

Setting the Record Straight on the Kingsbridge Armory: The Costs and Benefits of Living Wages and Economic Development

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On Wednesday, December 9th the New York City Council will vote on whether to approve the proposed redevelopment of the Kingsbridge Armory in the Bronx into a retail shopping center. This fact sheet sets the record straight on why, absent a living wage, the proposed redevelopment will be a waste of public subsidy dollars. It offers this evidence-backed assessment to the City Council, local residents, and the press: **unless the project's developer agrees to guarantee living wages for all future employees at the Armory, the deal will be an economic loss for the city and state.**

It synthesizes the latest available data and evidence to reveal that:

New York City is diverting scarce public funds to subsidize the developer of the Kingsbridge Armory; offering local residents insufficient benefits to justify the subsidy; and ignoring the fact that creating more low-wage retail jobs in which workers require public assistance to make ends meet will only continue to fuel the city and state tax burden at a time of crippling budget crises in New York City and Albany.

- **New York City is diverting scarce public funds to subsidize the developer of the Kingsbridge Armory, Related Companies.**
 - The New York City Industrial Development Agency granted Related Companies preliminary approval of \$18 million in city and state tax breaks.¹
 - City subsidies will equal \$13.8 million.²
 - \$3.7 million Mortgage Recording Tax Referral,
 - \$3.2 million Sales Tax Exemption,
 - \$6.8 million Real Estate Tax Exemption.
 - The developer will receive a steep discount on the purchase of the city-owned property. While the property has an appraised value of \$20 million, Related will pay the city only \$5 million for the property and the historic building.
 - Additionally, the city completed \$30 million in capital improvements to the building in 2003.³
 - The property will also be eligible for \$43 million in federal historic tax credit equity.⁴
- **New York City residents will not receive sufficient benefits to justify the high level of public subsidy. Retail jobs created by the project will be primarily low-wage jobs that will do nothing to end the cycle of poverty in the Bronx.**
 - Job creation is cited by the developer and the EDC as the primary justification for using public subsidy. However, the retail jobs created at the Armory will not allow families to survive without public assistance.
 - Retail sector jobs are primarily low-wage jobs. In 2008, the average annual wage for a worker in clothing and clothing accessories stores in the Bronx was \$17,313. The average annual wage for workers in general merchandise stores in the Bronx was \$16,740.⁵
 - By comparison, the average wage for all workers in all industries in the Bronx was \$42,076.

- **The city and the state spend significant sums of money to provide assistance to low-wage workers, a large percentage of which are retail workers.**
 - One study of New York State costs for public support programs found that the state spends at least \$5.2 billion a year to provide assistance to working families.⁶
 - A disproportionate number of families with a wage earner employed in the retail sector are enrolled in public assistance programs. While retail workers make up ten percent of the state's workforce, 14 percent of all working families that are enrolled in public assistance programs earn their wages in the retail sector.⁷

- **When it comes to using economic development funds to create good-paying jobs for community residents, New York City lags behind other cities across the U.S. that require projects that receive public subsidies create living-wage jobs.**
 - Minneapolis, MN requires recipients of public subsidies to create one living wage jobs for every \$25,000 in assistance. In Minneapolis, a living wage is considered to be \$11.21 an hour with health benefits, and \$13.25 without.⁸
 - In Los Angeles, any recipient public subsidies from the city's Community Redevelopment Agency (similar to New York City's EDC) must pay a living wage to those employed on the project site. This includes those working for contractors, subcontractors, or licensees on the property. Los Angeles' living wage is \$9.64 an hour with health benefits or \$11.84 without health benefits.⁹

- **Contrary to statements by the developer that the project will fail to attract any retail tenants if they are required to pay their employees a living wage, other U.S. cities require employers to pay wages similar to those being requested for future Armory employees--\$10 an hour with health benefits or \$11.50 an hour without.**
 - San Francisco has requires employers to pay a minimum wage of \$11.02 an hour (minimum wage plus health benefits). Despite these wage requirements, San Francisco has attracted many national retailers to the city.¹⁰
 - Santa Fe, NM also has a living wage law of \$9.85 an hour that applies to all employees in the city, including those working for the dozens of national retail chains in the city.

¹ Ivonee Salazar. "\$17.8 Million in Tax Breaks Ok'd for Armory Developer." *Norwood News*, March 19, 2009.

² New York City Industrial Development Agency. *NYCIDA Project Cost/Benefit Analysis*. March 5, 2009. Available at http://www.goodjobsny.org/Kingsbridge_Armory_CBA_March2009.pdf

³ New York City Economic Development Corporation. *Request for Proposals: Kingsbridge Armory*. September 26, 2006. Available at <http://ourarmory.org/admin/tinymce/uploaded/file/nycedcrequestforproposals.pdf>

⁴ New York City Industrial Development Agency. March 5, 2009.

⁵ New York State Department of Labor. NAICS Based Industry Employment and Wages. Available at <http://www.labor.state.ny.us/workforceindustrydata/lscqew.shtml>

⁶ Annette Bernhardt. *When Work Doesn't Pay: The Public Cost of Low-Wage Jobs in New York State*. National Employment Law Project, December 2008. Available at <http://www.nelp.org/page/-/EJP/PublicCostReport08.pdf?nocdn=1>

⁷ Annette Bernhardt, December 2008.

⁸ John Petro. *No More Delay: Six Proven Policy Solutions for New York City*. Drum Major Institute for Public Policy, 2009.

⁹ Community Redevelopment Agency of the City of Los Angeles. *Living Wage Policy*. 2003. Available at http://www.crala.org/internet-site/Jobs_Contracting/upload/Living_Wage_Policy_10-28-2003.pdf

¹⁰ John Petro. "The Living Wage Fallacy." *The Huffington Post*, November 17, 2009. Available at http://www.huffingtonpost.com/john-petro/the-living-wage-fallacy_b_360534.html