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Election 2020: Why It Matters to New York City

An overview of the six biggest issues facing
NYC that are driven by the federal government

George Fontas
CEO of Fontas Advisors

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www.fontasadvisors.com

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Introduction

New York City's municipal elections will not be held until next year, but do not be fooled. Election Day 2020 will serve as a pivotal event for the City's future as the topics critical to its residents and businesses are very much on the ballot today. Control of the White House and US Senate are open questions, and a change in either will have dramatic effects on NYC.

Here is our guide to six crucial issues in today's election for The Five Boroughs.

1

Only a National Strategy to Combat COVID-19 Can Ensure NYC's Recovery

Given New York's position as the global center of commerce, it is critical for both the greater NYC region and the entire US economy that the City can function as it had pre-Covid. As we know, this will only occur once workers are back in offices, retail and hospitality businesses are humming, and students are in school full-time.

While it is incumbent on the local and state government to ensure that NYC is safe for everyday work and life to resume, it is clear that the City cannot recover alone. A collaborative partnership with the White House and the federal government is the swiftest and surest way to get through the pandemic's health and economic crises.

NYC has come a long way since the doldrums of the spring, but we are still just "mid-pandemic." To confidently step into the light at the end of the tunnel, we continue to need a nationwide mitigation and containment strategy, a vaccine and effective therapeutics, and overhauls of our public healthcare system and approach to crisis preparedness. These represent areas where New Yorkers cannot "go it alone" and where we must rely on Washington, D.C.

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2

NYC is Banking on Federal Aid to Address Its Multiple Budget Crises

New York City and State are facing unfathomable budget deficits due to Covid and the national recession. The City alone has already cut \$9.5 billion from its budget, and revenues continue to fall. NYC has received approximately \$6.2 billion in federal CARES Act funding. Still, those funds can only be applied to expenses that occurred combating Covid, which does little to address the City's looming budget deficits. On top of these challenges, the White House and the Justice Department brazenly designated New York City an "anarchist jurisdiction" for its perceived tolerance of crime and have threatened to pull as much as \$12 billion in non-Covid federal funds from the City.

Due to the City and State's fiscal challenges, New York's leaders are counting on support from the federal government to maintain critical transportation, healthcare, and education services, among other critical programs. For example, the MTA's budget deficits as a result of Covid are genuinely astonishing. The MTA has so far been allocated \$4 billion in federal aid. But it has requested an additional \$12 billion to stave off devastating service cuts and workforce reductions, which could go into effect in the coming weeks.

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While a bailout will be a tremendous help to the City, the White House's ability to manage the Covid crisis at the national level is critical to New York's long-term economic turnaround. For example, NYC's tourism and hospitality sectors have been decimated by the pandemic and are primarily reliant on factors outside of the City's control to recover. According to the [Times Square Alliance](#), pedestrian traffic in Times Square is still down 75%, putting at risk over 400,000 tourism-related jobs and \$70 billion in economic activity. This industry will remain devastated until case numbers are down nationally, travel restrictions are lifted, and travelers can trust that New York City (and the country as a whole) is safe again.

3

Divergent Tax Strategies Could Both Put NYC at Risk

New York City's tax revenue base is more vulnerable than ever due to the pandemic and, as always, tax policy has taken center stage in the Presidential election. The 2017 Tax Cuts and Jobs Act (TCJA) was the most sweeping overhaul of the US tax code in 30 years. It has had mixed – but meaningful – impacts on the City's residents and businesses.

On the one hand, the TCJA slightly reduced federal tax income rates across the board. However, the cap on state and local tax (SALT) deductions has significantly affected high-income, high-tax states such as New York by reducing the amount of state and local taxes that citizens may deduct on their federal income tax forms. The Rockefeller Institute of Government estimates that with the loss of the SALT deduction, New York State households will pay an [additional \\$12.3 billion each year in personal income taxes](#), representing a significant loss of economic activity in the City and State as these dollars are no longer available for households to spend locally.

At a time when many of NYC's highest-earning residents (who contribute the majority of the City's income tax revenue) are questioning their need to live and work in the five boroughs, decamping to lower-tax states continues to be a primary motivating factor to leave the City.

On the other hand, the TCJA decreased tax rates for businesses from 35% to 21%, the largest reduction in the corporate tax rate in US history. While the argument for these reductions is that the benefits will "trickle down," research from the Brookings Institute shows that [they have not yet yielded results](#).

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Of course, Vice President Biden's tax plan may not necessarily be any better for NYC as it includes several proposals to raise taxes on the wealthiest Americans as well as on corporations. Coupled with the City and State's already high income taxes (among the highest in the country), it is exactly the scenario that has New York's bean counters concerned about a wealth exodus that could strike a near-fatal blow to the City and State budgets, which are already suffering due to the pandemic. In addition, although Biden has

expressed support for repealing the cap on SALT deductions, this is notably absent from the official plans on his website.

4

Current Reforms Threaten NYC's Future as a City of Immigrants

Both documented and undocumented immigrants are critical participants in the New York City's life, including our culture and economy. Immigrants comprise [38% of the City's population and 45% of its workforce](#). The White House has taken a highly aggressive stance on visas, asylum seekers, and undocumented immigrants, which has had significant negative impacts on the NYC's residents and businesses. The City's economy depends on immigrants, yet [immigration to NYC has dropped 45% between 2016 and 2019](#) (with the trend continuing in 2020) due to tighter federal immigration policies and visa delays during the pandemic.

