

THE BOND BUYER

Watchdog calls on de Blasio to improve economic development practices

By

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The sectors creating the most jobs in New York have relatively low wages and the city's poverty rate remains high, said the watchdog Citizens Budget Commission.

That requires corrective measures, CBC said in a [report](#) on Mayor Bill de Blasio's first-term achievements in economic development. The mayor began his second and final term on Monday.

Economic development efforts in 2016 totaled \$3.2 billion.

"The city provides businesses with billions of dollars in subsidies annually, and it is imperative that those funds be used cost-effectively," said CBC president Carol Kellermann. "Our report sets clear standards for how the mayor should improve economic development policies during the second term in order to ensure the public gets the maximum return on its investments."

CBC's report emphasizes five recommendations to improve economic development practices, which it originally proposed in 2013.

It called on the administration to make as-of-right tax expenditures more cost-effective with continued overhaul; create more detailed standards for awarding discretionary tax expenditures; spend capital dollars on infrastructure to support job growth in underdeveloped neighborhoods; manage New York City Economic Development Corp. programs with an emphasis on job creation and enhanced transparency; and support growth in the arts, health and education through conduit financing.

A message seeking comment was left with de Blasio's office.

Between 2013 and 2016, said the report, private-sector employment and wages rose 10% and 17%, respectively. Average wages increased only 6%, slower than

the national average, due to falling average wages in the financial sector and high job growth in low-wage health care occupations.

The unemployment rate dropped from 9.8% in 2013 to 6.8% in 2016 compared with a national drop from 8.4% to 5.8%.

Since 2013, capital spending on economic development has declined from \$1 billion to \$622 million. CBC attributed the drop to the completion of major projects funded by local development corporations such as the Hudson Yards subway extension and the development of Governors Island.

While these major projects have wound down, said the report, spending has increased modestly on the Brooklyn Navy Yard and Brooklyn Bridge Park since 2013.

The largest New York City Economic Development Corp. capital projects funded through the city's Department of Small Business Services have been Cornell Tech, the Brooklyn Army Terminal, the Staten Island waterfront and the NYC Ferry.

Investment in some projects that commenced during the previous administration, such as downtown Brooklyn, has slowed. Other projects have seen spending increase considerably including the Hunter's Point South project in Long Island City, Queens, and development along West 125th Street in Manhattan.

According to the CBC, positive changes under de Blasio include more targeted conduit financing, the regular evaluation of tax expenditures, and fewer capital projects the New York City Economic Development Corp. manages on behalf of other agencies.

Little has been done to improve reporting and evaluation and to strengthen standards for granting discretionary tax benefits, CBC added. In addition, the watchdog group called on changes to the industrial commercial abatement program.

"Evaluations indicate this program induces investment in few cases," CBC said.

De Blasio, 16 months into his first term, released "One New York: The Plan for a Strong and Just City." The initiative called for job and income growth, and outpacing national growth as yardsticks for the city's economic development efforts.

"Since that time, median wages have risen and the technology sector has grown rapidly, but inequality persists and the sectors driving employment growth pay

low wages,” CBC said. “The share of the city’s employment located in Manhattan decreased slightly, continuing a long-term trend of outer-borough growth.”