

Testimony of Good Jobs New York
Bettina Damiani
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Before the New York City Council
Committee on Economic Development

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Re: Intro 626 and Regionally Specific Projects

Good afternoon Chairman White and committee members. My name is Bettina Damiani, and I direct Good Jobs New York, a project of Good Jobs First (GJF) and the Fiscal Policy Institute (FPI). FPI focuses on tax, budget, and economic policy issues in New York State; Good Jobs First, based in Washington, DC is a national resource center promoting accountability in economic development and smart growth for working families.

Thank you for inviting me to testify regarding a proposal to amend the boundaries of the South Jamaica Empire Zone to designate Bimmy's LLC a food manufacturing firm in Long Island City a Regionally Significant Project (RSP) so it may be eligible for Empire Zone benefits. This would be the first RSP in New York City.

As far as we can tell, Bimmy's fits the profile of a firm that should benefit from the original intent of the Empire Zones program. Our colleagues at the New York Industrial Retention Network boast of the company's rapid expansion, job creation for local residents and its substantial efforts to hire ex-offenders. However, Good Jobs New York is greatly concerned that other firms that don't fit this business model will quickly line up for benefits.

It would be in the interest of the city for the council to consider legislation that would exclude financial and law firms as well as retail and restaurant operations from being eligible for benefits prior to designating any RSP's. Then, it can consider legislation on behalf of manufacturing firms like Bimmy's.

Our concern is not unfounded. The Empire Zones program has gone astray – far astray – from one created to target benefits in areas of extreme poverty and high unemployment. The program has been found by former New York State Comptroller Hevesi, New York State Assembly Member Richard Brodsky and the Fiscal Policy Institute<sup>1</sup> to be a flawed program that unnecessarily subsidizes businesses and rewards firms in the absence of job creation.

Consider: NRG Energy, a New Jersey-based company that runs electric plants in upstate New York, which received \$21 million in tax breaks for creating half a job.<sup>2</sup> Then there's American Landmark Properties, an Illinois Real Estate Group that is eligible for \$1.3 million a year in Empire Zone benefits for five Syracuse office buildings, despite having only 3.75 employees.<sup>3</sup> Corning Inc. laid off about 3,000 employees in 2001, but qualified for tax breaks worth about \$5 million a year by creating a new real estate division.<sup>4</sup>

Albany has finally started to take notice of this run away program. In late July of this year, State economic development officials issued warning letters to about 3,000 (about 30 percent of all) EZ companies, citing shortfalls on thousands of jobs and billions of dollars in capital investment.<sup>5</sup>

Also in July a report prepared by management consultant firm A.T. Kearny for the Empire State Development Corporation claimed:

“[Empire Zones are....] perhaps the best example of good economic development intentions gone wrong. Its original mission has been morphed by political patronage, legislative revision and commercial manipulation, effectively repositioning it from a program primarily helping distressed communities to one routinely offering tax relief for ongoing businesses.”<sup>6</sup>

Good Jobs New York urges you to consider the unintended consequences of opening up a new subsidy to New York City firms. Regionally Significant Projects are not limited to benefiting a manufacturing firm such as Bimmy's and can be used for financial institutions, high tech or bio tech firms. It would be unconscionable for a financial firm in the financial capital that is New York City to benefit from this subsidy.

Far too many of the city's economic development efforts, particularly at the city's Industrial Development Agency, focus their resources on large, profitable firms. The attached chart shows that in the IDA's 2005 annual report, 82% of the IDA's resources went to commercial firms, but only half of its projects were manufacturing.

The city council should take a leadership position to ensure any new RSP's will only benefit the strong, but challenged manufacturing industry before moving forward with Intro 626. This would help restore the original intent of the Empire Zones by creating an even-keeled program that rewards manufacturing firms that are committed to creating job opportunities for unemployed and underemployed New Yorkers.

Thank you for consideration of our testimony.

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<sup>1</sup> “New York's Empire Zone, Trude Renwick, Senior Economist, Fiscal Policy Institute, September, 2007. [http://www.fiscalpolicy.org/publications2007/Renwick\\_NewYorksEmpireZoneProgramSept07.pdf](http://www.fiscalpolicy.org/publications2007/Renwick_NewYorksEmpireZoneProgramSept07.pdf)

<sup>2</sup> “Money for Nothing.” Mike McAndrew. *Syracuse Post-Standard*, September 17, 2006

<sup>3</sup> “Hire a Janitor or Two and Receive... Towering Tax Breaks.” Mike McAndrew and Michelle Breidenbach. *Syracuse Post-Standard*, April 29, 2007

<sup>4</sup> “No Breaks for Shirt-Changeers.” Mike McAndrew, *Syracuse Post-Standard*. May 9, 2007.

<sup>5</sup> “State Warns Companies in Tax Deals.” Nicholas Confessore and Danny Hakim. *New York Times*. July 31, 2007.

<sup>6</sup> Delivering on the Promise of New York State A Strategy for Economic Growth & Revitalization. Prepared for Empire State Development by A.T. Kearney