

An Overview of Job Quality and Discretionary Economic Development Subsidies in New York City



Fiscal Policy Institute
Good Jobs New York
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Project

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Executive Summary

Every year, New York City spends well over \$2 billion through a variety of programs in the name of economic development and job creation. This policy brief outlines the mix of tools the New York City Industrial Development Agency uses to subsidize economic development—including financial assistance, tax breaks, capital improvements, and the sale or lease of City-owned land—and provides an estimate of the quality of jobs created or retained by three significant subsidized projects.

Discretionary benefits in the city are allocated mostly by the New York City Industrial Development Agency (the largest of the 115 local IDAs throughout the state). The New York City IDA has come under increased scrutiny in the past year from the Office of the New York State Comptroller and the Office of the New York City Comptroller.

Because of serious shortcomings in publicly available data and incomplete reporting by businesses receiving these funds, we conducted three case studies in spring 2010 of large subsidized commercial projects in New York City, drawing upon public records, corporate research, government wage data, and field interviews. These case studies demonstrate that substantial numbers of low-wage jobs are being subsidized by New York City economic development benefits. The projects are:

- ❑ *The Bronx Gateway Mall* (approximately \$10 million in New York City subsidies). We estimate that as of spring 2010 about 1,300 workers were employed in the mall, that the average starting wage for non-managerial workers was \$8.80 an hour, and that median wages were \$10.20 an hour.
- ❑ *Fresh Direct* (\$2 million in subsidies for its warehouse in Long Island City). According to FY 2010 city reports, the company had 1,657 employees, with 63 percent earning less than \$25,000 per year. Of these employees, about 1,200 were warehouse workers, for whom starting wages were reported frequently to be the minimum wage.
- ❑ *Yankee Stadium* (nearly \$50 million in tax breaks, \$326 in city capital improvements, and more than \$1.2 billion in tax-exempt financing). We estimate that as of spring 2010 there were about 3,400 jobs at the stadium, that the average starting wage for non-managerial workers was \$9.19 an hour, and that median wages were \$10.50 an hour.

Our analysis found that the top five non-managerial jobs created at the three case study projects all paid very low wages: (1) concession food and beverage workers, starting wage \$8.75 an hour; (2) warehouse workers, starting wage \$7.25 an hour; (3) retail salespersons, starting wage \$8.09 an hour; (4) security guards, starting wage \$9.53 an hour; and (5) cashiers, starting wage \$7.44 an hour. Without a significant change in subsidy policy, future New York City-supported projects will likely continue to mirror this pattern of subsidizing businesses creating low-wage jobs.

How does New York City subsidize economic development?

Financial Assistance: A rough estimate is that New York City currently spends well over \$2 billion annually through a variety of discretionary and as-of-right programs and tax breaks in the name of economic development and job creation.¹ Discretionary, company-specific benefits in the city are allocated mostly by the Industrial Development Agency (IDA) and have come under increased scrutiny over the past year. The City Comptroller John Liu, an ex officio member of the New York City IDA board, and his appointee to the board have consistently raised concerns regarding the process through which subsidies are allocated.² Further, a May 2010 report by the Office of the New York State Comptroller noted deficiencies in the New York City IDA's measurement of employment associated with subsidized projects.³

In the absence of a unified economic development budget and better reporting, it is not possible to precisely quantify the total amount of public monies spent on economic development subsidies—or how many or what types of jobs are being created. However, we do know the following:

