

TO: Members of the NYC Council
FROM: Jesse Masyr On behalf of Related
DATE: November 18, 2009
RE: Clarification of several key points from yesterday's hearing on the Kingsbridge Armory

Though I'm sure that you and your Council colleagues have already received more than your fair share of correspondence on the redevelopment of the Kingsbridge Armory, there were several issues brought up at yesterday's Zoning Subcommittee hearing on the project that we think are extremely important to clarify in advance of any vote.

Living wage: Upcoming vote is on Armory ULURP, not citywide living wage policies

As you know, the proposed imposition of a living wage mandate on future retail tenants has become a key point of discussion, and we have tried to make it clear why a developer cannot control the actions, wages and employment policies of its future tenants. And though we certainly agree wholeheartedly that living wage jobs are an important and worthy goal, we have attempted to explain why imposing such a requirement on retailers only at this one specific location would create an unlevel playing field, prevent any potential tenants from signing leases, and thereby make the project unfinanceable and ultimately unbuildable. This is the basic reality of the market, having absolutely nothing to do with Related's position on the issue of living wage.

At yesterday's hearing, Councilman Rivera confirmed what has been increasingly clear for some time now when he stated, "This living wage issue is about much more than the Kingsbridge Armory." While that is obviously true, the fact of the matter is that the Kingsbridge Armory project currently before the Council is a ULURP application, and not a vote on the larger need for a citywide living wage policy. Related remains prepared (and anxious) to negotiate in good faith with the Bronx Delegation and community stakeholders on a wide range of significant, enforceable community benefits – as they have done successfully on other projects throughout New York City – but again can only make commitments on issues within their control.

Citywide living wage requirements in other cities not relevant to the proposed stand-alone living wage demand at the Armory

It should also be noted that when project opponents yesterday cited living wage requirements in other municipalities as examples of why this wouldn't harm the Armory project, they disingenuously left out a critical key fact: Those other living wage requirements are citywide ordinances, NOT stand-alone, one-time requirements for a single development as proposed here. As the International Council of Shopping Centers pointed out in a letter to the City Council last month, "In our experience retailers would simply be unwilling to agree to this type of site-specific wage mandate." Once again, a citywide living wage mandate that creates a "level playing field" is a very different proposal than what has been demanded at the Kingsbridge Armory.

Job creation at the Kingsbridge Armory: Living wage rhetoric does not reflect reality

While it seemed clear from yesterday's hearing that everyone could agree on the general notion that The Bronx and its residents need more jobs, there was far less consensus on what actually constitutes a "good" job and even whether or not no jobs at all might be preferable to the 2,200 jobs being discussed. During these discussions, there were some unfortunate rhetorical arguments made that simply do not reflect the facts of the Kingsbridge Armory proposal and which should be clarified for the record.

First and foremost was the repeated argument by the project's opponents that the 1,200 permanent jobs that will be created at the Armory would all be "part-time, poverty wage jobs." This is simply not true. Without getting into a larger philosophical discussion over the inherent quality of retail sector jobs in general, the fact of the matter is that Federal Labor Bureau statistics demonstrate that a significant percentage of these permanent jobs will, in fact, meet the project opponents' definition of "living wage jobs."

Based on the May 2008 Occupational Employment and Wage Statistics, the Armory is projected to create more than 600 permanent jobs at a minimum of \$10/hr., with almost 500 of those at a minimum of \$11.50/hr. (*note: these projections are based on median wages without higher level managers factored in*). Therefore, to be completely honest about the overall "living wage" discussion at the Kingsbridge Armory, we should recognize that we are actually talking about 1,000 prevailing wage (which is even higher than "living wage") union construction jobs and 500-600 permanent living wage jobs in total. So while it is true that some entry level or part-time jobs may not qualify as "living wage," **an overwhelming majority of the new jobs created as a result of the redevelopment of the Kingsbridge Armory – more than 1,500 jobs in total – would qualify as "living wage," as defined by the project's opponents.**

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At the end of the day, our hope is simply that you and your City Council colleagues will be able to make your decisions on the fate of the Kingsbridge Armory based on objective facts and fair minded analysis. And while we fully recognize the good intentions of individuals on various sides of the debate, the facts are the facts:

- Though faced with the most challenging financial market in generations and a project that features unparalleled construction challenges (which add a premium of nearly \$100 million in construction costs), Related remains prepared to step up and invest more than \$300 million in The Bronx, including significant investments in enforceable community benefits. Unfortunately, discussions about those benefits – from subsidized community space and job training to local hiring and contracting – have never moved beyond the threshold issue of living wage.
- Regarding living wage, absolutely no one disagrees that it is a valuable goal. However, as we have explained from the outset, wall-to-wall living wage at this one specific location is an issue essentially beyond our control and that will kill the project because any retailer can open across the street or anywhere else in the City and be subject to none of these wage restrictions.
- And finally, let's be completely clear about what we are really talking about in terms of job creation at the Kingsbridge Armory. Should the project be voted down, New York City – and most critically, The Bronx – will be denied more than 1,500 new living wage jobs, which would be a huge blow for a borough with one of the highest unemployment rates in the entire nation.

We look forward to continuing our discussions with the City Council and I urge you to contact me at 212-909-9513 or Yoswein New York at 212-233-5700 should you have any questions or require any additional information. Thank you for your consideration.