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The Proposed Financing for the New York Sports and Convention Center as Described in the November 4, 2004, General Project Plan

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The Fiscal Policy Institute (FPI) is a nonpartisan research and education organization that focuses on the broad range of tax, budget, economic and related public policy issues that affect the quality of life and the economic well-being of New York City and State residents. FPI has not taken a position for or against the New York Sports and Convention Center, also known as the proposed Jets Stadium. Our focus has been on the implications of the proposed Stadium financing on the New York City and New York State budgets.

We are very concerned about both the extent of public subsidy to the construction and operation of the Stadium and the fact that there are far too many unanswered questions about the financing of the project given this stage of its consideration. The lack of clear information regarding the financing and the extent of public subsidy for the Stadium seriously complicates making a well-informed decision regarding the proposed Stadium project.

We also note that this lack of adequate financing information is true as well for other large, proposed developments in New York City, particularly the redevelopment of the Hudson Yards area and the Brooklyn Atlantic Yards mixed use project.

There are several aspects of the proposed Stadium financing about which far too little clear information has been provided:

(1) Value of the air rights over the MTA rail yards. The MTA should receive fair value for this very desirable parcel, a value that is admittedly difficult to establish in the absence of an open, competitive bidding process. The value should certainly reflect the fact that it is likely the city will make significant investments in mass transit and other public infrastructure in the Hudson Yards area and that the surrounding area will see substantial high-density commercial and residential development within the next few years. It is troubling that public comment on the ESDC proposal for financing the Stadium will close today without details of the value of the air rights being made public.

(2) Justification of the need for tax exempt status for the “Jets Bonds”. The project plan calls for a joint city/state-created Local Development Corporation (LDC) to issue $400 million in

tax-exempt "Jets Bonds". The project plan presents no rationale for why tax exempt financing is needed for a large portion of the Jets investment.

(3) Repayment for Jets Bonds out of PILOTS. The project plan calls for the Jets to pay off the $400 million in Jets Bonds plus interest out of PILOT payments that otherwise would have gone to the city, the state or the MTA. The project plan does not provide a justification for this and does not indicate what will happen if the Jets fail to make such payments. Will the city's credit standing and/or the state's credit standing be compromised in the event the Jets fail to make these payments?

(4) Source of funds to repay city's $300 million shares of "Public Sector Bonds". Neither the project plan nor, to date, the city, have indicated what funding sources will be used to repay the city's $300 million (net of interest costs) contribution to the construction of the platform and the Stadium roof. The public has a right to know what funding streams will be diverted for this purpose before this financing plan comes up for a final vote by the ESDC board. In this regard, we are also troubled by the plan's reference, in footnote 2 on page 7, to the City assumption of the State's counterpart $300 million obligation in the event the state legislature "does not authorize the appropriation of funds for ESDC to pay rent to the LDC" (i.e., debt service payments on the state's share of the Public Sector Bonds). This strikes us as a highly unorthodox provision that raises serious questions about this element of the financing.

(5) Sales tax and mortgage recording tax exemptions. The project plan states that the project will benefit from a sales tax exemption for the construction and fit-out and a mortgage recording tax exemption "as a result of public ownership of the Platform and the NYSCC". These exemptions are part of the opportunity costs associated with this particular plan and should be quantified and counted as part of the public subsidy to this particular project. Alternative uses for this site may or may not have necessitated such subsidies.

Before the ESDC Board begins its final consideration of the proposed project plan, it is important that these and other questions regarding the financing that have been raised be addressed so that the public has the benefit of more complete information about this project.

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