Scrubtini for stadium funding

State leaders are questioning whether plan for Jets to borrow more than $1B violates New York City law

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ALBANY BUREAU CHIEF; Staff writer Bryan Virasami contributed to this story.

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ALBANY -- With a $2.2 billion price tag, half of which could be underwritten by taxpayers, the proposed West Side stadium would be the most expensive sports facility ever built and the recipient of a record public investment.

But the size of those figures and the intricacies of the taxpayer subsidies are stalling the plan's approval in Albany because legislative leaders say the deal being pushed by Gov. George Pataki and Mayor Michael Bloomberg includes dubious practices.

"Everything that they've done was designed to stay away from legislative approval on a city and state basis," said one state legislative staffer who did not want to be identified, but who has been meeting with stadium backers.

State and city borrowing, along with tax-exempt bonds, would cover more than $1 billion of the Jets' costs, but state leaders are questioning more than ever if the costs are justified.

A vote by the Public Authorities Control Board, which is controlled by Pataki, Assembly Speaker Sheldon Silver and Senate Majority Leader Joseph Bruno, could come as early as Friday, clearing the way for much of the financing. Two scheduled votes have already been postponed.

Responding to reluctance to commit to the stadium in Albany, Bloomberg at a Queens parade Sunday, said he wasn't worried. "I'm optimistic that the speaker and the majority leader and the governor will all come to the conclusion after they've done all of their due diligence that this is one of the most important economic development projects in the city."

Attempt to evade votes

Despite his buoyancy, the stadium's financing plan has prompted warnings from legislative analysts, economists and other watchdogs, who charge that
Pataki and Bloomberg are seeking to grant the Jets an unprecedented subsidy with as few legislative checks as possible.

Critics say that, in an attempt to evade votes by the State Legislature and the City Council, Pataki and Bloomberg agreed to create one or more local development corporations, run jointly by the city and state, that would borrow $1.05 billion on the football team's behalf.

The stadium deal's architects say it is an effort to insulate taxpayers by making off-budget agencies liable for the financing, but the ways that borrowing would be repaid have raised alarms.

Bloomberg has promised that the city would pay $300 million of the stadium's costs. But he intends to take payments in lieu of taxes - commonly known as PILOTs - that some developers pay instead of real estate taxes, from other development projects and use them to repay the money the city borrows for the stadium.

The City Council has challenged the move, saying the mayor cannot unilaterally divert the money. But in a battle that seems destined for the courts, Bloomberg's lawyers assert that the mayor controls PILOTs because they are special contracts, not typical revenue.

Frank Mauro, executive director of the Fiscal Policy Institute, a government watchdog, has questioned Bloomberg's motives in seeking to divert the PILOTs. Mauro said the plan seeks to circumvent city law.

"It's an essential concept of democracy that a legislative body has the power of the purse," Mauro said. "It seems the mayor is buying into something where the ends justify the means."

Subsidy or not a subsidy

Another part of the financing is a plan for the development corporations to borrow $450 million in tax-exempt bonds to help the team pay for the stadium. Instead of paying real estate taxes, the Jets would use their own PILOTs to pay back the city and state, which are borrowing $450 million at reduced interest on the team's behalf.

Watchdogs have called this a subsidy, but the Jets disagree, saying they would still be liable in the long term.

Thad Sheely, the Jets' vice president of development, said the city and state proposed the tax-exempt borrowing to save the team $70 million that is now going to pay for two pedestrian bridges and a concourse that would steer stadium crowds to the Hudson River.

"The public is going to have an ownership interest in the building," Sheely said.

Still another element of the plan is the state's $300 million commitment. After requests from state legislative leaders about the income required to back the
bonds, Pataki's aides said last week that the stream may come from income taxes.

Charles Gargano, chairman of the Empire State Development Corporation, the state's development agency, said revenue generated by the stadium would easily cover the city and state debt.

"Player salaries alone is a huge amount of income tax," Gargano said. "And then you have sales tax on tickets ..."

MTA suit looms large

The stadium is also jeopardized by lawsuits that claim the Metropolitan Transportation Authority, which owns the site on which the facility would be built, gave a sweetheart deal to the team when it approved the Jets' $250 million bid although the authority had appraised the property at $900 million. The State Supreme Court is to rule on those suits Thursday. To the team's credit, experts on sports stadia note that owner Woody Johnson is making a record private contribution of as much as $1.6 billion as the team looks to end its lease at the Meadowlands in time to move to Manhattan for the 2009 season.

"One thing that I believe has gotten lost in the mix here is that the Jets' owner is putting a tremendous amount of money at stake on the project and taking the marketing risk himself," said Marc Ganis, a Chicago-based sports consultant.

The stadium proposal is also the centerpiece of the city's 2012 Olympics bid. Pataki and Bloomberg want approval by the Public Authorities Control Board before the International Olympic Committee decides the host city July 6.

Legislative analysts who are monitoring the issue closely in the state capital express strong doubts that the project will receive Albany's blessing by July 6 because of the questions raised over the public financing and the MTA's decision.

And while the stadium's boosters have pitched the plan as the savior of the city's Olympics bid, a little-known fact has been largely left out of the debate. The stadium would need to be retrofitted at additional cost to accommodate a 400-meter running track. NYC2012, the nonprofit leading the bid, estimates that will cost $140 million - a cost it would pick up. The conversion could also trigger a host of federal reviews because a redesigned stadium would jut out over the West Side Highway - a federal thoroughfare.

Prying out information

That detail is among a list of facts about the stadium that have been revealed over time, but only because of prodding from legislative staff. As recently as last week, legislative analysts indicated the team had been too tight-lipped.

"We haven't gotten a complete set of answers yet," Silver, a Manhattan Democrat, said last week. "I think it's important for the public to understand
the extent of the subsidies no matter what we ultimately do."

Last week, Bruno, a Brunswick Republican, received a 10-page response from the Jets, Pataki, Bloomberg and bankers underwriting the project about his staff’s questions. But Bruno complained that the memo still did not fully address the requests.

"It's the first time ever that someone asked us to vote with as little information as we have had ... and they're just basic questions," said Bruno, who has called on Pataki and Bloomberg to participate in a public meeting with legislative leaders to air issues surrounding the proposal.

With the stadium site on the West Side of Manhattan, the construction and real estate costs are among the highest in the world, compelling a larger public subsidy than the country has ever seen, said Robert Baade, a professor at Lake Forest College in Illinois. But as more cities try to convince residents that sports facilities are good investments, Baade said the public is becoming more savvy about using public money to help pay for them.

"When they become more educated," Baade said, "There's more resistance and the financing becomes very important."

Staff writer Bryan Virasami contributed to this story.

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