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Committee on Lower Manhattan Redevelopment**

**“Rebuilding Ground Zero – Status of the World Trade Center Site
Plan”**

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Thank you for inviting me to testify today. I am David Dyssegaard Kallick, Senior Fellow of the Fiscal Policy Institute, and since the fall of 2001 I have coordinated the Labor Community Advocacy Network to Rebuild NY (LCAN). As most of you know, LCAN is a network of over 60 labor unions, community groups, advocacy organizations, research institutes, and service providers working to ensure that thinking about sustainability and social justice are part of the rebuilding process.

From the early days of after September 11, LCAN has urged the city to play a bigger role in the rebuilding process. In the past few months, we've been pleased to see the mayor—at last—taking a more active stance. I'm glad to be here with a new City Council leadership and an upgraded committee: maybe the moment is right for the city to really have some impact on how we rebuild Lower Manhattan.

We are gravely concerned about the lack of leadership, and the way the hard-won consensus arrived at through the course of 2002 and 2003 were subsequently undercut by a series of back-room deals. The result today is gridlock. At an earlier stage, we agreed that we shouldn't rush the process, but enough is enough. Today, we are very concerned about the slow pace of development and the lack of progress toward the kind of vibrant, mixed-use, 24/7 district that we were promised back in 2001.

Here are some of the key issues:

1) Retail at Ground Zero should be open to the sky, and should support good jobs

Let me start where I think the City Council could have the most influence right now: The issue of retail at Ground Zero.

As you know, one of the questions the governor hopes to resolve is whether to enclose Cortlandt Street as a mall (the Port Authority's position), or to leave it open to the sky as a regular, pedestrian-friendly New York Street (the Bloomberg Administration's position).

LCAN—along with Civic Alliance, New York New Visions, and many others—has strongly favored keeping the street a street.

One of the most important goals of rebuilding ground zero is to re-knit the site back into the city. Recreating a “superblock” will do just the opposite: it will suck the area's retail off the surrounding streets. And make no mistake: that is the intent of the mall. It is a way of maximizing revenue to the Port Authority, which collects rent on the 16-acre site but not off of it.

The Port Authority has said clearly, though not very loudly, that the street-level retail will be successful under either scenario. So will the retail one floor below grade and one floor above. If the third floor is not commercially desirable, maybe the best use for this space is lower-rent offices. Or, maybe there is a way to create some “destination” uses, for cultural uses, daycare, retail-oriented job training, or recreation.

Which brings me to a related point: retail jobs. The Port Authority is planning for a huge amount of retail space 600,000 square feet—that's half again as much as was there on September 10. That's exciting, and retail is one of the few sectors in the economy that show strong job growth. But retail jobs are frequently low-wage, no-benefit, dead-end jobs. The World Trade Center site is going to be a high-rent, high-value location. Shouldn't we also make sure that the jobs there are high-quality jobs? Perhaps something along the lines of what City Council did with supermarkets and health insurance?

It almost goes without saying, but let me just underscore LCAN's support for thriving retail as a key component in revitalizing downtown.

But we want it done right. There isn't any need to sacrifice bustling 24/7 street life for an indoor space—we can have both. And, if it's built properly, the street-level retail will flow out from the WTC site to the surrounding areas instead of walling it in. What will support an exciting mix of 24/7 retail is good planning, vibrant office use, and a growing residential community—not malls.

If you create the right environment, you also don't need and shouldn't have subsidies for retail; shopkeepers will come because it's a good retail environment. In fact, there is no logic for subsidies here. If the retailing needs to be subsidized, it doesn't belong here; it will just drain business away from elsewhere, artificially.

I really appreciate the desire many residents have expressed for the kind of big, indoor space that there was at the World Trade Center before September 11. But remember, the current Port Authority proposal is for 50 percent more retail space than before September 11. We're going to have a lot of retail at the WTC site under any scenario, and a lot of it

will be—like the retail at the old WTC site—underground and therefore indoors. Let's put retail on a "high road" at Ground Zero, with good jobs, a good retail environment, and bustling streetlife 24 hours a day.

- **Renegotiate the Lease with Silverstein**

The mayor is right: the lease with Larry Silverstein should be renegotiated. That should have been clear on September 12...but better late than never.

Having a hole in the ground, over four years after 9/11, is terrible for the economy and the psychology of Lower Manhattan. We have to do better.

According to the mayor's analysis, Larry Silverstein has enough insurance money to build Towers 1 and 2. That amounts to 5 million square feet of office space. But, the mayor's analysis suggests, the office market does not look strong enough to support construction of further office space without subsidies well beyond the Liberty Bonds.

Let's pause here. One possibility would be to say: Five million square feet of office space is a good start. Perhaps it makes sense to establish the site, make sure we get the memorial done and get it done well, make sure there's really a performing arts center, finish the transportation hub...and then wait for the market?

What's key is filling in the hole and bringing life to the site. This approach would keep open the possibility of future office development on the site.

Another possibility is the idea the mayor has floated. In essence, that we renegotiate the lease in a way that adds to the mix 700,000 square feet of residential space and 700,000 square feet of hotel space. That would get a total of 8.6 million square feet of office space built relatively quickly. 8.6 million is less than the 10 million that is in the current master plan. But, the mayor argues, it's more than will truly be built if Larry Silverstein runs out of money and doesn't have a market to finance more than 5 million square feet.

