

Testimony of Bettina Damiani, Good Jobs New York

**Before the New York City Council Committee on Finance and the Committee on
State and Federal Legislation**

March 22, 2005

RE: Oversight – The Madison Square Garden Property Tax Exemption

Good afternoon. 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. Our website, (www.goodjobsny.org) contains the only publicly available database of the city's large corporate "retention" deals and last year we released a report *Know When to fold `Em: Time to Walk Away from NYC's "Corporate Retention" Game* detailing the failure of commercial subsidy agreements negotiated by IDA in the 1990s to produce job growth.

Thank you for the invitation to speak to you today about Madison Square Garden's special exemption from paying property taxes. This is a unique opportunity to bring attention to what we believe are unnecessary taxpayer giveaways – that are not only being given to Madison Square Garden. The very public debate between those advocating for the proposed Jets Stadium and the owners of The Garden has given an opportunity to policy makers to raise questions about the validity of MSG's tax break. We hope all large corporate subsidies get this type of attention.

We believe that this year's MSG property tax break of \$11 million – which began as \$8 million but is growing because of increasing property values - is a blatant example of a tax giveaway that shifts the tax burden to smaller businesses and residents.

However, it is ironic that The Garden's 1982 deal which had no promises to retain jobs for New Yorkers, is receiving this attention while some of the wealthiest companies in New York City, and arguably the world, get little or no scrutiny from elected officials or the media for their own large tax breaks despite half-hearted and broken promises for jobs.

Good Jobs New York would like to indulge and use this opportunity to propose that more public input and transparency become the norm in future allocation of large discretionary tax breaks. Better dissemination of information on the costs and benefits of these deals would garner interest from the public, elected officials and stakeholders of the project; this publicity would help prevent corporate giveaways from creeping up on the council.

In February 2004, after nearly two years of research, our organization released a report highlighting thirteen of the city's largest corporate retention deals. We found that all of these deals, created mostly in 1990s, included gigantic loopholes that allowed firms to lay off employees often without any or very little penalty.

To be sure, the Bloomberg Administration has made some headway in its corporate retention deals by mandating that firms create jobs. But, if this council demands that MSG be put back on the tax rolls, we urge a few others to go on the list. For example:

- **Bank of America:** Despite the fact the company fired so many workers that the city stopped paying future benefits for its offices in the World Trade Center in 1993, the Bank's new tower has been given up to **\$42 million** in new city subsidies at its One Bryant Park office tower.
- **Merrill Lynch:** Merrill has so far used over \$20 million of its \$27.6 million subsidy awarded in 1997, leaving over **\$7 million** yet to be allocated to the firm. That despite the fact that Merrill has laid off nearly 3,000 employees. Because of the loopholes in this corporate retention agreement, the firm is not required to pay a penalty for the layoffs. In the IDA's most recent of the 9,000 jobs the firm is supposed to retain, it currently has 7,453.
- **JPMorgan Chase:** JPMorgan Chase has the distinction of being the city's largest subsidy recipient being awarded \$237.7 million in 1989. Today, the bank has **\$187 million** remaining. Because of mergers, the company has laid off nearly 10,000 workers. In fact, the bank is supposed to have 5,000 employees and currently has 3,000.

Because of the city's poor track record on job creation and retention deals negotiated by past economic development officials, tax breaks such as those examined in our report have not offered an effective way to address New York City's more pressing economic challenges, such as diversifying the economy and its over-reliance on the volatile financial sector. These challenges point to the importance of installing taxpayer safeguards – including stronger job

creation requirements, effective “clawbacks” or money-back guarantee contracts to recapture subsidies when deals fail, and much greater transparency to ensure that economic development dollars create and retain good jobs. Applied judiciously, taxpayer investments can strengthen the city’s economy, help many more employers, and avoid costly “ransom” payments to like those paid to Madison Square Garden.

This is not to say investments shouldn’t be made in ensuring New York City retains and creates good paying jobs. But, back room deals like the ones made in 1982 and the 1990’s should not be mimicked today. Taxpayers shouldn’t bear the brunt of giveaways to well-connected and powerful businesses.

As you can see, the allocation of discretionary tax breaks is not being followed carefully and cost taxpayers millions of dollars. However, as large economic development projects like the Far West Side move forward, if as-of-right or uniform tax breaks are made, proposals should be closely scrutinized, made prudently and transparently. Otherwise, the tax break given to Madison Square Garden thirteen years ago will look like child’s play.

Thank you for opportunity to speak to you today.

See GJNY’s webpage, http://www.goodjobsny.org/BofA_news.htm

As reported in Know When to Fold `Em, by Good Jobs New York and in the New York City Industrial Development Agency’s Annual Investment Projects Report Pursuant to Local Law 69 FY 2004. Available at http://www.nycedc.com/About_Us/LL69_vol2.pdf

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