

# Bill Focuses on Cost of Keeping Firms in City

By Joseph De Avila, Wall Street Journal

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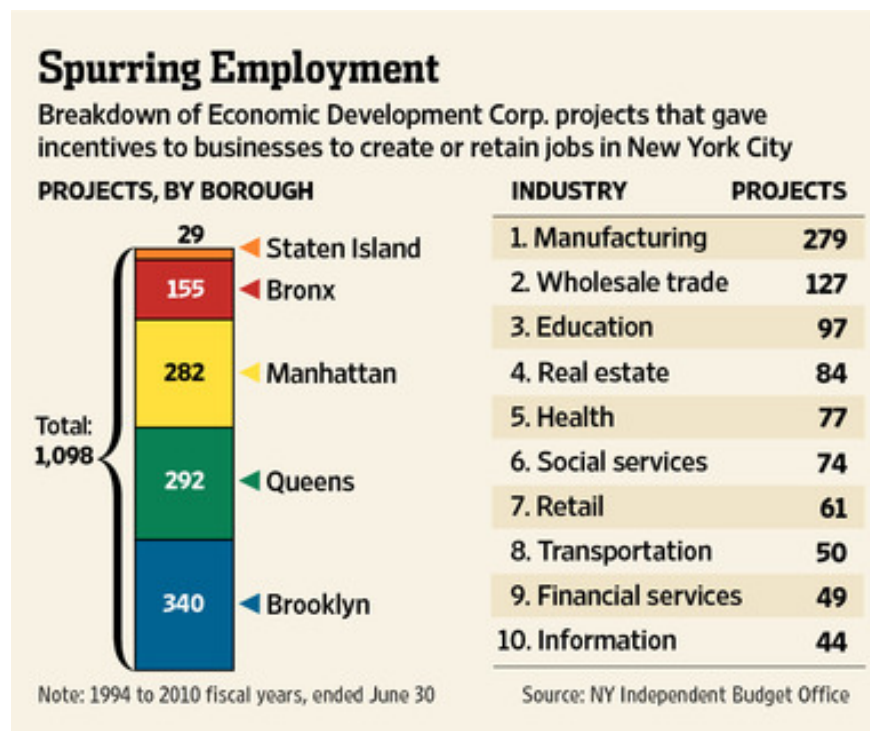
The city's economic development arm would have to disclose more information about the cost of the deals it makes with business—and just how many jobs those deals create—under a bill being introduced Tuesday by New York City's public advocate.

Public Advocate Bill de Blasio's proposal aims to increase the transparency of the Economic Development Corp., which uses a variety of subsidies—including bonds, grants and tax benefits—to sway companies to stay in New York City or relocate here.

The EDC currently manages a portfolio of projects under which the city gave or is projected to give \$898 million in assistance, according to the EDC's most recent annual report.

In a report to be released Tuesday, the city's Independent Budget Office—at the request of the public advocate's office—analyzed 17 years of reports prepared by the EDC that are intended to evaluate the costs of projects and the amount of jobs those projects provide.

But those reports "do not allow us to produce credible estimates of the costs to the city of different projects or their effectiveness in creating or retaining jobs," according to a copy of the IBO report provided by the public advocate's office and reviewed by The Wall Street Journal.



"That's really distressing," said Mr. de Blasio. "We don't know what we are getting back for the money we are spending."

Officials with the public advocate's office added that the EDC has complied with all city laws requiring the group to file annual reports to the City Council regarding its job-creation deals. But they said the current reporting requirements fall short of what's needed to evaluate whether the city funds are being used efficiently.

"Enforcing the terms of our agreements to create jobs...is extremely important to us, and we're always looking for ways to improve our processes and increase transparency," said David

Lombino, a spokesman for the EDC, which was alerted about the report and legislation by a reporter Monday afternoon.

"We fully enforce all reporting requirements, which include the change in number of jobs at a project site, projected employment growth and the amount of benefits a company has received to date," Mr. Lombino said.

Some would like to see even more transparency. The EDC should do further analysis on whether subsidies are even needed in the first place to lure or retain specific companies, said James Parrott, chief economist of the left-leaning Fiscal Policy Institute, a think tank.

"We don't really have the info needed to know whether the subsidies are necessary," Mr. Parrott said.

While the EDC is not a city agency and is registered as a nonprofit, many of its board members are appointed by the mayor. The group handles a variety of economic development services including the sale and leasing of city land as well as tax-exempt bond financing.

The IBO report did not include the fiscal costs of EDC projects from 1994 to 2010 mainly because of incomplete or unreliable figures from earlier years. But the EDC's quality of reporting has improved in recent years, the report added. The report also shed light on other details of EDC's projects. For example, the number of EDC projects outside of Manhattan has increased under Mayor Michael Bloomberg's administration.

The types of projects getting city subsidies are also more diversified under Mr. Bloomberg's administration. Under the three previous administrations, the finance and information made up the majority of EDC projects.

Under Mr. Bloomberg, the share of finance and information projects fell to less than 20% of all EDC projects. The sports and recreation industries have played bigger roles in recent years thanks to new baseball stadiums for the Yankees and Mets, the report said.