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Testimony of
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Before the
New York State Division of the Budget
Public Hearing on Economic Development
December 18, 2007

Thank you for this opportunity to testify about economic development. UNITE HERE represents 450,000 workers throughout the country in the apparel, laundry, gaming, hotel and food service industries. In New York State, we represent 120,000 active and retired members. Our members work hard and play by the rules and want their government to only reward companies that are creating quality jobs in our state.

We hope that it's a given that when government gives assistance to companies, those companies should be expected to create quality jobs. While reasonable people can disagree about what exactly is a "quality job," we think there is a framework of a definition that should not be controversial.

An individual should not have to take two jobs to make ends meet. If they do, those are not "quality jobs."

A quality job is one that provides affordable healthcare and access to retirement security, like a defined-benefit pension.

And finally, if an employee and his or her co-workers decide they want to form a union, an employer who responds with intimidation, harassment or firings is not a responsible employer that is creating a quality job. Unfortunately, in the United States today, such behavior is increasingly the norm. As a report for Human Rights Watch put it, "Many employers have come to view remedies like back pay for workers fired because of union activity as a routine cost of doing business, well worth it to get rid of organizing leaders and derail workers' organizing efforts."

As a result, a culture of near-impunity has taken shape in much of U.S. labor law and practice.”¹

One of the problems with ensuring that economic development programs in New York State creates quality jobs is that there is an extensive patchwork of such programs.

In New York City alone, there are over 25 incentive programs, including the Liberty Bonds program, the Lower Manhattan Economic Revitalization Plan, Industrial and Commercial Incentive Program, Industrial Incentive Program and various rent abatement programs.

Because of this patchwork nature of the various programs, it is difficult to calculate exactly how much assistance government is giving to private companies with the goal of spurring job creation. But clearly the amount of assistance government is providing is significant.

Statewide, the cost of the Empire Zone program alone is projected to be \$558 million in 2007. And that does not include the hundreds of millions of dollars in unused tax credits that have been carried forward and will be used in the future.

According to a May, 2006 report by the State Comptroller², in 2004 Industrial Development Agencies exempted projects from over \$653 million in taxes. Project operators paid almost \$266 million in Payments in Lieu of Taxes, meaning that approximately \$387 million in tax breaks were given to spur economic development.

Clearly, our government is right to be concerned about New York’s economy, especially the upstate economy. The region characterized by the Fiscal Policy Institute as “Western and Northern New York,” roughly the area North of Glens Falls and West of Schenectady, including the Southern Tier, has seen more relative job growth recently than it has in over a decade, but it still remains a stagnant economy.³ Much of that growth was an increase in lower-wage jobs and a decrease in higher-wage jobs. Notable exceptions were the Mohawk Valley and North Country.⁴

In the industries that UNITE HERE members work in, we have sometimes seen economic development dollars go to create quality jobs, while at other times the money has gone to irresponsible employers. In Syracuse, two major projects received economic development assistance recently – the renovation of the Hotel

¹ “Unfair Advantage: Workers’ Freedom of Association in the United States under International Human Rights Standards.” Human Rights Watch, 2000, p. 14.

² “Industrial Development Agencies in New York State: Background, Issues and Recommendations.” Office of the New York State Comptroller, May 2006.

³ “The State of Working New York 2007.” Fiscal Policy Institute, September 2007, p. 48.

⁴ “The State of Working New York 2007.” Fiscal Policy Institute, September 2007, p. 49.

Syracuse, which received assistance from Restore NY and the development of the OnCenter Hotel, which received assistance from the State and the Onondaga County IDA. In both cases, the developer agreed to remain neutral if the workers wanted to form a union.

I will focus today on two programs that New York State has an opportunity to fix in the coming year, but many of my comments are applicable to other economic development programs as well.

One of the programs you have an opportunity to fix this coming session is the Industrial Development Agency (IDA) program. More than 100 IDAs are active in the states. IDAs generally provide assistance to companies by issuing tax-free bonds or by taking title to the land, making it exempt from certain taxes, then leasing it back to a developer who often pays Payments in Lieu of Taxes. This is called a "straight lease" project.

After a series of short extenders over the past few years (the last one being seven months), a key provision of the IDA law, which allows IDAs to provide assistance to non-profit civic facilities, will expire at the end of January. This gives the Executive and Legislature an opportunity to make changes to the program that will enhance its effectiveness.

IDAs around the state suffer from serious shortcomings that affect their ability to create quality jobs. Starting from the beginning of the process, the type of data that IDAs require from project applicants is not standard. Nor is there a clear standard that IDAs use to determine whether or not a project is worthwhile, or whether the jobs that are being created are quality jobs. And, often, affected communities are brought in at the end of the process, when it's too late to ensure adequate community input into a project. Finally, IDAs too often do not have a mechanism to check to see whether companies are creating the jobs they problems and to penalize them if they fail to deliver.

