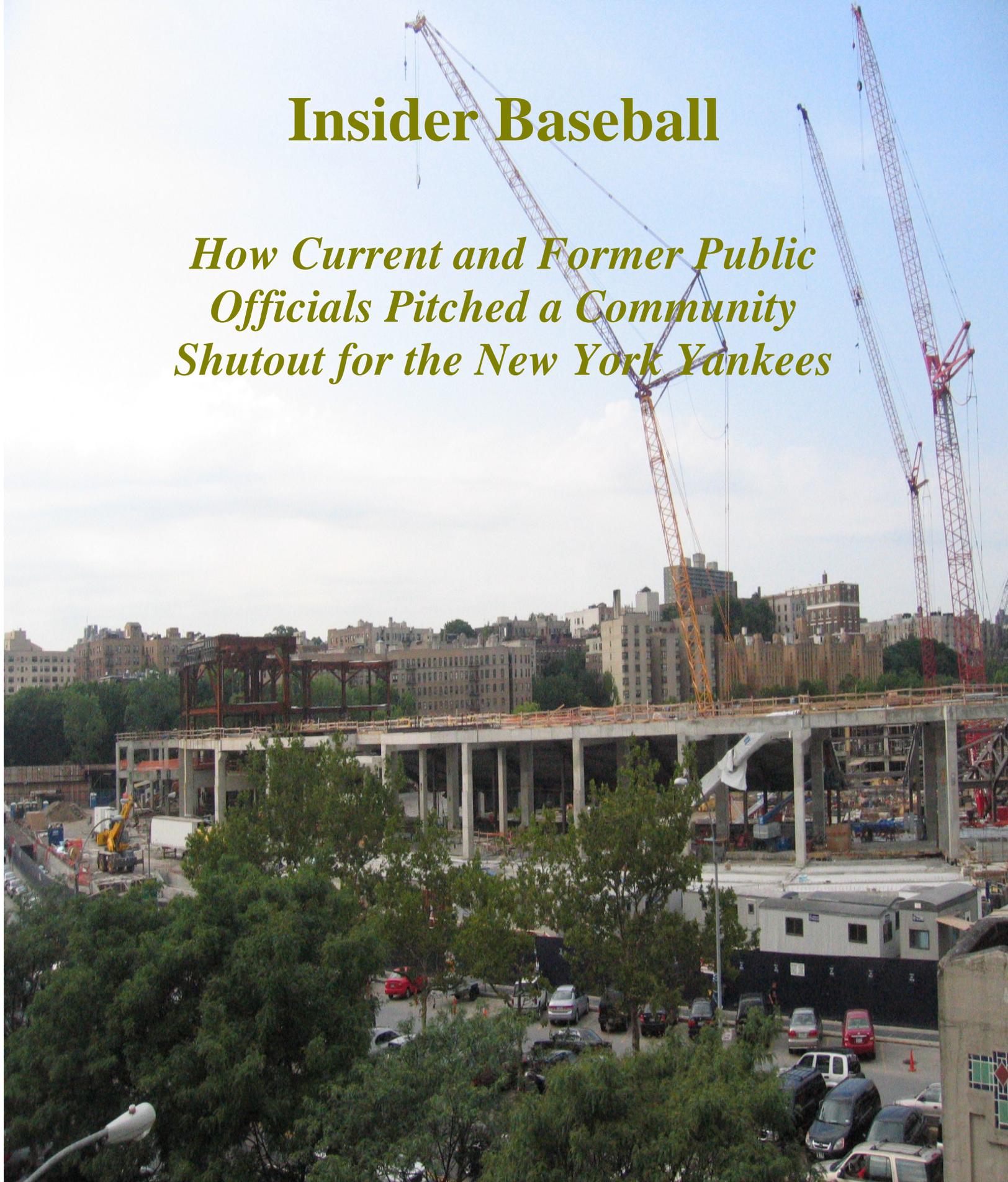


# Insider Baseball

*How Current and Former Public  
Officials Pitched a Community  
Shutout for the New York Yankees*



