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Testimony before the New York City Council Committee on Contracts
re: Proposed Int. No. 251-A "The Fair Wages for New Yorkers Act"

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Good Jobs New York, Bettina Damiani

Good afternoon Chairperson Mealy and Committee Members. Thank you for the invitation to testify on the proposed Fair Wages for New Yorkers Act. I am Bettina Damiani and I direct Good Jobs New York.

We are a project of Good Jobs First based in Washington, DC in partnership with the Fiscal Policy Institute, with offices in Albany and New York City. 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 the release earlier this year of a searchable database of deals approved by the Industrial Development Agency.

We are delighted to assist the City Council as it considers the Fair Wages for New Yorkers Act. It's time the Big Apple got on track: nationally, more and more cities are extending accountability standards, including living wages, to their economic development programs. We believe that this movement reflects an important effort to maximize the benefits economic development programs generate for local communities, and we applaud the City Council for working to bring these reforms to New York.

There was much debate at the hearing this past May – including concerns about the bill's potential impact on manufacturers, affordable housing development and small businesses. We are happy that the council took those concerns seriously, and that the sponsors of the bill have revised it to exclude these industries and businesses with less than annual revenues of \$5 million and those receiving less than \$1 million in city subsidies. Today, I suspect, we will hear more questions regarding the details of those exemptions. I would urge you to keep in mind that, to the degree that there are lingering questions about the impact on non-profits, manufacturers or affordable housing, those issues can and should be addressed.

The key question this committee should consider is if it is realistic to require large commercial development projects receiving discretionary subsidies from the city to guarantee a wage of \$10.00 an hour. Based on the experiences of other cities, we believe it is.

We also note that the revised bill makes clear that firms participating in as-of-right subsidy programs such as the Industrial Commercial and Abatement Program (its predecessor ICIP is city's largest economic development subsidy program) and the J-51 housing subsidy program are not covered. Instead, the focus is on the large projects that receive m generous discretionary subsidies from the city.

Taking into account the revisions to the bill, we have reviewed Fiscal Year 2010 data from the Industrial Development Agency's (IDA) Local Law 48 report to examine the types of projects that would be covered if living wages were required today. Overall, the direct job impact on NYC represents only 4% of private employment at IDA projects¹. If the Living Wage bill was in place today, less than 15% or 87 of the 613 projects would fall under the revised bill².

| Project type | Total projects | Projects impacted |
|---------------------------------------------------------------------------------------------------------------|----------------|-------------------|
| Manufacturing Facilities Bond | 42 | 0 |
| Not-for-Profit Bond | 136 | 0 |
| CRC revenue bond | 4 | 0 |
| Pooled Bond (non-profits) | 60 | 0 |
| Exempt Facilities Bond (mostly airports) | 5 | 3 |
| Empowerment Zone Facilities Bond | 2 | 0 |
| Liberty Bond (expired, post-9/11) | 5 | 3 |
| Small Industry Incentive | 72 | 0 |
| Industrial Incentive** | 109 | 12 |
| Commercial Growth / Commercial Incentive | 32 | 28 |
| Land Sales* | 70 | 39 |
| Development Leases | 1 | 1 |
| Firms receiving less than \$150K | 70 | 0 |
| BIR Assistance (energy program) | 5 | 1 |
| NYCPUS Assistance (energy benefit) | 0 | 0 |
| NYCEDC Loan | 0 | 0 |
| TOTAL | 613 | 87 |
| **12 selected industrial incentive projects: our estimate | | |
| *Land sales: 70 total (39 report individually and 31 projects w/ less than 25 employees are grouped together) | | |
| These projects would not be subject to the revised Living Wage bill, but are given as an example. | | |

However, please don't underestimate the impact of this targeted bill; we believe that setting a standard that taxpayer-funded spending should be invested to create more quality jobs for the most vulnerable working New Yorkers is essential and sets the tone more broadly for equitable economic development.

Reviewing data by borough, half of the affected projects are in Manhattan, with only a handful in the boroughs. The largest group of the 87 eligible firms fall under commercial growth programs for large financial and media firms (28) or land sale deals (39) where more than 25 jobs would be created.

As mentioned above, existing projects would not be subject to The Fair Wages for New Yorkers Act. However we believe it would be beneficial, as you weigh your support for the bill, to consider projects that would be covered under the revised bill if it were in place today:

Mixed Use Projects Such as the Gateway Mall in the Bronx: This large retail project in the South Bronx received approximately \$10 million in benefits from the IDA and in city capital. Moreover, the project was built on land leased from the city. Approximately 1,300 workers were employed in the mall as of last year. The average starting wage for non-managerial workers was \$8.80 an hour, and median wages were \$10.20 an hour.³ It should be noted that this development displaced several businesses from the Bronx Terminal Market. Workers at other IDA subsidized retail developments deserve to earn better wages, too: Albee Square/City Point in Downtown Brooklyn received Recovery Zone Facility Bonds and the East River Mall received tax exempt financing.⁴ These projects are classic examples of where subsidies should be leveraged for basic wage standards.

