

April 2, 1981

Honorable Robert F. Flacke
Commissioner
NYDEC
50 Wolf Road
Albany, NY 12233

Dear Commissioner Flacke:

The two page letter dated February 6, 1981 from John Flanagan is not a definitive statement on the economic benefits of the Pyramid project, nor is it a wholly accurate one.

Flanagan claims that \$95 million of net new retail sales will be generated by the Pyramid project. First let me note that net is redundant in that clause lifted from Flanagan's letter. Secondly, Pyramid's consultants never were able to establish that any retail sales would be new to the region (other than those made from the incomes paid to the imported construction workers). Pyramid denied that there would be any imported construction workers, by the way. Pyramid's consultants never were able to show that any retail sales in the shopping center would be from "out-shopping": their lack of methodology in estimating "out-shopping" required the careful reader to conclude that there may not be any "out-shopping" from the Capital District that can be captured, and that the Pyramid project has no special means of capturing any "out-shopping" that may exist.

But all of this is old hat--this was all testified to by others and myself, subjected to cross-examination, and generally accepted as being correct. Pyramid failed to show that there is any "out-shopping" as well as failing to show that the project would capture any out-shoppers. It's unfortunate that Flanagan did not attend the Hearings: he would have had the opportunity to cross-examine the witnesses and discover directly that there is no reason at this time to believe that either out-shoppers exist or that Pyramid can capture them.

The claimed socio-economic (by which Flanagan appears to mean community) benefits of the Pyramid project stem from the claimed \$95 million in new retail sales. Without new retail sales, then all retail jobs at the Pyramid stores are mere transfers from other retail stores in the region, all sales taxes paid by Pyramid store customers are mere transfers from other stores, and nearly all property taxes paid by Pyramid stores are mere transfers from other retail stores. There is no gain to local or state or federal government if taxes which were paid from Colonie stores are paid from Guilderland stores. There is no gain if all the jobs which were in Westgate or Northway shopping centers are now in a Guilderland shopping center. And there is no gain if all the water taxes, sewer taxes, income taxes, building fees and licenses paid to governments by one shopping center are then paid by another shopping center. These are mere transfers. A seven percent sales tax that was paid at Colonie is, after the closing of the Colonie store and its re-opening in Guilderland, paid at the Guilderland store. The local governments get exactly the same amount of money as before and in exactly the same proportions. Guilderland gets no more money than they did when the sale occurred in Colonie and Colonie gets no less. Quite accurately, such transfers only take a given amount of money out of one pocket and put it another pocket of the same pair of pants.

Such transfers cannot make the wearer of the pants any richer.

The property tax is a little different----and worse! The site of the proposed Pyramid project,, its nearly 200 acres, ~~pays~~ property taxes. Its four dozen or so homes, retail stores, stables, and other businesses receive some Town government and special district services and pay some taxes. If the Pyramid project is an economic failure, and that is quite likely, the project would pay no property taxes. Vacant bankrupt property pays no property taxes: retail stores pay taxes on the basis of their "returns" basically, their profits. Without profits, there are no property taxes. And failure of the Pyramid project is likely-- given the lack of an adequate road network and the enormous anger of the community towards the Pyramid project. A marginally successful Pyramid project may pay some property taxes: possibly less than what are paid by the residences, retail stores, and other businesses, ^{now} on the 200 acre site. So-- do not count the property tax receipts from the Pyramid project until the check is cleared!

As for the claimed benefits from construction jobs, the New York Department of Labor reports that in February 1977 construction employment in the Albany SMSA was 7,700 (some 2.5 percent of nonagricultural employment). February 1977 was about the time that the draft EIS was being composed. However, current data indicates that construction employment in the Albany SMSA is up some 44 percent from the 1977 data (this is for November 1980, the most current data available). Obviously, the increase in construction employment had nothing to do with the Pyramid project, and while the construction industry is not yet at full employment, the construction industry is not dependent only on Pyramid for improvements in the labor market.

Flanagan's letter mis-states the role of the advisory committee. The Hearing provided documents clearly showing the role of the Ad Hoc Advisory Committee to be that of 'studying' the data sources and computational methods used by the Pyramid consultants. The documents clearly indicate that the Ad Hoc Committee did not endorse the data or computational methods.

Flanagan's letter claims that the phased opening of the Pyramid project "in no way diminishes" the value of the economic benefits provided by the project. WRONG! As any economist would be happy to tell Flanagan, a dollar today is of more value than a dollar tomorrow-- partly because of inflation, and partly because of lost earning opportunities by not having the dollar earlier. If Flanagan does not believe this, he might want to tell his bank that they need not pay him interest on his account. The point is that the phased opening reduces all benefits-- if there are any benefits. Phased opening may also reduce the costs or raise them, but Flanagan does not address this point at all, and what is important is the net effect of benefits and costs from the phased opening. Since there are no benefits, phased opening will ~~aff~~ affect the costs, but in what way is not known.

Without the Pyramid project, the present site remains a tax paying resource, and one that might be used for some worthwhile project. Once the Pyramid project is built, the site is destroyed for alternative uses for a long time-- even if the project is an economic failure. Failure of the Pyramid project will increase the costs to the community in other ways-- It can be certain that all other shopping centers in the area will file for lower property taxes as soon as the Pyramid project opens. The local assessor is powerless to stop it-- the courts will grant lower assessments just as soon as vacant stores begin to appear in the shopping centers.

Flanagan's argument is spurious. Most of it is conditional on the Pyramid project being able to create retail sales in excess of what would have been made in the region without the project. The documents and testimony clearly indicate that such a result is not probable-- the region does not need Pyramid. The \$95 millions is a mere figment of somebody's imagination-- developed to charm and to soothe but not based on fact. Do not be fooled. Use your powers of observation: if there was a reasonable way to increase retail sales in the region(not merely transfer them from one shopping center to another) why wouldnot the present shopping centers expand to fill the void? There is much empty land behind the Northway project and to the north of the Colonie project and to the northeast of the Mohawk project and so forth. The proposed project is but one more example of a too aggressive corporation attempting to capture a given market and ready to destroy property values, homes, and communities for its personal benefit. No one in public office, not the Governor, not the Commerce Commissioner, not anyone, wants a socially destructive project to be built. Everyone wants to avoid Love Canals, public housing projects which no one will live in, and empty schools and abandoned parks and private housing. Without overwhelming evidence that the Pyramid project will capture new sales for the region, it is wise and it is conservative to not grant any of the permits to the Pyramid company for the construction of their project.

Sincerely,

Donald J. Reeb

Donald J. Reeb

5 Warrenton St

Northwell, NY 12203

as a judge is what for myself

PS: I believe that the foregoing are substantive and significant issues which require a continuation of the adjudicatory proceeding. I look forward to a prompt response to this letter.

Don *Reeb*

CC: Service List

Edwin Vopelak, Chief Hearing Officer, EnConNYS

Don Snider, Finley Kimble etc.