## **Acknowledgments**

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## **About Good Jobs New York**

*GJNY investigates and publicizes the way in which public resources are allocated in the name of corporate retention. With this knowledge we hold government officials and companies accountable to taxpayers.*

GJNY is a joint project of the Fiscal Policy Institute (FPI) and Good Jobs First (GJF). FPI ([www.fiscalspolicy.org](http://www.fiscalspolicy.org)) 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 State residents. Good Jobs First ([www.goodjobsfirst.org](http://www.goodjobsfirst.org)) is a non-profit, non-partisan national resource center for constituency-based groups and public officials, promoting corporate and government accountability in economic development and smart growth for working families.

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Cover photo: Construction of new Yankee Stadium is well underway where 22 acres of parks once stood. July 2007.

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## Executive Summary

To seize public parklands, win rapid permitting, and land massive taxpayer subsidies for their new stadium in the South Bronx, the New York Yankees hired numerous former public officials and benefited from the actions of a few current elected officials to play insider baseball, shutting out Bronx residents and New York City taxpayers.

In a secretive, undemocratic process that climaxed in a lightning series of events in June 2005, these past and present officials helped the Yankees seize 22 acres of heavily used public parks and win development subsidies exceeding half a billion dollars. City municipal records, lobbying declarations, legal documents, project plans and corporate filings reveal that the heavy hitters include:

- Former Mayor Rudolph Giuliani, who approved millions of dollars in subsidies to the team including a \$21 million rent reduction and whose firm, Giuliani Security and Safety, is listed in court documents as a security consultant for the stadium;
- Randy Levine, former Commissioner of the Office of Labor Relations and then Deputy Mayor for Economic Development under Mayor Giuliani, and now President of the Yankee organization;
- Roberto Ramirez, former Bronx Assembly Member and Bronx County Democratic Chair and now of the Mirram Group, who reported lobbying his former colleagues on behalf of the

Yankees;

- Stanley Schlein, a Bronx political operative since the Koch Administration, and an attorney for the Bronx Democratic Party who worked for Assembly Member Rivera while also chairing the civil service commission until Mayor Bloomberg refused to reappoint him after public concerns were raised about his conduct as a judicial appointee.

Numerous other former public servants and officials – once responsible for protecting the public treasury – now work at firms whose priority is the Yankees’ pocketbook. For example:

- Joseph Seymour, former executive director of the Port Authority of New York and New Jersey and now senior vice president at the Community Initiatives Development Corporation (conduit for the garage financing);
- Bruce Serchuk, a partner at the firm Nixon Peabody (a firm listed in public documents as being retained as bond counsel for *both* the Yankees and the New York City Industrial Development Agency) and a former senior technical reviewer at the Internal Revenue Service;
- Howard Safir, Giuliani’s former police commissioner, now of the firm SafirRosetti, is listed in court documents as a security consultant for the project; and

- Frank Chaney and Melanie Meyers, former officials at the New York City Department of City Planning, now work for the firm Fried, Frank, Harris, Shriver & Jacobson which was paid to lobby the Planning Commission and other agencies on behalf of the Yankees.

Together with others, revolving-door players helped the most valuable sports franchise in America score over half a billion dollars in subsidies. With no public hearings and hurried votes in both Albany and New York City, they also ensured the Yankees could abruptly seize 22 acres of Macombs Dam Park and parts of Mullaly Park, popular recreation places in the poorest Congressional district in the United States and one of New York's highest asthma-rate neighborhoods.

The new Yankee stadium project undermined democratic planning principles and benefited the Yankee's profit margin over the employment, recreational and public health needs of the community. Despite the opposition of the local community board and a "no" vote from the City Council member representing the neighborhood around the stadium, the project was rammed through so hurriedly that community members were only allowed to weigh in after major decisions had been made.

Providing subsidies for this project, particularly the massive parking garages that have already received \$70 million of state funds, dealt a grave blow to the community's quality of life. The tree lined Macombs Dam and Mullaly Parks

were heavily used by local residents and children from 20 schools. Today, the construction of the stadium is well underway and the former parks are occupied by cranes and bulldozers. Public officials promised interim parks (temporary open space while the replacement parks are constructed) would be opened shortly after construction began in August 2006 but they became a reality only recently.