There are a few advantages to the mayor's ideas. A hotel seems appropriate and needed at Ground Zero, and helps add to 24/7 street life. And, having two developers instead of one means there would be competition that might bring rents down, rather than a monopoly management that would seek to keep rents high.

While LCAN is very supportive of increasing the residential mix of downtown, it's not clear that using a prime office location for residential use is the best idea. In addition, instead of using luxury housing to cross-subsidize affordable housing, it means you're using luxury housing to cross-subsidize office development. This is a prime location for office space; it shouldn't need and shouldn't get a subsidy.

Finally, the elephant in the room is Tower 1, the "Freedom Tower"—it has been derided by architectural critics, and serious questions have been raised about the marketability of office space in a "Freedom Tower" because of security concerns. I'm not sure how to

resolve that problem, but I think we have to recognize it, and seek to resolve it without going backward in the site planning process.

We would welcome an honest public discussion about these issues, and strong input and oversight from City Council of the behind-closed-doors negotiations.

What we definitely don't want to see is further public subsidy to commercial office space, driven by a pre-9/11 lease that doesn't make much sense today.

A few additional points, very quickly:

- **Don't forget the Performing Arts Center**

Keep your eyes on the Performing Arts Center. The Joyce and Signature Theaters are being asked to raise an enormous amount of money, without being given very clear control of the process. I, for one, am concerned about whether they are being properly supported, whether funds can really be raised on this level, and whether the plans could be modified to make their task more realistic. Some real leadership will be needed, too, to allow the project to be developed in a way that avoids the kinds of problems the International Freedom Center and the Drawing Center ran into.

- **What Will Become of the Snøhetta Building?**

It's unclear at this point what the Snøhetta Building will be besides a cover for Port Authority ventilation. It was designed to house the International Freedom Center and the Drawing Center. Public discussion and City Council oversight are much needed here.

- **A Memorial Mess**

I can't talk about the World Trade Center site plan without mentioning the hole at the heart of the plan. I won't presume to solve this issue in just a few words. But there needs to be much more attention to a process for working out differences and making this a moving memorial that is the heart and soul of the site.

- **\$45 Million for Community Enhancement and Local Economic Revitalization**

Finally, for all the mess at Ground Zero, I'm really happy to highlight some good news: the announcement yesterday of \$27 million for off-site arts and culture. Finally, finally, after all these years, this will be a real boost to life downtown.

That money flows from a plan outlined by the governor and mayor last May, suggesting two pots of money, totaling \$45 million each. One was for off-site arts & culture; the other was for off-site community enhancement and economic revitalization.

But the second half of that plan is, as far as we can tell, going nowhere fast. So far, there hasn't been a committee formed to oversee a process, there hasn't been an RFP issued.

The announcement of the money for arts and culture is exciting. Now let's make sure the process gets underway for the \$45 million community enhancement and economic revitalization. We've already lost the opportunity to have near Ground Zero the new restaurant owned and operated by the former workers at Windows on the World—COLORS just opened in the East Village. There are dozens of proposals for great projects, from the Fashion Space by NYIRN, UNITE, and the Garment Industry Development Corporation to a proposal for daycare centers throughout Lower Manhattan.

I've copied into my written testimony the press release from the Mayor's and Governor's announcement, saying how this pool of funds would be used. It sounds very promising.

Community Enhancement: \$45 million in additional funding will be set aside to expand our investments in a network of projects that will make Lower Manhattan more livable for residents, more workable for businesses, and more attractive for visitors. This portion of LMDC's community enhancement funding will be driven by projects that promise to spur the revitalization of Lower Manhattan, particularly projects with a focus on the vital components of a diverse, mixed-use community such as residential, commercial, retail, and civic amenities, and other economic development and environmental initiatives related to post-September 11th recovery.

From the LMDC press release of May 25, 2005.

The problem is: the press release from May 2005 is the last we've heard of this really vital investment.

Four years of getting a runaround is far too long. We need to see a clear process for how this money will be spent. LCAN's very strong recommendation is that the process be administered by professional grantmakers—there's no shortage of them in New York—and guided by an advisory board of people who know Lower Manhattan's communities and economic issues.

My concern is that, more and more often, we're hearing: Yes, we are still committed to this use of the money. But, we have to hold it aside *just in case we need it for something else*.

That's not an acceptable answer. Concerted pressure from City Council, together with the downtown Community Boards and the Civic Groups, could result in freeing up some much-needed money to make all of our downtown neighborhoods more livable and economically stronger.

Conclusion

We had a robust public process, and for a while it seemed to have real impact, until it was grossly mismanaged and undercut.

That's left a lot of bad feeling—among community and civic groups, family members, virtually everyone who spent time reaching compromises and understanding issues and forming a real community around the rebuilding effort.

We can't start again. But, we can try to fix a process that's clearly broken. There's a new council, new mayoral interest, an upcoming gubernatorial election...maybe this is a perfect moment to reclaim a process that started off well and then somehow veered drastically off course.

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