For example, in 2017 and again this past October the White House sought to make significant changes to the H-1B visa program, which enables foreign workers to receive visas to work in high skilled jobs in the US. New York City is by far the largest city in the country for H-1B workers and limiting access to the program will have severe consequences for the City's companies and economy. Companies are likely to be at a disadvantage for hiring top talent, and the City's economy also loses out as [74% of H-1B visa holders' spending goes directly to local businesses](#). NYC is a global market, and the City's growing tech sector will always need to work with an international talent pool to stay competitive against other tech hubs.

Most recently, the White House took several steps to politicize the 2020 Census against undocumented immigration. On November 30th, the Supreme Court will hear a case on whether the White House can exclude undocumented immigrants from the calculations used to apportion congressional seats. If the White House wins, it is likely to cost the City both political representation and untold sums of federal dollars distributed based on population. While the next census will not occur until 2030, a new President could adjust funding to better reflect shortcomings in this year's census data collection.

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5

NYC Needs a Gateway to Modern Infrastructure

Before Covid and the resulting budget deficits at the MTA, business and government leaders agreed that the most critical infrastructure project in New York City was the Gateway Project, a comprehensive expansion of the Northeast Corridor passenger rail line. In fact, the Obama administration called this the single most important infrastructure project in the United States.

The most critical aspect of the project is the proposed reconstruction of the North River Tunnel, which runs under the Hudson River to Manhattan, transporting 200,000 people per day into the City on Amtrak and New Jersey Transit train lines. The tunnel, which houses two tubes for railway lines, was damaged significantly by Superstorm Sandy and desperately needs upgrades and maintenance after more than 100 years of use. A closure of just one of the two tubes could [reduce passenger capacity by as much as 75%](#) and force tens of thousands of commuters and travelers into other modes of travel, pushing them on to already congested bridges, tunnels, and streets in both states.

In late 2017, the White House and US Department of Transportation reneged on an Obama-era deal that called for the federal government to fund half of the project's \$11.6 billion cost. In fact, President Trump has stated that he would only approve funding for the Gateway Project if the Congress funds a border wall with Mexico, an issue that the Democrats and most New Yorkers generally oppose. As a result, the Gateway Project remains in limbo until there is a compromise or a change in leadership in Washington, D.C.

While the Gateway Project is essential, it is just the tip of the iceberg in terms of NYC's infrastructure needs that require federal funding. This current list also includes the reconstruction of the Brooklyn Queens Expressway, the proposed Cross-Harbor Freight Tunnel, and infrastructure to mitigate damage from storm surges.

6

Climate Change is NYC's Immediate Existential Threat

As a coastal city, climate change and sea level rise are clear and very present dangers to NYC. While both the City and State have taken steps to reduce greenhouse gas emissions, a broader regional and national strategy is mandatory to meaningfully reduce risks. Unfortunately, our current Environmental Protection Agency (EPA) seems to be ["at war with the environment,"](#) according to top former EPA officials.

Given that, it's no surprise that this past February, the federal government abruptly halted [a high-priority study of NYC's coastal storm surge preparedness](#) that was launched in 2017 by the US Army Corps of Engineers. No substantive explanation was provided for canceling the study, throwing into question the fate of the region's most expansive climate resiliency effort and fueling speculation that politically motivated retribution from the White House is to blame.

In the same vein, Rebuild by Design has called for a [\\$10 billion Resilient Infrastructure Fund](#) to support environmentally restorative projects that would make the City and State more resilient. The federal government could easily help fund this plan, but there has yet to be any interest from either the White House or the Environmental Protection Agency to allocate funding.

Controlling greenhouse gas emissions from vehicles is also a top priority for NYC as transportation is responsible for one-third of the City's overall emissions. Congestion pricing for Manhattan, which would reduce vehicle usage and greenhouse gas emissions while funding mass transit enhancements, was approved by the State in 2019. The federal government's approval was considered pro forma but has instead turned into a stalemate. At the White House's direction, the Federal Highway Administration has opted to "study" the project and has

provided no timeline to make a final determination, leaving the legislation in jeopardy.

The Bottom Line

The six major issues laid out above are all directly related to the power of the Presidency. Democratic control of Congress would certainly serve as a powerful check on a Republican White House (or an accelerant to a Democratic White House) but in any scenario, New York City has a tremendous amount of work ahead of it. Covid has demonstrated, once again, the impact and influence that the federal government has on local priorities here in New York. The City's recovery is achievable, but it will require partnership and collaborative development to move forward.

While it is incumbent on the local and state government to ensure that NYC is safe for everyday work and life to resume, it is clear that the City cannot recover alone. A collaborative partnership with the White House and the federal government is the swiftest and surest way to get through the pandemic's health and economic crises.



As Founder and CEO of Fontas Advisors, George Fontas has earned a reputation as an innovative leader and trusted strategist, advising clients across the corporate, real estate, technology, and nonprofit sectors as they navigate the complexity of New York City and State and New Jersey.

Fontas Advisors was founded in 2017 with a vision to build a firm that offers superior government affairs services with a boutique culture, enabling a highly attentive approach and customized solutions for every client. With the ability to work seamlessly across jurisdictions in New York and New Jersey and diverse capabilities curated for today's rapidly evolving public affairs environment, we partner with innovative leaders to drive impact by providing political inroads, policy and regulatory expertise, and strategic planning.



Fontas
Advisors

info@fontasadvisors.com

+1 212-408-1920

www.fontasadvisors.com