The deal grossly violates the Bloomberg Administration's commendable proposals for sustainable development and reduced greenhouse gas emissions as outlined in PlaNYC2030. By destroying open space and subsidizing fans to attend games by automobile (while ignoring a nearby transit station), the new stadium and its huge new garages will increase traffic in a community already plagued by auto-induced asthma.

Taxpayer subsidies for the project are still flowing: the City is offering to further subsidize thousands of stadium parking spaces on the former park lands by allocating \$190 million in civic facility bonds. The IDA has held a public hearing on the garage financing but has yet to vote on the project.

Our findings do not suggest any illegal behavior or conflicts of interest. But they do reveal a large, costly redevelopment project that was rushed through the public approval process without meaningful participation from the community or clearly defined benefits to residents and taxpayers. Public faith in government is eroded when private corporations hire

former government officials and use their expertise and influence to evade participatory planning and established economic development principles.

To guarantee there's no replay of the Yankee Stadium fiasco, Good Jobs New York offers policy options to protect residents' rights.

### **Honor Land Use Policies and the Community Boards**

New York City has a strong democratic planning process on the books (called the Uniform Land Use Review Procedure or ULURP). It should be embraced, not gamed.

Major decisions on this project (the seizure of the park land, the types of public subsidies offered for example) were privately agreed to by the Yankees and public officials in the project's Memorandum of Understanding (MOU)-- a copy is available at [http://www.goodjobsny.org/yankeestadium\\_mou.pdf](http://www.goodjobsny.org/yankeestadium_mou.pdf). Agreements should not be negotiated without the consultation of the local community board and until details of proposals are made available and mandated public hearings are held.

### **Disclose the Revolving Door**

Just as elected officials must reveal the companies or partnerships from which they receive income in financial disclosure statements, developers seeking land use approvals or development subsidies should be required to disclose in applications the names of all former government officials involved in the project (either as direct employees or as

consultants or lobbyists), including their public and private positions and dates of public service.

### **Extend the Cooling-Off Period**

To reduce the revolving-door influence problem, the City should extend to three years the time period which former elected officials and agency personnel must wait after leaving office before they can work as lobbyists or with firms involved directly on projects involving their public-sector jobs. Currently, the City's conflict of interest law has loopholes permitting public officials to immediately go to work at firms that do business with the city.

### **Scratch the Parking Garages**

City and state officials should act on their stated city-wide commitment to fund public transportation *as an alternative* to driving. Recently officials pledged funds to build a Metro North train station near the Yankee stadium. With an estimated 10,000 fans per game choosing Metro North to get to games, the number of proposed parking spaces can be substantially cut back and park land restored.

## Nine Days in June

It was June 2005, and residents of the South Bronx enjoyed the return of summer while playing in their cherished Macombs Dam and Mullaly Parks. They had no idea that in these waning days of the legislative session in Albany city and state representatives were stealthily preparing to introduce “emergency” legislation in Albany that would seize the parks.

On June 15, 2005, city and state officials quietly signed a “Memorandum of Understanding” (MOU) with the Yankees committing land and subsidies for the stadium project. The officials agreed to make a “collaborative effort to seek State legislation as quickly as possible” authorizing the construction of both the stadium and large garages on public parklands, with the Yankees assuming “primary responsibility for gathering” the support of local elected officials.<sup>1</sup>

That weekend, the bills were introduced in the state legislature by Bronx Assembly Member Carmen Arroyo and Queens State Senator Frank Padavan, and on Monday, June 20<sup>th</sup>, the City Council passed a “home rule message” sponsored by Bronx City Council Members Joel Rivera and Helen Foster requesting that the state move forward (Foster, who represents the stadium neighborhood and is chair of the Council Parks Committee, would later vote against the land-use approvals for the project).<sup>2</sup> By June 23<sup>rd</sup>, both houses of the state legislature had unanimously approved the legislation, effectively sealing the fate of the parks.

