

Labor Community Advocacy Network to Rebuild New York

Executive Summary

The Labor Community Advocacy Network (LCAN) is a network of representatives from over 50 New York labor unions, community groups, research and advocacy organizations, and service providers. The Network has been coordinated by the Fiscal Policy Institute and the Central Labor Council of the AFL-CIO, with financial support from the Rockefeller Foundation and the Open Society Institute.

For over six months, the network has been meeting regularly to hammer out a thoughtful and detailed program for the reconstruction of the city in the aftermath of the September 11 terrorist attacks.

It is clear that real choices about the use of resources are not far down the road. What New York needs more than a surface appearance of consensus is an open and honest debate about those resource allocation decisions.

This statement endorses the following principles: 1) The rebuilding decision-making process must be broad-based, transparent and inclusive. 2) Rebuilding must be linked to all the people, businesses, and communities damaged by September 11, not just to those in Lower Manhattan or in high-wage industries. 3) Redevelopment resources should be concentrated on infrastructure, not on corporate subsidies. 4) We must rebuild for social, economic, and environmental sustainability. 5) Public revenues must match public needs, even if this means raising taxes.

1. The rebuilding decision-making process must be broad-based, transparent and inclusive.

The number of decision-makers in the rebuilding process is not as complex as it seems at first glance.

True, the major decisions are broken up among a welter of public and quasi-public corporations, including the Urban Development Corporation (doing business as the Empire State Development Corporation) and its subsidiary the Lower Manhattan Development Corporation, the Port Authority of New York and New Jersey, the NYC Economic Development Corporation, and the Metropolitan Transportation Authority. Yet, the real decision-making power in almost every instance goes back to the Governor and the Mayor (In the case of the Port Authority, the Governor shares control with the Governor of New Jersey.)

The process for decision-making about rebuilding the city needs to be made more transparent, and there need to be better opportunities for input into the process.

The rebuilding process should stand on three legs: government, the private sector, and civil society.

So far, none of the three sectors has been engaged broadly enough. And in all three, the racial and ethnic balance among participants is far from representative of this extremely diverse city.

Government. The state legislature, city council, and community board members areas should all have so far been marginalized in the decision-making process. As the elected representatives of the communities that will be affected by the rebuilding, these officials should have a significant and engaged role to play.

Private Sector. Finance and real estate interests should have a say; but so should small-businesses, utilities, universities, experts on sectors that have potential for growth, and disinterested experts on business development.

Civil Society. New York has an extraordinarily rich array of civil society institutions—labor unions, community organizations, research and advocacy groups, nonprofit service providers, religious institutions—many with dozens of years of intensive community experience. Since September 11, these groups have been involved in a groundbreaking set of collaborative policy discussions. Several of the post-September 11 policy groups—including the Labor Community Advocacy Network—represent a major sustained commitment of time and expertise. These groups should have access to better channels for meaningful input and influence.

2. Rebuilding must be linked to all the people, businesses, and communities damaged by September 11, not just to those in Lower Manhattan or in high-wage industries.

The planes that hit the World Trade Center towers had a powerful effect that surged quickly through the arteries of the city economy.

At year-end 2001, nearly 75,000 people around the city had lost their jobs as a direct result of the World Trade Center attack, and another 13,000 jobs were relocated out of the city related to September 11. Of these, 1,800 people lost their jobs in the securities industry. There were also 3,500 jobs lost in hotels because of the terrorist attack, 10,600 in retail trade, 10,800 in air transport (because the airports were closed, then because of the drop in tourism to the city), and 12,500 in restaurants. Chinatown suffered a 25 percent job loss when all its major industries (apparel, restaurants, and tourism) were hard hit. Thousands of other workers suffered steep declines in wages as business activity in almost every sector plunged for some period of time.

Jobs lost due to the World Trade Center were located in all parts of the city, not just in Lower Manhattan. As a result, the rebuilding effort should be aimed to assist all of these

affected workers and neighborhoods. This means first and foremost putting people who lost their jobs back to work.

As of March, 2002, over 271,000 New Yorkers are jobless—an unemployment rate of 7.7 percent. A substantial number of new jobs are needed right away if the workers who lost their jobs because of the attack are to find new employment without displacing other employed New Yorkers.

The rebuilding effort should include a two-pronged job-creation program that will generate 75,000 jobs. This program should encompass both 50,000 publicly-subsidized jobs in the private sector, and 25,000 short-term public sector jobs that enhance the city's social capital and public infrastructure. Public support for private-sector jobs might include wage subsidies, skills upgrading, and moving workers from industries with limited near-term opportunities to industries in need of new workers. Short-term public-sector jobs could include counseling and other social services needed during recovery, expanded service to deteriorated public parks, or repainting and temporary aides for schools and other much-needed added public goods and services. This two-pronged initiative, would cost roughly \$1 billion—well within the budget of the \$2.7 billion in Community Development Block Grant money, and a cost well merited to help those who lost their jobs due to the terrorist attack get back on their feet in a recession.