The Comptroller's 2006 report detailed many of these problems, and I will not take the time to go into them at this point. In one of the most shocking problems identified by that report, after describing the number of jobs created by IDAs in 2004, the report goes on to note that "the figures are often based upon IDA estimates . . . and cannot be deemed reliable. Indeed a 2006 audit of six Western NY IDAs found that none had a process in place for the verification of reported data."⁵

A report by New York Jobs with Justice in 2007 found that there was a shortfall of 138,000 jobs between what companies promised and what they delivered.⁶ The

⁵ "Industrial Development Agencies in New York State: Background, Issues and Recommendations." Office of the New York State Comptroller, May 2006, p.19.

⁶ "Getting Our Money's Worth: The Case for IDA Reform in New York State." New York Jobs with Justice, May 2007, p. 3.

Jobs with Justice report also looked at the types of jobs that IDAs are creating. According to the report, IDAs have funded low-wage employers like Wal-Mart, Burger King and McDonald's.⁷

Both the Comptroller and New York Jobs with Justice outlined common-sense reforms that could make IDAs more effective at creating quality jobs. IDAs need to be more transparent. They ought to be required to collect information on the number of jobs a company is promising to create or retain, what wage levels those companies will pay, and the impact of the project on the community and environment.

The IDAs ought to be required to make this information available to the public, so that the affected communities can be part of the decision to decide whether or not these are projects that ought to receive assistance. Moreover, the local government that has appointed the IDA board should have a mechanism to overrule the IDA's decision if it thinks that a project is inappropriate. As it stands now, once they are appointed, IDA board members can grant assistance to a project even if the local government that will have its taxes exempted decides that the project should not go forward.

There should also be basic standards for what types of projects get IDA assistance. The Assembly last year passed a bill (A. 8703, Hoyt) that required IDA projects to pay at least the median wage of the area in which the job was created or to pay prevailing wage for building service or construction work.

The Industrial and Commercial Incentive Program (ICIP), which is just active in New York City, is another economic development program you have an opportunity to fix this coming session. This program provides hundreds of millions of dollars in tax breaks for companies in New York City. The entire program expires in June, 2007.

Currently, ICIP benefits are provided as-of-right to developers that are making a minimum expenditure for renovation or new construction in certain geographic areas of geographic areas. The specific benefit is dependent on whether the project is a renovation or new construction, and which area the project is in, but as long as the project meets those minimal requirements, it is granted the benefits. Because it is not a discretionary program, benefits are wasted on developers that would have made the expenditures without the benefit. ICIP should be turned into a discretionary program so that we can be sure that we are targeting the money to projects that deserve assistance.

In addition, there should be standards to ensure that the projects are creating quality jobs. For example, the Hampton Inn JFK, owned by Field Family Associates, is receiving \$865,738 in ICIP tax exemptions, bringing its annual property tax payments to \$76,589. This hotel pays its room attendants as low as

⁷ "Getting Our Money's Worth," p. 6.

\$10 per hour, compared to union hotels that pay room attendants, on average, \$22 per hour and provide full health care and pensions.

It is not just through project-specific economic development programs that government spurs job creation. There are also sectors of the economy that we can encourage that often provide quality jobs.

Apparel manufacturing and wholesaling, despite the tremendous employment losses suffered over the last two decades, persists as a critical source of employment and entrepreneurial opportunity for New York, and a provider of services to leading designers and merchandisers.

A stable level of year-round production is critical to maintaining the apparel industry in New York City. The market for uniforms for governments, schools, and the health care and other service sectors represents one such opportunity for New York City to create stable production jobs. State procurement policy should be used to promote local manufacturing.

A number of organizations including the Garment Industry Development Corporation (GIDC), and the New York Industrial Retention Network, are hard at work to sustain the industry's current strengths and merit state support. GIDC is particularly important in helping contractors to improve production efficiency by reengineering factories, providing technical assistance, improving quality control and upgrading skills – all essential if the industry is to have a future in New York.

Gaming is another segment of the economy that can create quality jobs. In other states, like Nevada and New Jersey, our union has been able to work with the employers to set a standard for service industry jobs, by ensuring full family healthcare entirely paid for by the employer and defined benefit pension plans entirely paid for by the employer. This in turn helps build the middle class.

This can only happen if two requirements are met, however – if the workforce is largely union and if the tax rate on the industry is reasonable.

Two segments of the New York State gaming industry are well-positioned to create quality jobs. The harness racing tracks with Video Lottery Terminals (VLTs) and the thoroughbred tracks. Many of the workers at these tracks are members of UNITE HERE with union benefits. By increasing the vendor and marketing fees the State pays to the harness tracks with VLTs, thereby reducing the effective tax rate, the state could ensure the viability of this industry and promote quality jobs around the state, including upstate.

When the Administration and the Legislature grants a franchise to run thoroughbred racing, it ought to make sure that new jobs that are created by the addition of VLTs are quality jobs.

There are also several tribal casinos in New York state. The compact the State recently signed to allow a casino in the Catskills ensures that the workers at the casino will have a choice as to whether or not to join a union. If the State signs compacts with other tribes to create new casinos, whether upstate or in the Hudson Valley, those compacts should include similar provisions.

Thank you again for the opportunity to testify. UNITE HERE looks forward to working with this Administration and the Legislature to create economic development programs and strategies that can create quality jobs for all New Yorkers.