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Testimony before the New York City Council Committee on Economic Development

Oversight: Evaluating the Effectiveness of Tax Incentives Offered by the New York City Economic Development Corporation.

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Comments of Elizabeth Bird, Good Jobs New York

Good afternoon Chairman Garodnick and committee members. Thank you for the opportunity to testify today. My name is Elizabeth Bird and I am the Project Coordinator of Good Jobs New York, a project of Good Jobs First based in Washington, DC in partnership with the Fiscal Policy Institute.

Good Jobs New York promotes accountability to taxpayers in the use of economic development subsidies. Since our launch in 2000, we have worked to improve public participation in and transparency of these subsidy programs including our online database of over 40,000 subsidies approved by the Industrial Development Agency (IDA), the Lower Manhattan Development Corporation and the Industrial and Commercial Incentive Program. Our Database of Deals is available on our website, www.goodjobsny.org.

As a subsidy watchdog and provider of technical assistance to community-based organizations, GJNY has had a unique view of economic development in this city throughout the Bloomberg Administration. In that time, there has been progress in transparency, especially at the New York City Industrial Development Agency thanks to the council's passage of Local Law 62 and administrative actions taken by the agency that expanded its public hearing process and required greater data accessibility.

The time is ripe for a deep and comprehensive review of the New York City Economic Development Corporation and I applaud this committee for initiating this important oversight and beginning the process of demanding greater accountability in the outcomes of subsidized projects, and in the process of allocating subsidies.

In your review of the effectiveness of the EDC, we offer three main points to consider:

Review the EDC's contract with the Department of Small Business Services

We recognize that the Economic Development Corporation has limited oversight from the New York City Council, but we urge this committee to work closely with the City Council Committee on Small Businesses to oversee the EDC's contract with the Department of Small Business Services. This contract defines EDC's resources to undertake such massive development projects and provides the best leverage point to require greater accountability from EDC.

The city's contract with EDC should ensure that subsidized developments help, not hurt communities and small businesses, create good, permanent jobs and improve the environment of our neighborhoods. Every economic development project should have clearly defined community benefits incorporated in their initial project materials. Such benefits should include benchmarks for job creation and other investments in infrastructure, open space, or education.

To ensure that all EDC subsidized projects create and maintain public benefit, mandatory recapture policies should be in place for all subsidy programs that provide a benefit that lowers the cost of doing business for corporations. Commercial growth projects through the IDA, for example, have no standard recapture provisions.

Require a more inclusive decision-making process for how EDC selects projects to promote.

As the system exists today, a community's concerns about a development project – and the impacts or outcomes it will have – are a mere afterthought. Community needs are not assessed in the cost/benefit analysis required for subsidized projects. Even though IDA subsidized projects do require a public hearing, this hearing happens so late in the authorization process that it provides no real opportunity for the community to express concerns or change the course of a project's plan. The EDC does not hold public hearings for its projects.

A more inclusive process should include the following:

1. **The board of directors at both IDA and EDC should have a voice representing the needs of low-income communities and other stakeholders affected by large economic development proposals.** EDC's projects affect neighborhoods throughout the city, and yet its board of directors does not reflect the diversity of incomes in this city. A more socially responsible corporate board structuring that reflects the communities that need economic development would enable a more informed conversation about how developments may impact a

community. Also, while IDA has a board appointee from the Comptroller's Office, the EDC board of directors does not.

2. **Community boards could play a greater role in reviewing EDC proposals before they are authorized by the board.** Community leaders are often the last to know about a proposed development and given little time to review specifics of a proposal, forcing last minute efforts to negotiate community benefits that have no reliable enforcement mechanisms. Accountable and fair development happens only with communities' oversight.
3. **Make economic development proposals more transparent to communities.** Communities should be given access to a project's cost/benefit analysis at least thirty days in advance of required public hearings. And when appropriate, depending on the size of the subsidy or impact on a community, hearings should be held in the community where the development is proposed. The public hearing process must also be expanded to include EDC proposals.