In addition, another part of the \$2.7 billion in federal block grant money going to the Lower Manhattan Development Corporation should be used to develop a substantial multi-sectoral jobs-oriented strategy, with coordinated job training, ongoing worker education, industry development, sectoral technical and loan assistance programs. A multi-sectoral of this kind should focus on a “high road” strategy, promoting businesses that can support living wages and career ladders to the middle class. Initiatives that help put industry on the “high road” include expanding the skills of employees, increased capital investments, and coordination with labor unions and universities—often to produce higher-quality products that command higher prices. Special efforts should focus on making these programs work for women, new immigrants, and people of color—those

who are often shunted aside. Strong existing models for sectoral strategies include the Garment Industry Development Corporation in New York, or Wisconsin's Regional Training Partnership; similar models could be developed in a half-dozen industries, serving the dual purpose of diversifying the economy and putting displaced workers back to work.

A decade ago, New York City created the Economic Policy and Marketing Group under the Deputy Mayor for Economic Development that developed, in conjunction with business and labor leaders, a package of sectoral economic strategies. A similar city effort should be revived today, to identify the most promising and attractive sectors, and to target resources to their development.

3. Redevelopment resources should be concentrated on infrastructure, not on corporate subsidies.

The comparative advantage of New York is the high value of being located within range of a large and diverse workforce, being near an array of other businesses, and being in a cultural, financial, and media center.

Building on this comparative advantage by investing in the city's infrastructure is a better use of resources than using tax incentives to try to compete with regions that have lower costs. Public transportation should be rebuilt and expanded so that it provides better and more accessible transportation options for people in underserved city neighborhoods as well as to the suburbs. Large buildings should have their own small electric generators, moving them toward electrical independence and security.

In addition to an infrastructure to support the location of business, a good business climate requires sustaining the places where employees live. That means good public schools, affordable housing, and livable communities. The president of Lower Manhattan's Business Improvement District, the Alliance for Downtown New York (and

now a member of the LMDC board) has called the excellent local public elementary school “the best economic development project we’ve ever had.” Similar development must be done to make attractive other neighborhoods around the city where displaced workers live and could live.

Wherever tax subsidies and other aid are given, however, they should come with a strong set of enforceable commitments. Any jobs at or jobs contracted out by firms receiving subsidies should pay at least a living wage. Job stability, benefits, apprenticeship and pre-apprenticeship programs, and agreements not to interfere in union organizing should also be conditions of receiving public subsidies, enforceable by “clawback” agreements under which violations require returning funds to the city. And, construction jobs generated by publicly subsidized infrastructure and development projects should be used to launch low-income New Yorkers on careers in the unionized construction trades by requiring contractors to have approved apprenticeship programs and by giving jobless New York City residents priority for admission.

4. We must rebuild for social, economic, and environmental sustainability.

Rebuilding should be done to ensure maximum social, economic, and environmental sustainability.

This means meeting standards for Green Buildings that impose minimum water and electrical burdens, with buildings moving toward electrical independence. And it means developing systems for waste to be handled close to where it is produced, without undue negative impact on other communities around the region.

It also means a somewhat lower density of offices in Lower Manhattan, and building up instead a multi-centered region with two major centers in Manhattan (midtown and downtown), but with strong business hubs in Harlem, Queens, Brooklyn, the Bronx, Newark and Jersey City as well. This allows firms a maximum flexibility in having more

than one office in easy contact—with back offices in lower rent areas, executives not all in a single location, and with offices on separate power and telecommunications grids.

It means reversing the last decade's socially unsustainable trend toward extreme polarization of income—during which middle-level jobs were lost, and all the gains of the decade were captured by those in the top 40 percent of the income scale while all the rest lost ground or stayed level with where they were ten years before.

And it means diversifying the economic and tax base of the region, making sure we do rebuild the financial sector without also creating a broader and less volatile base for the city's economy.

5. Public revenues must match public needs, even if this means raising taxes.

The federal government has committed roughly \$21 billion to the clean-up and rebuilding effort. While the task before us is monumental, this could fund an ambitious rebuilding project. As the New York Times editorial board has noted, we should be sure not to “fritter away” the money on unfocused business grants and tax incentives of questionable value.

The federal money allocated for Community Development Block Grants and federal tax credits amounts to \$7.7 billion. That is a lot of money, if used properly.

The one missing element in the federal aid package is an allocation to replace lost state and city tax revenues. The city and state should not be put in a position of running their economies into the ground to make up for revenue losses from an act of terrorism that was committed against the country. This is a federal government responsibility, and should ideally be addressed in federal legislation that would compensate any locality for lost tax revenues after a terrorist attack.

In the absence of a federal commitment, however, it will be better for the state and city economies to raise taxes—even in a recession—than for them to cut services. Raising taxes is never popular, but nothing will drive businesses and working families from the city faster than a deterioration in schools, dirty streets, and increased concern about public safety.

The best option is to raise the income tax on family income above \$150,000. Families in this income bracket benefited mightily from the past 10 years of growth, and will reap large benefits from the planned federal tax cuts. Restoring the commuter tax is also in order, as the city spends money to rebuild the infrastructure supplies the services that make it possible for suburbanites to commute to jobs in the city. And a temporary reinstatement of part of the stock transfer tax—already collected but reimbursed 100 percent—would be a good way for those who benefit from the New York financial center to help contribute to the cost of its reconstruction.

Contact:

David Dyssegaard Kallick

Fiscal Policy Institute 212/414-9660 or ddkallick@fiscalpolicy.org