

Testimony of Good Jobs New York

Bettina Damiani, Project Director

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Oversight – Status of Yankee Stadium Replacement Parks

Good afternoon Chairwoman Foster and members of the Committee. Thank you for inviting me to testify today regarding the replacement of parks taken for the new Yankee Stadium. My name is Bettina Damiani and I direct Good Jobs New York a project of the Fiscal Policy Institute with offices in New York City and Albany and Good Jobs First, based in Washington, DC.

For the past three years, Good Jobs New York has been a consistent critic of the undemocratic processes associated with the new Yankee Stadium project. This project was successful only because of a clandestine process by public officials that permitted the transfer of 22 acres of public park space to the New York Yankees. This also cleared the path for what has become an \$800 million hit on the taxpayer. An itemized list of subsidies is attached.

Sadly, there is little the community or this council can do to return the park to its neighbors and the loss of public dollars to the taxpayer. However, park advocates will explain today how you can help to remedy the situation in this grossly underserved neighborhood and Good Jobs New York asks you to take steps to lessen the fiscal blow and to help ensure that the misguided policy of subsidizing sports facilities does not repeat itself.

**Stand up against the team's demand for more subsidies**

The Yankees, the wealthiest team in American sports, and only second in the world to the soccer team Manchester United, has managed to convince officials to give it nearly a

billion dollars in tax breaks. In addition to getting tax-free bonds, the team will pay no rent and no property, sales or mortgage recording taxes on the new Yankee Stadium. This should leave the wealthiest team in baseball more than capable of paying the remaining costs associated with the completion of its new stadium. But it is asking for more.

The Yankees have reportedly requested an additional \$350-\$400 million in tax-free financing on top of the approximately \$940 million the team received in 2006 from the New York City Industrial Development Agency, (IDA). In order for the team to obtain additional bonds, the Bloomberg Administration will again have to advocate for a change in the United State Internal Revenue Service code that would permit that these bonds to be used for a sports facility. This is in direct contradiction to the 1986 Tax Reform Act that denied federal financing of stadiums.

In 2007, the Bloomberg Administration, on behalf of the Yankees (and the Mets) managed to convince the IRS that its rules for how tax free bonds can be repaid are loosely defined and that the city should be allowed to publicly finance the construction of the new stadiums. The IRS code states bonds can only be paid back by funds that resemble taxes. But the baseball teams are repaying their bonds with PILOTS, which are Payments in *Lieu of Taxes*. What makes this public financing scheme particularly unique is the payments are structured towards the repayment of the bonds, not to what the taxes on the property would be.

It is frustrating to watch city officials spend significant efforts in Washington in an attempt to secure additional financing for a baseball team while the city has a litany of infrastructure and social needs. We urge you and the New York Congressional delegation to ask the IRS to deny further financing of sports facilities by filling this loophole.

### **Don't auction off future funds**

In March of 2006 the New York City Industrial Development Agency estimated that the salvaging of the stadium would provide \$10 million to the city.<sup>[i]</sup> We understand the costs associated with the demolition of such a stadium won't permit every part of the stadium to be eligible for auction. But, considering the New York Yankees are one of the

most emblematic hometown sports teams in the world we hope the \$10 million is a gross underestimate. We would appreciate any efforts by the council to investigate more recent estimates by the city to help create a clearer picture of the project's finances.

Any monies from auctioning off Yankee Stadium should be used to fill the budget gap at the Department of Parks and Recreation due to the Yankee project and establish a trust that would guarantee the future maintenance of the new recreational space and the remaining parks in the neighborhood. It should not be a monumental task – the current stadium is on city owned property making a strong case that the proceeds from its salvaging should go to the city, not the Yankees.

The New York City Economic Development Corporation is overseeing the auctioning off of parts of the old stadium. We encourage the EDC to make public the total value of proceeds from the auction and how much will go into the General Fund or to the Department of Parks and Recreation. We ask the council to request a detailed accounting from the EDC.

### **The \$800,000 question**

In a successful effort to gain zoning and other approvals from the council in 2006, the team promised to allocate \$800,000 a year for 40 years to non-profit organizations in the Bronx. Yet, because of a slow start and political squabbles, only \$12,000 has been allocated.<sup>[ii]</sup> It should be an easy lift for a percentage of \$800,000 - or a new financial set aside from the team - to be contributed yearly to a parks trust to ensure their maintenance. For a team that manages a payroll of \$200 million<sup>[iii]</sup>, a small set aside for neighboring parks is not an unreasonable request.

### **Jobs promises opaque. Subsidies blurry.**

The stadium project moved forward under the claim that it would create badly needed jobs in the Bronx. It is certainly true that the area needs good jobs, but there is little academic research that proves the development of stadiums creates permanent, good paying jobs (even less so for a stadium that is moving *across the street* from its current location as it is in this case). We urge you to investigate whether the Yankees' promise

of hiring locally has been achieved. The Bloomberg Administration, as far as we know, has not confirmed the Yankees' claims that at least of quarter of jobs and contracts have gone to local residents and businesses.

GJNY has done extensive research to quantify the tremendous subsidies bestowed upon the Yankees. However some figures remain unclear. In particular, and what we hope will be clarified by today's hearing, are the exact cost overruns for the replacement and temporary parks in the area. Also, the estimated value of tax breaks associated with the approximate \$940 million of tax exempt bonds varies by \$100 million.

Thank you for the opportunity to speak with you today.

[i] New York City Industrial Development Agency, March 9, 2006 Cost/Benefit Analysis for Yankees Ballpark Company.

[ii] Juan Gonzalez, "Bronx officials' deal with Yankees on stadium has become a joke", June 19, 2008 New York Daily News

[iii] ESPN, <http://sports.espn.go.com/mlb/teams/salaries?team=nyy>