To give an example of the need for a more inclusive decision-making process, consider the proposal for online grocer FreshDirect to move from its subsidized home in Long Island City, Queens to the Harlem River Yards in The Bronx and receive a \$128 million subsidy. [The February 7, 2012 press release announced the subsidy two days before the Industrial Development Agency's public hearing on the project and failed to mention that a public hearing and vote by the board of directors was necessary for the project's approval.¹ As documented by South Bronx Unite, community members, including members of Bronx Community Board 1, were not informed of the proposal.]

FreshDirect's proposal failed to address the employment, housing and environmental justice needs of within the community – concerns that should have been raised early in the process. FreshDirect's business model relies on thousands of daily truck trips, and yet the proposed location in the South Bronx is an area already overburdened with traffic and air pollution that exacerbates some of the highest asthma rates in the city. Additionally, like many retailers, its wages are low.² And because there was no consideration from the community's point of view, this has become another contentious project forced onto a community in the name of 'economic development.'

In another troubled project in the South Bronx, by the time the Yankee Stadium proposal held any public meetings city officials were clearly already committed to the project, rendering the public meetings useless. The city and state had already alienated the parkland the Yankees wanted via a "message of necessity" which ensured the deal would move forward as the team had envisioned.³ It was evident that the required hearings, including those for land use changes and subsidies were merely a formality rather than a means for the community to change the course of the Yankee's plan.

¹ <http://www.nycedc.com/press-release/mayor-bloomberg-governor-cuomo-and-borough-president-diaz-announce-fresh-direct-open>

² 36% of Fresh Direct workers earn less than \$25,000 a year, 37% earn between \$25,001 and \$40,000. More wage and employment data in Local Law 62 FY13 report.

³ More details on the Yankee deal is on our website: goodjobsny.org and in our report, "Insider Baseball: How Current and Former Public Officials Pitched a Community Shutout for the New York Yankees".

The Bronx is home to two examples of the unbalanced process of pushing forward economic development projects in the city, but there are numerous other developments that would likely have had a much different outcome had there been a more inclusive, community-based process: Brooklyn Atlantic Yards, Albee Square (aka City Point), Manhattan's Far West Side, Willets Point and Citifield to name a few.

Establish stronger requirements for the outcomes of subsidies

Thanks to reporting standards established at the NYCIDA, notable for being a best practice among similar agencies across the nation, we have a decent idea of how many jobs are reported at firms that receive IDA subsidies, and some details that imply what kind of jobs they are. (Unfortunately, EDC does not report with such detail the outcomes of all its projects – and the projects EDC funds outside of the IDA should be included in its annual investment projects report pursuant to Local Law 62.) What we can tell from looking closely at the data is that we can do better.

For example, in 2009 the New York Yankees received a subsidy of about \$55 million from the IDA to move their stadium across the street to its current location (hundreds of millions more in public dollars were awarded to the firm for this project through other city, state and federal tax breaks⁴). And yet, for all the public money that went to this project, the new Yankee Stadium reports just 6% full-time permanent jobs.⁵ The majority are low-wage, part-time, seasonal jobs. And let's not forget that the bonds allocated by the IDA for the already heavily subsidized Stadium parking garages built on city park land (fiercely protested⁶ by planning and transportation groups) are now in default.⁷

These are certainly not the type of jobs the city should be investing in, particularly at a time when our city's resources are badly needed for greater infrastructure and climate resiliency improvements, investments in education, and ensuring a more livable city – investments that will benefit all companies, not only wealthy firms that may not be good stewards of city resources.

Thank you.

⁴ A breakdown of the subsidies awarded to the Yankee's can be found here:

http://www.goodjobsny.org/sites/default/files/docs/yankee_public_costs_january16.pdf

⁵ Jobs data per Local Law 62, FY13: Jobs total 3,740, Full time permanent jobs 229.

⁶ http://www.tstc.org/press/2006/032206_Sign-on_Letter_to_Speaker_Quinn-Yankee_Stadium.html

⁷ <http://www.nydailynews.com/new-york/yankee-stadium-garage-company-strikes-opening-day-article-1.1305278> and <http://goodjobsny.org/economic-development/yankee-stadium-and-mets-citifield#parking>