

RECOVERY WITH A NEW VISION FOR ECONOMIC DEVELOPMENT

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As New York City grapples with a contracting economy, deepening strains on government resources, and turmoil on Wall Street, those who make economic policy are understandably focused on the most urgent necessities—bringing budgets into line, reviving growth, and providing aid to struggling families and the unemployed. But to focus only on immediate problems is to repeat the mistakes of the past, mistakes that have helped put New York City in its current economic predicament.

Even during the city's remarkable boom following 9/11, and now as we struggle with a serious recession, one fact has remained constant: the city's economic development policies simply haven't been working for many New Yorkers.

Over the past two decades, wages rose for the wealthiest fifth of the population but remained flat or dropped for everyone else, even as the costs of housing, energy, food, and other essentials grew sharply. At the same time, the city and state's main growth strategies—ambitious real estate development projects, billions of dollars in subsidies to industries that didn't need them—have exacerbated the strains on ordinary New Yorkers while creating new ones. Rezoning and city-led development projects have led to out-of-scale construction that most communities can't embrace. Job growth has been concentrated in industries such as restaurants and retail, which pay low wages and offer no benefits. Sectors that pay higher wages, such as manufacturing and transportation, have seen nothing close to the support that real estate developers have received.

And that was during the good times. Today, the formula for growth that City Hall and Albany have embraced is no longer reliable or productive. In a credit crisis, coupled with shrinking demand for offices and condominiums, the future of real estate megaprojects is in doubt. The finance sector is likely to emerge from the current meltdown much smaller in scale, meaning that New York City will have to turn elsewhere to generate jobs and revenue. And the failure of city and state government to nurture healthy housing markets in our neighborhoods is now undermining both the city's economic health and the quality of life.

So where do we turn now? Can we use this moment to define a new economic development framework, one that gets us out of recession and off the inequality path and instead delivers living-wage jobs, affordable housing, and sustainability, which are essential to the health and welfare of our city?

We would argue that New York City can—and indeed must—find a new paradigm for how it goes about driving growth during good times and bad. Just as it did with PlaNYC, its far-reaching agenda for strengthening the city's infrastructure and environment, the city needs to step back, revise its strategy, and lead the way with ambitious policies and long-term investments that build communities as well as the economy. We need to measure our city's success based not just on real estate prices and economic output but also on New Yorkers' ability to earn enough to raise a family and to provide neighborhoods with the infrastructure they need to thrive.

While public and private capital for development will continue to tighten in the short term, stimulus investments and other actions toward recovery promise a revival in economic activity—and the need to be prepared with policies to make sure that the benefits of growth will be enjoyed more widely in the future. In *The Audacity of Hope*, President Obama writes of a need for “prosperity that is shared,” an idea whose time has come in New York City as well as the nation. Economic policies must take measures to ensure that the gains of government investment in infrastructure and the economy are enjoyed by all, not to be plucked by those actors best trained in

financial engineering, government lobbying, and the art of finding financial gain in others' economic weaknesses.

New York City would not be the first American city to seek policies that aim to accomplish these goals rather than waiting in vain for prosperity to trickle down. In Los Angeles, for example, economic development projects that get public funding must create living-wage jobs, affordable housing, and more resilient neighborhoods. In Seattle, construction projects must provide apprenticeship opportunities for local residents. In Washington, D.C., workers in one of the city's fastest-growing occupations—security guards—now get paid a living wage, plus benefits. Also in Los Angeles, labor unions and government agencies are collaborating on green job training. San Francisco has a citywide minimum wage and requires affordable housing in new development projects. On the other side of the Atlantic, London is governed under a master plan that calls for development to promote economic opportunity.

Just as President Obama and Congress developed an economic stimulus package that centers on infrastructure investments, education, and green energy, New York City must also identify strategies that put people to work. In the federal stimulus plan, New York City will receive between \$4 billion and \$5 billion dollars—money explicitly meant to put New Yorkers to work on productive public and private projects. The city and state will have discretion about how to use much of that money. And both need to do it in a way that improves New Yorkers' quality of life as well as their economic prospects.

For example, retrofitting housing for energy efficiency will create jobs while achieving cost savings for homeowners and, with the right incentives in place, for tenants. Bringing supermarkets and healthy food to low-income communities builds on untapped market potential. The cross-harbor rail tunnel planned to connect freight train lines in New Jersey with Brooklyn and Queens will relieve neighborhoods of noxious truck traffic while increasing the flow of goods in and out of the city. Living wages for underpaid service workers will send more money coursing through their neighborhoods' economies.

