Testimony of Good Jobs New York
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Before the New York City Industrial Development Agency
December 8, 2005

Regarding World Trade Center Associates' $3.345 Billion Liberty Bond Application

Good morning. 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 taxpayers in the use of economic development subsidies. In addition, after the attacks of 9/11, we launched Reconstruction Watch to help the public better understand the many incentives available for the redevelopment of Lower Manhattan.

It is perplexing that today's hearing is for a proposal to develop massive office towers on the World Trade Center site when Mayor Bloomberg has frequently challenged this plan. We agree that the pre-9/11 lease and an unresolved insurance lawsuit should not lock us into an office complex that fails to make economic sense or serve the public interest.

Yet, how seriously is this Liberty Bond application being taken by the IDA and City Hall? News reports give the impression that there are serious negotiations taking place that could dramatically alter the plans made public last Friday. The fact that this authority under the mayor's control is floating a financing plan that seemingly contradicts his vision for the site raises several questions:

1) What is the relevance of today's hearing?

2) Were the mayor's recent statements calling for a diversity of uses made in earnest?

3) What is the advantage of proposing the use of the remaining Liberty Bonds before fundamental questions about the future of the site have been addressed?

The project as proposed is ill-conceived and predicated on dubious assumptions. By proposing to subsidize the development of 10 million square feet of office space, it ignores the preferences of both the market and the public. The subsidized construction of office buildings does not guarantee that the market conditions exist to ensure their occupancy. Additionally, the application and cost benefit analysis done by the city seem to fail to consider the impact of other large proposed commercial office space on Manhattan's Far West Side and Downtown Brooklyn on this project.

In addition to these Liberty Bonds, it is perplexing that legislators have already created special benefits for companies who agree to lease space in this office complex; some of them already located in New York. Subsidizing the development of office buildings and then paying businesses that already have existing operations in Manhattan to occupy this space is expensive and irrational. Instead of reigning in the "economic war among the states" (companies pitching New Jersey against New York City as a preferred location and lured, in theory, by subsidies) officials have upgraded and created an environment where there is competition between neighborhoods in our city.

The application for the bonds make unrealistic assumptions that might obscure it's projections regarding job creation and the economic benefit of the project. The materials assert that each building is assumed to be leased up 40% in the first year, 40% more in the second year, and completely occupied by the third year after construction is completed. This figure stands out as entirely unrealistic considering Mr. Silverstein's struggle to enlist tenants thus far even in 7 WTC, the city's plan for 24 million square feet of office space in the Hudson Yards area, and the fact that business leaders, the city's powerful real estate lobby and civic groups are questioning whether these buildings as proposed are beneficial.

In this context, the city has expressed interest in using Liberty Bonds to instead build a shopping mall on Church and Cortlandt Streets. The demand for retail in this neighborhood is extraordinary due to the recent residential boom that has increased the number of high-income residents with strong disposable incomes. This market is also supported by approximately 280,000 people who work in the area (with an average income of $140,000) and an estimated 8 million tourists annually. Clearly subsidies are not needed in the very area that the Real Estate Board of New York's President described as "undergoing a major retail revival." Sensible planning is far more important here in terms of creating opportunities for growth.

Should these bonds be approved, we suggest the Mayor follow his own lead as he did with the housing portion of Liberty Bonds (allocated by the New York Housing Development Corporation) and add a surcharge to the developer for the creation of affordable housing. To date, aside from a small amount recently allocated by the Lower Manhattan Development Corporation, the city and state have ignored the affordable housing needs of Lower Manhattan. Instead, there has been a concerted effort to provide resources for the creation of luxury housing that excludes the majority of our residents.

Mayor Bloomberg has made great strides in affordable housing in other areas of the city, yet Lower Manhattan continues to be out of reach to the type of workers held in such high regard on September 11, 2001. Even cutting the 3% fee put on previous bond allocations in half would generate about $50 million to help create truly affordable housing that teachers, police officer and firefighters and their families can afford.

Inasmuch as the city and state has almost issued all $8 billion of its Liberty Bonds, the city must focus on the creation of quality jobs. As GJNY has advocated for since the attacks and *The Daily News* has extensively reported this week, most of the rebuilding resources have benefited landlords, big companies and wealthy residents, even though small businesses and low-income workers bore the economic brunt of the attacks. Any further allocation of Liberty Bonds should be allocated wisely with a clear benefit to the New York economy and residents, not only real estate developers.

Thank you for consideration of our testimony.