



with Bob Knakal

Misguided legislation

Q. Your column on the west side retail zoning legislation was thought provoking. Are there any other pieces of recent legislation that you believe would also be harmful to the city?

A. The definition of insanity often includes, the phrase, "Doing the same thing over and over again and expecting a different result."

About two years ago, when the Kingsbridge Armory transaction was vaporized by legislators requesting a living wage mandate for contractors as well as tenants in the property, I spoke with one of the key opponents of the project without these mandates (an elected official), and he told me that the folks who were supporting the living wage

mandates, "grossly underestimated the impact that the mandates would have on the project."

Two years later, there is no tax revenue coming into the city from this wasting asset, the \$310 million that a private sector developer was going to invest in the albatross of a building has been spent elsewhere and, most importantly, none of the estimated 2,200 jobs were created. This in the borough with the highest unemployment rate in the city.

Remarkably, legislation imposing similar wage mandates has been passed by the city council recently to raise private sector wages in properties receiving public subsidies.

Even the elected official,

who told me of the gross miscalculation made by supporters of wage impositions on Kingsbridge, was a supporter of this legislation.

Perhaps it is insanity, perhaps it is another "miscalculation," or perhaps it is just the unfortunate reality given the upcoming elections next year and the desire of those who are running for various offices across the city to ingratiate themselves to unions to attract their financial support and endorsements.

The legislation will direct recipients of at least \$1 million in government financial assistance to pay their employees a wage of \$10 an hour with healthcare benefits or \$11.50 an hour without those benefits.

The bill also established a threshold of providing the so called "living wage" for 75 percent of all hourly jobs on economic development projects, including retail tenants. The impact on the market will likely be substantial.

The fact is that many of the projects that need government assistance are only feasible provided they receive that government assistance.

To the extent wage mandates exert negative pressure on the feasibility of these projects; we are likely to see less of them initiated.

Typically, these projects are in areas that are in desperate need of the economic development and it would be a shame to see these projects not move forward because of this misguided legislation.

While this wage mandate

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is a somewhat watered down version of its initial form, it opens a door which will undoubtedly be pressured to open further as we move forward.

Mayor Bloomberg expressed concern and accurately observed, "Those bills are a throw back to an era when government viewed the private sector as a cash cow to be milked, rather than a garden to be cultivated".

Anxiety, within an overwhelming majority of participants in the commercial

real estate industry, that anti-business policies will be pushed through after the Mayor leaves office is being heightened by legislation like this.

These prevailing and living wage bills create staggered minimum wages that would clearly favor some business, and some economic development initiatives, over others.

The bills are likely to hinder construction efforts in the growth of affordable housing. Most importantly, while New York has done relatively well compared with other major cities across the country in terms of recouping loss jobs, there

is a clear negative correlation between increases in minimum wages and job creation.

As one elected official stated, "We would rather have no jobs than the right jobs."

This legislation will help fulfill that wish. Unfortunately, hindsight is the only way to determine the impact that legislation has on market activities.

It is now clear that the elimination of the 421A program, implemented by its supporters to create more affordable housing, has actually created less. It is likely that this living wage bill will prove to reduce the number of economic development initiatives into which the city will deploy resources.

As opposed to increasing economic activity and creating jobs, it is likely to reduce the feasibility of projects and, therefore, mute the number of new jobs that the bill, ironically, sought to create.