- Real property tax expenditures provided through the as-of-right Industrial and Commercial Assistance Program (and its predecessor the Industrial and Commercial Incentive Program) totaled \$623 million in FY 2011.
 - New York City reports that discretionary economic development projects under the aegis of the New York City Economic Development Corporation (EDC) and the New York City Industrial Development Agency (IDA, which is managed by EDC) receive property, sales and mortgage recording tax breaks worth approximately \$241.7 million in 2010.⁴
 - A wide variety of businesses and projects, ranging from Fortune 100 companies to bio-tech start-ups to sports franchises, benefit from IDA subsidies. Some are existing businesses looking to expand or relocate their headquarters in the city, while others are brand new projects such as malls or stadiums.
 - The lion's share (approximately 70 percent) of IDA assistance has been channeled to large commercial projects. These include large retail complexes and commercial office buildings, from the Bronx Gateway Mall with chain stores and fast food restaurants to the two million square foot Goldman Sachs building in lower Manhattan to new baseball stadiums for the Mets and Yankees.⁵
- **Disposition or Leasing of City-Owned Land:** In addition to tax breaks from the IDA, New York City also subsidizes economic development projects by leasing or selling City-owned land to developers. Between fiscal years 2003 and 2010, the City sold 70 pieces of city-owned property in the name of economic development.⁶ While most of these transactions were completed at market rates, it is important to recognize that they still confer considerable value, given the scarcity of land in New York City. City rezoning actions, often undertaken to promote economic development, can also substantially increase the value of affected real estate.
- **Capital Improvements:** The City also makes capital improvements at public cost to support economic development, undertaking infrastructure investments and other activities that it would not otherwise do. Recent examples include Yankee Stadium and Gateway Mall in the Bronx,

where the City made capital improvements and infrastructure investments such as replacing sewer lines, replacing lost park land, re-mapping roads, demolishing and compensating existing businesses, and cleaning up toxic waste.⁷

How many jobs are created or retained by discretionary subsidies?

While the City does not have a good methodology to identify the number of jobs associated with the various economic subsidies it provides, EDC reports that companies receiving EDC or IDA benefits employed approximately 152,000 workers in FY 2010, about 42,000 more than employed by those companies at the time subsidies were initially provided.⁸

What is the quality of jobs created or retained by discretionary subsidies?

- ❑ The publicly available data on subsidized projects are not adequate to allow a thorough analysis of the quality of jobs either created or retained. Since 1993, subsidy recipients have been required to submit annual reports on the number of jobs created or retained, but there are no data documenting the occupations of those jobs (other than a rudimentary break-out of construction jobs), which would be an invaluable tool for assessing job quality.
- ❑ Similarly, subsidy recipients are not required to provide information on the wages of jobs created or retained by commercial tenants in their buildings.⁹ This represents a serious omission, because it means reported wage data do not include workers employed by, for example, retail stores, concession stands, and restaurants at subsidized developments projects. In many large projects, these types of commercial tenants employ the majority of workers.
- ❑ Without including these jobs—many of which pay low wages—the official wage data on subsidy jobs (indicating that 16 percent pay less than \$25,000 annually) are misleading. In particular, they almost surely understate the number of low-wage jobs the city subsidizes.¹⁰

Three case studies to assess job quality at subsidized projects

Given the serious gaps in publicly available data, an accurate assessment of the quality of jobs at projects funded by discretionary city subsidies is best achieved through case studies. In what follows, we draw upon a range of data—public records, corporate research, government wage data, and field interviews—to give an overview of the type and quality of jobs at three large subsidized commercial projects in New York City: the Bronx Gateway Mall, Fresh Direct, and Yankee Stadium.¹¹ In the case of the Bronx Gateway Mall and Fresh Direct, most of the jobs examined below were added after city subsidies were provided. The new Yankee Stadium involved the relocation of much of its workforce from the old stadium, although some new jobs were added as well.

BRONX GATEWAY MALL

- ❑ The Bronx Gateway Mall opened in 2009 on what was known as the Bronx Terminal Market. The project benefited from at least \$2 million in infrastructure improvements, \$7.1 million in IDA tax breaks, a special agreement to lease the property from the City, and compensation to those businesses displaced by the mall.¹²
- ❑ We estimate that as of spring 2010 about 1,300 workers were employed in the 22 (and growing) stores and restaurants in the shopping center and as security guards and janitors in the complex.
- ❑ By combining official occupational wage estimates with wage data provided by workers at the mall, we estimate that the average starting wage for non-managerial workers was \$8.80 an hour and that the median wage for the mall's workers was \$10.20 an hour.

