public hearing of the New York City Industrial Development Agency

On the proposed Center at Albee Square project

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My name is Dan Steinberg, Research Analyst for Good Jobs New York, a joint project of the Fiscal Policy Institute and Good Jobs First. Good Jobs New York promotes accountability to taxpayers in the use of economic development subsidies.

This lease proposal is not a good business deal for an administration that prides itself on its business savvy. Based purely on a description of the project, one would think the city has no role in redeveloping the Albee Square Mall.

To the contrary, the city owns the land beneath the site and has a great deal of leverage in shaping what gets built. That's why the terms of the proposed lease represent a missed opportunity. Unless it is drastically modified, the plan for the redevelopment of the Albee Square Mall will stand as a testament to the Economic Development Corporation's misguided priorities and a process that did not solicit community input.

There is clearly a strong market for housing on this site, which saw an exponential increase in value after the area was rezoned in 2004. The city has an opportunity to recapture some of this value by insisting that more affordable units be created and that the resulting jobs pay decent wages, offer health benefits and are targeted to local residents. Job quality standards should have been a condition for receiving the \$3.2 million in tax breaks from the Industrial Development Agency.

Instead EDC has settled for the bare minimum: the housing developer will make only 20% of the units affordable and receive property tax breaks, which is an arrangement that would be mandated under the pending reforms to the 421-a program.

The retail component of the project will also receive property tax breaks reflecting the benefits available under the Industrial and Commercial Incentive Program. This is entirely unwarranted since there is clearly no need to induce retail development next to the Fulton Mall with tax breaks. The fact that ICIP benefits would be available for a large retailer at this location is a reflection of the program's poor design and these subsidies should not be built into the lease.

Moreover, the city is offering the new leaseholders an option to buy the property for \$20 million in 25 years, which is exceedingly generous considering the site's market value.

To make matters worse, local residents and business owners have been excluded from the planning process, which is deplorable considering the historic significance of the Albee Square

Mall as a shopping destination. Without notification, about 30 small businesses are slated to be kicked out by the end of the year. These businesses have endured years of uncertainty about the future of the site and the disinvestment that often accompanies speculative behavior. The only offer of relocation assistance I'm aware of is contained in an email from the new developers to the IDA. This does not provide much of a solution at this point—the Department of Small Business Services must get involved on behalf of these businesses and must be funded to do so.

Disposition of city property is supposed to go through ULURP in order to encourage citizen participation in the planning process. Yet the only opportunity local residents had to weigh in on this project was at an IDA hearing in which tax breaks were being proposed for a tower already planned. The IDA hearing materials projected that the tax breaks are worth \$1.8 million, but the most recent press release from EDC puts them at \$3.2 million, meaning that those who showed up at the IDA may not have been provided with accurate information when they testified. We would like clarification on why this figure changed.

In summary, this oversubsidized project does not provide enough public benefit, especially considering the mall's history as a cultural institution and community resource. It is urgently important that this deal be renegotiated with HPD and SBS playing larger roles.

Thank you for the opportunity to testify today.