Such policies have not restrained growth in the cities that have adopted them. On the contrary, they provide a foundation for further economic success. Over and over again, the lesson from policy innovations on the ground is that setting standards and investing for the long run pays off—and that conversely, short-sighted practices to cut costs can end up generating larger costs down the road. Our fuel bills are skyrocketing because tens of thousands of old buildings are not energy efficient. We spend nearly \$600 million a year on emergency shelter for the homeless. Low-wage workers are forced to rely on public support systems like food stamps and Medicaid to make ends meet for their families. By contrast, when workers are paid better, they stay on the job longer, gain experience, become more productive, and save employers the cost of recruiting new workers. Retrofitting buildings can both benefit environmental sustainability and create thousands of new jobs. Ensuring that New York’s families have enough affordable housing provides not only immediate stability but also strengthens the broader social fabric of our neighborhoods.

In short, increased standards and strategic investments aimed at improving our jobs, housing, and communities have the potential to yield substantial economic and social benefits. A more public, accountable process for how government invests its economic development resources will help ensure that those benefits are shared widely and targeted where the need is greatest.

It is this type of broad vision that over the past several years has animated the emergence of an accountable development movement in New York. While still scattered across various constituencies and issue areas, advocates have succeeded in elevating the central question—development to what end? —squarely into the public arena.

One of these efforts is the “One City/One Future” network, which over the past three years has involved dozens of civic groups, neighborhood advocates, community development organizations, labor unions, affordable housing groups, environmentalists, immigrant advocates and other stakeholders. Most recently, the network released *One City/One Future: A Blueprint for Growth that Works for All*

New Yorkers, outlining a full menu of concrete policy tools to redirect economic development policy in New York City.

Here, we want to highlight the three anchor goals that underpin this blueprint and that in our minds should serve as the central frame of reference for New York City as it paves a path to recovery over the next several years:

GOAL 1: RAISE THE STANDARDS

Government should set clear standards for economic activity in New York City, especially activity that benefits from public spending or actions. Meeting these standards—whether they concern the quality of jobs created or the environmental sustainability of new buildings—must be a prerequisite for anyone doing business with the city. The public should expect more from employers, developers and land owners—especially those doing business with city government or profiting from government action. By asking them to do their part, we can ensure that all New Yorkers share in the benefits of growth.

Specifically, here are three areas where stronger standards are both viable and sensible as part of an economic recovery strategy:

Public spending and actions: The city and state should ensure that when government resources are used to promote economic development, concrete public benefits result. New York should make the creation of middle-income jobs, quality affordable housing, and livable communities the central goals of its economic development agencies and programs.

Low-wage jobs: Many of New York City's fastest-growing industries—including restaurants, retail, building security, home health care, and child care—pay very low wages. New York needs to begin the process of upgrading these jobs by shifting these industries towards providing better wages and benefits.

Consumer services: The city and state need to ensure that New Yorkers who are buying homes, seeking jobs, or borrowing or

investing money are working with qualified advisors who are acting in their interests.

GOAL 2: INVEST FOR SHARED GROWTH

The city and state currently spend billions of dollars to keep New York's economy humming. These investments in housing, transportation and employment need to be designed and managed with the explicit objective of improving opportunity and strengthening neighborhoods. Targeted public spending can help strengthen our economy and yield significant returns for New York's working families and their communities. Investing in workforce development, for example, can lead to higher employment rates, reduced spending on public assistance programs, and a stronger economy; investments in transportation and housing in areas of the greatest need can allow residents to spend more time and resources in their communities.

Specifically, here are four areas where targeted public investments are timely and can be integrated with federal recovery programs:

Job training: New York City's economic development system must connect city residents—especially those who face significant obstacles to employment—to jobs and career opportunities through a coordinated job readiness, training and apprenticeship system. Through investments in programs that expand access for lower-income communities, communities of color, immigrants, and the unemployed and under-employed, all segments of the workforce can share in the jobs and training opportunities generated by economic development.

Low-wage jobs: The city needs to develop targeted strategies for upgrading the low-wage jobs in which more than 1 million working New York adults today spend their careers. The city should invest in improving wages and job standards and create career ladders to better-paying positions for the workers who make our city run.

Neighborhoods and community assets: New York City needs to make expanding affordable housing, transportation, and economic security part of its economic development strategy.

Energy efficiency and green economic development: New York City’s monumental commitment, through PlaNYC, to greening the city offers a rare opportunity to build a city that’s not just environmentally sustainable but also economically prosperous. The city should foster equitable green economic development by growing emerging green industries that offer well-paying jobs with accessible career ladders for the city’s workforce.

GOAL 3: REFORM THE PROCESS

Planning and development must take place in an open and democratic environment, in which communities and the city work as partners, not adversaries, with the objective of building a prosperous city on the strength of livable neighborhoods. Land use and economic development decision-making must be a collaboration between government and the people of New York City, involving meaningful public participation, full transparency of the finances and activities of publicly funded entities, and stronger support for community boards and other civic organizations that enable the public to participate. The city’s own economic development agenda must be guided by thoughtful assessment of how benefits and burdens are distributed across the neighborhoods, classes, and racial and ethnic groups of New York City.