Yankee Stadium, replacement parks and parking garages: Hundreds of millions of city tax dollars have been invested in building a new Yankee Stadium.⁵ There are approximately 4,500 employees, including seasonal workers, at the stadium.⁶ Using government data and advertised wages, as of 2010 average stadium salaries for non-managerial employees was \$9.19.⁷ While some stadium workers are unionized, others are not and the pay of many concession workers is very low. Stadiums, like airports, (noted below) are where other cities have successfully required living wages, with little disruption to their operations.

Fresh Direct: This on-line grocer was awarded a subsidy worth approximately \$5 million, (it has used \$2.2 million to date) for its Long Island City facility. According to LL48 FY10 53% of its 1,694 employees earn less than \$25,000 a year. We would like to note that Fresh Direct has applied for another subsidy from the IDA for a new facility in the Bronx and a public hearing is scheduled for December 8th.⁸

Airports: Various airlines (American Airlines, British Airways, Continental Airlines, JetBlue Airways) at John F. Kennedy Airport have benefitted from the Exempt Facilities Bond program. These airlines and their service contractors employ many thousands of New Yorkers and most of those directly employed by the airlines already earn more than \$10.00 an hour. Yet, there are still substantial numbers of low-wage workers at the airports, many of them employed by the airlines' service contractors. Key examples include the passenger service workers contracted by the airlines to push wheelchairs and drive golf carts to assist disabled passengers. Other cities have extended living wages to workers at their airports and New York should do the same. While action would be needed by the Port Authority which owns the property to implement a comprehensive solution, whenever New York City is providing funding to airport employers like the airlines, it should take advantage of that relationship and insist on wage standards for airlines' lowest paid staff.

Various corporate retention or expansion deals: Large financial, media and real estate firms have benefitted the most from IDA benefits.⁹ These projects are predominantly in Manhattan with just a few in the boroughs. Some firms awarded

benefits during the Bloomberg Administration include: Bank of America, Metropolitan Life Insurance Company, Hearst Corporation and NASDAQ. While the majority of the workforce at such firms earn well above \$10 per hour – many have hourly wages in the hundreds of dollars – there are still cases where on-site cafeteria or mailroom contractors pay less than \$10 per hour or do not provide health benefits. Extending a living wage to these deals to ensure that these highly profitable firms treat their most vulnerable workers decently is eminently feasible and the least that the city can ask in exchange for the substantial subsidies it is providing.

These examples are here to say: When city tax dollars support wealthy development projects (potential projects in the city’s pipeline include Coney Island or Willets Point) those subsidies must be leveraged for improved wages for the city’s lowest paid workers. It is simply unwise economic development policy to expect New Yorkers to work for poverty wages at taxpayer supported developments.

Thank you for the opportunity to testify today.

¹ Local Law 48, Volume 1, page 1, “Summary of Results”.

² We have excluded all firms that received benefits under the following programs: Manufacturing Facilities Bond, Not-for-profit Bond, Pooled Bond, Small Industry Incentive Program. We expect 97 of the 109 firms under the Industrial Incentive Program would be exempt.

³ Details available in *An Overview of Job Quality and Discretionary Economic Development Subsidies in New York City* written by the Fiscal Policy Institute Good Jobs New York National Employment Law Project, February 2011.

⁴ We are unsure how the value of benefits from projects receiving tax exempt bonds will be calculated; even the IDA admits that that this type of benefit is “particularly difficult to estimate”. It is possible that some development projects that receive only bond financing from the IDA will not meet the \$1 million in city benefits criteria despite getting tax exempt financing. We encourage the council to establish a transparent and aggressive policy that would ensure developments that receive tens of millions of dollars fall under the living wage.

⁵ We know that the Gateway Mall and Yankee Stadium projects benefited from city capital funds. There may be other projects that benefited from more than \$1 million in capital costs but due to a lack of a Unified Economic Development Budget, we cannot determine what those projects are.

⁶ Local Law FY10 reports 4,427 employees for the stadium and 128 employees for the parking facilities.

⁷ For more information see *An Overview of Job Quality and Discretionary Economic Development Subsidies in New York City* written by the Fiscal Policy Institute Good Jobs New York National Employment Law Project, February 2011.

⁸ A public hearing is scheduled for December 8, 2011 at 10:00am the IDA for a straight-lease transaction (Industrial Incentive and Commercial Growth Programs) for the benefit of Fresh Direct, LLC and U.T.F. Trucking. The proposed facility is located between East 132nd Street and the Harlem River, and between Willis Avenue Bridge to the west and the Robert F. Kennedy Bridge to the east, Bronx, New York 10454. Additional details are here:

<http://www.nycedc.com/AboutUs/PublicMeetings/NYCIDAPublicHearing/Documents/Public%20Notice%20for%20December%208,%202011%20NYCIDA%20Public%20Hearing.pdf>

⁹ More information about geographical and financial breakdown of IDA benefits is available in the New York City Independent Budget Office’s November 2011 report: Tracking the City’s Discretionary Economic Development Deals.