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Comments of Bettina Damiani  
Project Director, Good Jobs New York  
Before the Committee on Small Businesses of the New York City Council  
November 4, 2010

*RE: Intro 256 A Local Law to amend the New York city charter, in relation to the annual report required by certain entities which enter into contracts with the department of small business services.*

Good morning and thank you for the invitation to testify 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 taxpayers in the use of economic development subsidies.

The New York City Industrial Development Agency allocated \$181 million in FY 2010.<sup>i</sup> And thanks to Local Law 48, passed by the New York City Council in 2005, New Yorkers have access to important details about these company-specific subsidy deals. Highlights of the law – the best municipal subsidy transparency law in the country – include information such as:

- Number of jobs created to date, retained to date and promised over the life of the deal;
- Percentage of jobs that are full-time, part-time, consultants or temporary;
- Annual wages are listed in four categories:
  - Below \$25,000
  - \$25,001 - \$40,000
  - \$40,001 - \$50,000
  - \$50,000 and above;
- Total amount of subsidy received by a firm to date and amount remaining;
- Value of any funds recaptured;
- The “trigger” that would make the firm eligible for penalty or recapture;
- The percentage of employees that are New York City residents.

**A Joint Project of the Fiscal Policy Institute and Good Jobs First**

The LL48 report, also known as the New York City Economic Development Corporation Annual Investments Project Report, brings a wealth of information to those who care about the employment needs of residents in our community (by listing job promises and current jobs by firm) and how tax dollars are invested in the name of job creation (by listing the value and type of subsidies received or promised over a number of years).

However, the report fails greatly in two areas that prevent the public from having a genuine understanding of how these subsidies benefit – or don't benefit – New York:

1. **Disappearing Deals** – After a project's first seven years, data on deals are not required to be in EDC's annual report<sup>ii</sup>. This is perplexing as most subsidy deals last approximately 20 years. For example, we estimate that approximately 50 large commercial subsidy deals worth hundreds of millions of dollars and potentially tens of thousands of jobs are now off-line and void of public review. These include:

<u>Firm</u>	<u>Year</u>	<u>Subsidies Promised</u>	<u>Job promises</u>	<u>Length of deal</u>
Bear Stearns	1991	\$30.7 million	Retain 1,435 Create 229	15 years
Chase Manhattan Bank	1988	\$211 million	Retain 5,000 Create 1,450	25 years
Prudential Securities	1995	\$122.9 million	Retain 5,000 Create zero	22 years
American Insurance Group	1996	\$58.8 million	Retain 5,180 Create 1,858	15 years
National Broadcasting Company	1998	\$72 million	Retain 4,000 Create zero	35 years
National Broadcasting Company (2 <sup>nd</sup> deal)	1996	7 million	Retain 2,250 Create zero	14 years

While Bear Stearns' 1991 deal has been timed out of the EDC annual report, the firm received a second deal in 1999 and it is in the most recent report (see the attached copy). This is an example of how important it is to have access to data because the report shows:

- The company dissolved (and that the IDA is re-negotiating its agreement with JPMorgan Chase which acquired Bear Stearns in the 2008 financial industry crisis)
- Has not maintained its job promises
- Its benefits have been reduced by \$20 million but it has not paid a penalty.

The proposed legislation seems to wean land sales off the reporting period at fifteen years. We understand the EDC's reluctance to maintain data for these deals, since not all are based on job promises, or have a clear end date like the IDA subsidized projects do. However, in a city where the power structure is so connected to real estate, maintaining a list (possibly on the agency's website) of all city land sales with basic information (block and

lot, date and value of sale, firm that purchased the property) would prove valuable to the public with minimal burden to the EDC staff.

Similarly, deals not negotiated under the current administration may not fit into the agency's compliance practices. Nonetheless, the EDC and IDA are responsible for holding all firms currently subsidized accountable and a methodology should be put in place that would allow information on old deals to be available publicly for its lifetime.

2. **Data in the Dark Ages** – While the information in the EDC's annual report is generally comprehensive, analyzing that data for trends is nearly impossible because the agency refuses to make public the data in a user friendly format, like Excel. GJNY submitted a Freedom of Information Request for a copy of the data in an electronic format but was denied because a database, we were informed, does not exist, (attached is our request and the agency's denial of our Freedom of Information request).

If in fact the data in the annual report is cobbled together from different databases this raises serious concerns about the low-level of technology infrastructure at the agency. If a database does exist, the agency should make it public, clearly available on its website and updated at least annually. The beneficiaries would be wide ranging: advocates, elected officials, community groups, academics and members of the media.

Take for example an IDA proposal this summer to amend a Reuters1998 subsidy deal (the firm had merged with Thompson Media which wanted access to the city and state sales tax breaks approved for Reuters). Without up-to-date job and subsidy figures those interested in testifying on the project (in this case the Newspaper Guild of New York) had only information from 2005 to rely on. Instead of a public hearing based on the merits of the proposal, time was spent by members of the public to try and determine how best to respond to the proposal with insufficient information. In the end, the IDA did the right thing and re-released the proposal with more recent data and scheduled a new hearing date. This was a highly inefficient process that created unnecessary frustration for the public, and I'd assume, agency staff.