Specifically, there are three areas where accountability and transparency reforms are most important:

The economic development process: In spending billions of dollars of public money on subsidizing economic development, New York City must commit to transparent and publicly accountable processes and to ensuring that the benefits of those investments are shared broadly.

Land use policy: The city needs to dramatically alter its policies surrounding land use planning. City planning decisions must be made collaboratively with communities, on the basis of a shared and comprehensive framework that treats all neighborhoods fairly

and provides the necessary infrastructure to sustain growth and strengthen communities.

Manufacturing and small business: Rapid increases in real estate costs and zoning that favors residential development have undermined companies that provide good blue and green-collar jobs; small businesses; and startup companies looking to expand in the city. The city needs a comprehensive set of policies aimed at preserving affordable space for manufacturing jobs, small businesses, and the new green industries that we need for a dynamic 21st Century economy.

Shifting economic development in New York City to these three goals—raising standards, investing for shared growth, and reforming the process—will not only take time; it will require a strategic prioritization of policies that complement and buttress the goal of economic recovery. Here are two current examples of development-related initiatives that are in their early phases but that would be highly effective:

BRINGING GOOD FOOD AND GOOD JOBS TO UNDERSERVED NEIGHBORHOODS

Low-income neighborhoods in cities across the country suffer from a chronic shortage of quality supermarkets—and a chronic shortage of good jobs. In New York City, the problem is especially acute as rising commercial rents have led more and more supermarkets to close in low- and middle-income neighborhoods, leaving residents with bodegas, drug stores, and other low-quality food options (and the poverty wage jobs that often accompany these options).

The Department of City Planning recently documented that 3 million New York City residents live in “food deserts,” defined as neighborhoods that lack quality full-service supermarkets. Residents of these neighborhoods have limited access to a full range of quality food such as fresh produce, meat, and dairy. And they often pay higher prices than other New Yorkers for the groceries that are available. Studies have shown that the scarcity of supermarkets in these neighborhoods has serious health consequences for New York City residents,

including increasing rates of obesity and diabetes. And these health consequences have a serious fiscal impact, as New York State spends \$6.1 billion annually to treat obesity-related health problems.

The food desert problem has been widely documented and recognized by cities and states across the country. However, to date, most solutions do not address the lack of well-paying jobs for families living in these neighborhoods, despite the fact that quality supermarkets can create jobs that pay good wages and provide health benefits.

In New York City, a coalition of community organizations and labor unions recognized that bringing quality supermarkets to low-income communities was an opportunity for New York City neighborhoods to improve the health of its residents by solving the food desert crisis *and* by creating higher paying jobs with benefits. Thus, these advocates—including the United Food and Commercial Workers Local 1500, the National Employment Law Project, the Pratt Center for Community Development, and Good Jobs New York—began developing a city policy to address the chronic shortage of quality grocery stores and quality jobs in the city’s low-income neighborhoods.

The policy focuses on using the city’s economic development tools to encourage “high-road” supermarkets—supermarkets that provide quality food, pay good wages, and provide affordable health benefits to their employees—to open new stores in underserved communities. While studies have repeatedly demonstrated that supermarkets can and do profit in low-income neighborhoods (because high population density offers concentrated spending power that is comparable to or even higher than that of suburban areas) barriers exist—such as high rents, difficulties obtaining financing, and struggles to find adequate space—that make it difficult for high-road supermarkets to take advantage of these untapped markets.

To help high-road supermarkets locate in underserved communities, the proposed policy would, among other things:

- Provide a “one-stop shopping” resource for potential supermarkets to receive technical assistance on city and state

incentives and city land use regulations, and provide a user-friendly guide of all city, state, and federal subsidies available to supermarkets;

- Allocate pre-development grants of up to \$50,000 to help potential supermarkets defray the costs of environment site assessments, surveys, appraisals, and options;
- Award performance-based subsidies to supermarkets who meet food and job quality standards to be returned to the city if these standards are not met;
- Require supermarkets utilizing these programs to report and make public employment data information, including data on the jobs, wages, benefits, and residency of their employees;
- Include a supermarket requirement in larger city requests for proposals (RFPs) for development of city-owned land, so that developers in areas that have appropriate zoning and square footage requirements for a supermarket are obligated to include a high-road supermarket

As these advocates recognize, bringing high-road supermarkets to underserved communities is a unique opportunity to address the shortage of quality food and quality jobs in New York City's low-income neighborhoods. And in addition to the immediate impact of better health and higher wages, these new supermarkets, once built, have the potential to spur even more economic development. A standard 30,000-square-foot supermarket often provides between 100 and 200 new jobs, and by attracting complementary stores and services, supermarkets often serve as anchors for other businesses.