FRESH DIRECT

- ❑ Fresh Direct is an online grocer based in Long Island City, Queens, offering delivery to customers. It was approved for a 26-year subsidy deal in 1999. Since then, it has received \$2.2 million in a variety of mortgage recording and sales tax breaks from the IDA, with \$3.1 million more available.
- ❑ According to city reports, the company has 1,657 employees, with 63 percent earning less than \$25,000 per year. Of these, we estimate that in spring 2010 about 1,200 were warehouse workers—many whom reportedly started at minimum wage (\$7.25 an hour)—and the remainder were drivers and helpers.

YANKEE STADIUM

- ❑ The new Yankee Stadium in the Bronx opened in 2009 across the street from the original stadium. The Yankees and the parking garage developers received nearly \$50 million in City tax breaks, more than \$1.2 billion in tax-exempt financing, approximately 24 acres of land that had been public parks, and over \$326 million in estimated city capital improvements, including the demolition of the old stadium, improving the sewer system, and environmental remediation.
- ❑ As of spring 2010, we estimate that there were about 3,400 seasonal jobs at Yankee Stadium, including over 2,000 concession workers selling food, beverages and merchandise. There were also workers employed as security guards and night watchmen, maintenance workers, ticket sellers and takers, restaurant workers, and customer service representatives.
- ❑ Combining government wage estimates and advertised wages for some stadium jobs, we estimate that the average starting wage for non-managerial workers was \$9.19 an hour and that the median wage for stadium workers was \$10.50 an hour.

Summary of Case Study Data on Low-Wage Jobs

In the below table, we identify the top five non-managerial jobs at the above subsidized projects (Bronx Gateway Mall, Fresh Direct and Yankee Stadium). For all of the occupations, starting wages are extremely low and easily qualify these jobs as low-wage. Even the overall median wages for these workers are quite low—at full-time, full-year work, annual earnings for these workers would range from \$17,534 (cashiers) to \$26,395 (security guards), clearly not enough to support a family in New York City.¹³

Top Five Non-Managerial Jobs Created at Subsidized Case Study Projects, 2010

(Bronx Gateway Mall, Fresh Direct and Yankee Stadium)

| | Estimated number of jobs | Estimated starting wage (in 2010 dollars) | Estimated median wage (in 2010 dollars) |
|-----------------------------------|--------------------------|---|---|
| Concession food and beverage jobs | 2,055 | \$8.75 | \$9.39 |
| Warehouse workers | 1,200 | \$7.25 | \$8.96 |
| Retail salespersons | 632 | \$8.09 | \$10.49 |
| Security guards | 563 | \$9.53 | \$12.69 |
| Cashiers | 459 | \$7.44 | \$8.43 |

Source: Authors' estimates based on public records, government wage data and field interviews.

Conclusion

New York City uses a mix of tools to subsidize economic development—financial assistance, capital improvements, sale or lease of City-owned land—that benefit a wide range of diverse businesses. The jobs at these businesses are equally diverse, including highly-paid finance jobs at Goldman Sachs and Bank of America but also low-wage jobs in retail sales and restaurants at shopping complexes and sports stadiums.

A comprehensive assessment of the quality of jobs created or retained with city subsidies will not be possible until mandatory reporting requirements improve significantly. That said, drawing on a combination of public records and independent research, our assessment is that significant numbers of low-wage jobs are being created with New York City tax dollars—jobs for which starting pay is as low as the minimum wage and for which annual earnings often do not even break the \$20,000 mark.