There is precedent for access to this type of data. The New York City Department of Finance has an excellent database on recipients of the Industrial Commercial Incentive Program, (amended by the state legislature in 2008 as the Industrial Commercial Abatement Program). Data for this subsidy - the largest economic development program in the city at \$568 million in FY2010 - is available in Excel or PDF format and broken down by borough.<sup>iii</sup>

In the absence of a database from the IDA, GJNY painstakingly, manually entered LL48 data into an Excel database. As you can imagine, this was a tremendous undertaking. However, GJNY should not be the caretaker of this data and can't be responsible for addressing inaccuracies in the data or human error that may have occurred when we transcribed them. But the process gave GJNY a unique understanding of the data and allowed us to create user-friendly education tools about the IDA subsidy allocating process, like "Subsidy Snapshots". Samples are attached.

## *Subsidy Transparency Can be Improved*

The IDA has done a commendable job broadening its public hearing process by releasing important information about proposals. In fact, of the 115 statewide IDAs, New York City is a leader in transparency. And this month, the agency will begin broadcasting hearings and meetings and will make materials of proposed projects available 12 days in advance of hearings (versus the six previously).<sup>iv</sup> Thanks to the agency's efforts over the years, NYCIDA public hearings and board meetings have been more productive and transparent due to the ability of the public to comment on proposals based on IDA materials. The public deserves the same courtesy of having access to accurate and comprehensive information for the life of approved subsidized projects.

Denying the public information is a disservice to good government. In fact, the EDC and the public should be on the same side: working to ensure tax dollars are invested wisely and firms are accountable for promises made. But by leaving New Yorkers in the dark we instead are left with serious questions about the agency's compliance efforts.

We urge the council to support better subsidy transparency by approving Intro 256.

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<sup>i</sup> New York City Tax Expenditure Budget, [http://www.nyc.gov/html/dof/html/pdf/10pdf/ter\\_2010\\_final.pdf](http://www.nyc.gov/html/dof/html/pdf/10pdf/ter_2010_final.pdf)

<sup>ii</sup> However, the most recent annual report states information includes all subsidy deals from FY1999 and land sales since 2002; we are unclear if including deals not mandated by Local Law 48 is done voluntarily.

<sup>iii</sup> The ICIP database is available at:

[http://www.nyc.gov/html/dof/html/property/property\\_tax\\_reduc\\_incentive.shtml](http://www.nyc.gov/html/dof/html/property/property_tax_reduc_incentive.shtml)

<sup>iv</sup> Press release, NYCIDA AND NYCCRC APPROVE REFORMS ESTABLISHING GREATER TRANSPARENCY AND ACCESSIBILITY September 21, 2010 available at

<http://www.nycedc.com/PressRoom/PressReleases/Pages/IDAApproveReforms.aspx>

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## **Attachments**



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September 2, 2008

Mr. David Shelley  
Public Information Officer  
Economic Development Corporation  
110 William Street - 6<sup>th</sup> Floor  
New York, NY 10038

Re: Freedom of Information Request

Dear Mr. Shelley,

Under the New York Freedom of Information Law, Article 6 of the Public Officers Law, I hereby submit the following request:

- An electronic copy of any electronic database containing all the information in Volume II of the New York City Economic Development Corporation FY 2007 Annual Investment Projects Report, pursuant to Local law 48 of 2005.

If possible, please provide the database in Microsoft Excel or Microsoft Access format if it is available in one of these or could easily be converted into either of these forms. Otherwise, please provide the database in the format currently available.

As you know, the Freedom of Information Law requires that an agency respond to a request within five business days of receipt of the request. Therefore, I would appreciate a response as soon as possible and look forward to hearing from you shortly. If for any reason any portion of my request is denied, please inform me in writing specifically as to what is denied, the reasons for the denial, and the name and address of the person and/or body to whom an appeal should be directed.

Please let me know if you have any questions regarding this request.

Sincerely,

Allison Lack  
Research Analyst

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**A Joint Project of the Fiscal Policy Institute and Good Jobs First**



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September 19, 2008

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**RE: Freedom of Information Law Request**

Dear Ms. Lack:

This letter is in further response to your request dated September 2, 2008 addressed to New York City Economic Development Corporation ("NYCEDC"), pursuant to the Freedom of Information Law ("FOIL"), Article 6 of the Public Officers Law, for an electronic copy of any electronic database containing all the information in Volume II of the NYCEDC FY 2007 Annual Investment Projects Report, pursuant to Local Law 48 of 2005.

NYCEDC diligently searched its files for records responsive to your request and we have been informed that the document does not exist in the format requested. The document is available on NYCEDC's website at the following address:  
<http://www.nycedc.com/Web/AboutUs/FinStatementsPubReports/FinancialStatementsAndPublicReports.htm>

With provision of this information, NYCEDC considers your FOIL request to be complete.

Sincerely,

Judith Capolongo  
Records Access Officer

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