REDEVELOPING CONEY ISLAND WITH GOOD JOBS, AFFORDABLE HOUSING, AND A VIBRANT PUBLIC SPACE

The future terms for the redevelopment of one of New York City's greatest treasures, Coney Island, have been set. But as the Bloomberg administration pushed through the area's rezoning earlier in 2009,

community, labor, and cultural groups with a stake in the future of the area came together around a groundbreaking collaboration that built on the ideas and alliances developed through One City/One Future. No matter what the outcome of the Coney Island rezoning, this recognition that good jobs, affordable housing, livable communities, environmental sustainability, and cultural vitality can and should coexist will remain an influential force in shaping future New York City development practices.

Seeking to bolster the lively but faded historic amusement area by the beach in Coney Island, the Bloomberg administration initiated a zoning plan intended to encourage the development of bold new entertainments as well as development that could generate revenue from the world-famous strip at the southern edge of Brooklyn. Over the protests of many planners and preservationists as well as community residents, the zoning proposal sets aside a significant amount of land for luxury condo towers and hotels. The city's plans also envision development on the site of the city-owned KeySpan Park parking lot but do not call for any meaningful public benefits such as affordable housing or living wage jobs or public space or even space for amusements, in exchange for that valuable real estate opportunity.

As the city's development plan emerged, the Pratt Center for Community Development and Jobs with Justice—two of the three partners coordinating One City/One Future—began to convene neighborhood, housing, labor and cultural groups with a stake in Coney Island's future to identify core principles for Coney Island's future development. How could they use the land use process to commit the City to provide needed benefits for the neighborhood?

Following a careful assessment of neighborhood needs, the groups ultimately agreed that they would support a development plan that:

- Guarantees good jobs with responsible contractors and employers for local residents in every stage of the project;
- Ensures that at least 40 percent of the housing created or preserved is affordable to low-, moderate-, and middle-income New Yorkers—with at least half of the affordable units reserved

for families at or below the median income for households in Coney Island;

- Preserves and strengthens the “people’s playground” through an open, affordable, and vibrant amusement area with spaces for vendors and small businesses, and investments in historic resources; Creates much-needed public amenities for local residents of the area, including a school and a supermarket to meet local demand and significantly improved public transportation.

Based on realistic and pragmatic anticipation of opportunities to be brought by Coney Island’s future development—and mindful of the need to encourage its development not hinder it—the groups proceeded to recommend specific measures to reach those goals:

- Rigorous labor standards, including the use of responsible contractors, prevailing wages, training and apprenticeships, first source hiring for local residents, and labor peace agreements, as well as measures to promote disclosure and enforcement of compliance;
- Firm commitments to the inclusion of housing affordable to a diverse range of incomes on both City- and privately owned land, such as designating 80 percent of new housing on City-owned land for affordable units and half of affordable units for local residents;
- A larger free and open amusement area that incorporates more historic preservation and commitments to opportunities for small vendors and retailers, with fees collected for use of individual rides and amusements;
- Community amenities that include at least one new school, a large full-service supermarket, and public transportation improvements.



In this time of turmoil, we see an important and compelling window of opportunity to change how we manage our economy—and with Wall Street on the ropes, such change is now also a necessity. Even during the recent economic boom, most New Yorkers did not get ahead financially. In the current economic crisis, they are falling even further behind.

But both our own history and innovations in other cities prove that we have significant power at the local level to respond and build a stronger city, that we can commit ourselves to an economic development model that brings better jobs, more affordable housing, and deeper environmental sustainability. The end result will be a transparent, accountable development process in which communities partner with the city to bring development and growth in ways that are welcomed and needed.

There is no doubt New York City and state can do this—but we need strong leadership and commitment from all the stakeholders involved. Through much of its history, New York City has been a national leader in promoting policies designed to improve quality of life, strengthen urban neighborhoods, and promote economic opportunity and a more cohesive city. To do that now, we have to advance our most vital resource—the New Yorkers who build, serve, aid, counsel, process, assemble, sell, and create, and make the city run. New York City now has not only the opportunity but the obligation to apply its resources and innovation to build a foundation of shared prosperity for coming generations.

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One City/One Future is a collaboration led by the National Employment Law Project, New York Jobs with Justice, and the Pratt Center for Community Development, and endorsed by 65 civic groups, neighborhood advocates, community development organizations, labor unions, affordable housing groups, environmentalists, immigrant advocates, and other stakeholders in New York City's economy. The One City/One Future Blueprint for Economic Development is available for download at www.onecityonefuture.org.