All signs are that future subsidized projects in New York City will continue to mirror this pattern of job creation that includes significant numbers of low-wage jobs. Examples of major projects currently in the pipeline include the redevelopment of Coney Island, Hudson Yards, Willets Point, and Flushing Commons; it is very likely that all will draw on some sort of city subsidies. For example, the Hudson Yards development will benefit from a \$2 billion subway extension, an additional \$47 million in capital spending through 2015, and hundreds of millions of dollars in tax breaks. At Willets Point, the city plans to invest over \$400 million for property acquisition and new infrastructure over the next five years. The City will also spend \$340 million for infrastructure improvements for the redevelopment of Coney Island through 2017.¹⁴

Endnotes

¹ See the table, “Annual NYC Economic Development Tax Expenditures,” attached to Testimony of James A. Parrott, Ph.D., Fiscal Policy Institute, Before the New York City Committee on Economic Development, Oversight: The Feasibility of Requiring a Unified Economic Development Budget as a Reporting Requirement, April 27, 2010. http://www.fiscalpolicy.org/FPI_Testimony_UnifiedDevelopmentBudget_20100427.pdf

² New York City Comptroller John C. Liu, Comptroller Liu on Today’s Economic Development Corporation’s IDA and CRC Votes, February 9, 2010. http://www.comptroller.nyc.gov/press/2010_releases/pr10-02-019.shtm

³ Office of the New York State Comptroller. New York State Annual Performance Report on New York State’s Industrial Development Agencies. May 2010. <http://www.osc.state.ny.us/localgov/pubs/research/idareport2010.pdf>

⁴ The New York City Finance Department’s Annual Report on Tax Expenditures, FY 2010, reports that real property tax expenditures for EDC and IDA projects were \$193.7 million in FY 2010. According to the New York City Economic Development Corporation Annual Investments Project Report, Volume I, Fiscal Year 2010, mortgage recording, sales and other IDA-related tax expenditures were \$48 million in FY 2010.

⁵ Based on an analysis of incentive programs in the New York City Economic Development Corporation Annual Investments Project Report, Volume I, Fiscal Year 2010.

⁶ New York City Economic Development Corporation Annual Investments Project Report, Volume I, Fiscal Year 2010.

⁷ Cost of capital improvements from New York City Independent Budget Office, New York City Financial Management System, NYC Executive 2011 Capital Commitment Plan (hereinafter IBO Capital Plan Report 2011).

⁸ The EDC maintains that business assistance subsidies lead firms to create new jobs or to retain existing jobs that might otherwise be eliminated or relocated outside New York City. It is important, though, to note that this is an unproven assumption—there is no counterfactual to indicate what a given firm’s employment levels would have been absent receiving a subsidy. Therefore, it makes more sense to speak of jobs associated with a given project rather than jobs created or retained.

Job figures from Table 2-1 summary of the New York City Economic Development Corporation Annual Investments Project Report, Volume 1, Fiscal Year 2010.

⁹ New York City Economic Development Corporation Annual Investments Project Report, Volume 1, Fiscal Year 2010.

¹⁰ *Ibid.* In addition, companies with fewer than 250 employees are not required to submit wage data.

¹¹ Specifically, researchers used: online research to estimate average store size for retailers, public records on each of the case studies, interviews with frontline workers and industry experts, and government data on occupational wages and employment (the American Community Survey and the Occupational Employment Statistics [OES]). OES wages in 2010 first quarter dollars; worker interviews conducted and wage data collected in 2010.

¹² Based on media reports, we believe there are additional taxpayer investments in the project, but providing an exact value of the subsidies, grants, and other benefits are difficult to quantify and point to the need for a Unified Economic Development Budget.

¹³ Low-wage workers are likely to turn to various forms of public assistance when their wages do not allow them to sufficiently support themselves and their families. Thus, publicly-subsidized development projects that benefit low-wage employers may receive a double subsidy: the initial business assistance subsidy and the public assistance provided to the project’s low-wage workers.

¹⁴ IBO Capital Plan Report 2011.

The Fiscal Policy Institute (www.fiscalpolicy.org) is an independent, nonpartisan, nonprofit research and education organization committed to improving policies practices to better the economic and social conditions of all New Yorkers.

Good Jobs New York (www.goodjobsny.org) promotes policies that hold government officials and corporations accountable to the taxpayers, particularly when economic development agencies give subsidies to large corporations that threaten to leave New York City.

The National Employment Law Project (www.nelp.org) is dedicated to improving conditions for workers across America and to protecting working families from the vagaries of the global economy.