Neighborhood residents had never been informed that such a land grab was being considered. There had never been any public hearing on the proposal, nor had the local community board yet been advised or consulted.

Dumbfounded and outraged, residents organized to protest the deal’s remaining formalities. But the land seizure was the biggest hurdle and meant the deal was almost certainly done.

The Yankees are a popular and storied part of New York City, as emblematic of the metropolis as the Statue of Liberty or the Brooklyn Bridge. But the nation’s most valuable sports franchise, we found, is also a politically entrenched entertainment corporation well fed at the public trough.

This report is a follow-up to Good Jobs New York’s February 2006 *Loot, Loot, Loot for the Home Team* (available at [www.goodjobsny.org](http://www.goodjobsny.org)) report on the stadium deal’s public subsidies that investigates the web of political connections that enabled the Yankees to shutout Bronx residents and New York City taxpayers.

## Background: The New Yankee Stadium Plan

The Yankees are building a \$1.3 billion stadium one block north of their existing location at East 161st Street and River Avenue in the Bronx. The project includes the construction and rehabilitation of 9,000 parking spaces. The stadium and garages are being built on 22 acres of heavily used public park land, including all of Macombs Dam Park and parts of Mullaly Park that were quietly seized – the technical term is “alienated” – by the City Council and State legislature in June 2005.

The local community board subsequently held hearings and voted against the plan. The board’s resolution concluded that “the alienation of the parkland is against the interests of the community and its children,” citing health concerns associated with increased traffic, lack of community input into the plan, and the dangerous precedent of turning over public parkland for private use in the heart of a residential community.<sup>9</sup>

Despite the community board’s official role in the city’s Uniform Land Use Review (ULURP) procedure, its vote is only advisory and was ignored by

Borough President Adolfo Carrión, who submitted his approval of the project to the City Planning Commission in December 2005. In April 2006, the City Council overwhelmingly approved the overall land-use scheme for the stadium despite opposition from Council Member Helen Foster, who represents the district where the stadium is situated (although as

mentioned in the previous section, Foster initially co-sponsored the legislation requesting that the parks be alienated). Carrion would later remove members of the community board who voted against the plan.<sup>10</sup>

When the community group Save Our Parks challenged the taking of the parkland in court, a state judge dismissed the case partially based on the city’s promise to build interim parks during the construction phase of the project.<sup>11</sup> Today the new stadium construction has displaced children from more than 20 local schools and countless residents that used the parks. The interim parks were opened recently, months after the date initially promised.

Ground was broken in August of 2006 and the team expects the stadium to be ready for the 2009 season.

<b>Taxpayer Subsidies</b>	<b>Amount (millions, present value)</b>
<b><u>City Subsidies</u></b>	\$384.1
Direct subsidies for land/infrastructure	\$203.9 <sup>3</sup>
Forgone property taxes, sales taxes, and income taxes on bond interest	\$166.8 <sup>4</sup>
Rent rebates	\$13.4 <sup>5</sup>
<b><u>State Subsidies</u></b>	\$108
Direct subsidies for garage construction and stadium maintenance	\$74.7 <sup>6</sup>
Forgone sales taxes and income taxes on bond interest	\$33.3 <sup>7</sup>
<b><u>MTA Subsidies</u></b>	\$51.2
<b><u>Federal Subsidies</u></b>	\$120.2
Forgone income taxes on bond interest (for stadium and garages)	\$120.2 <sup>8</sup>
<b>Total</b>	<b>\$663.5</b>

**What Will it Cost?**

Although the Yankees have repeatedly boasted that the construction of the stadium will be privately financed, subsidies for the project stand at half a billion dollars in direct grants, tax breaks, interest rate discounts, and infrastructure improvements.

This includes a cost increase of \$80.4 million which was recently revealed in the Fiscal Year 2008 New York City Executive Capital Plan.

By the city’s own calculations, the stadium will not generate enough new revenue to cover the over half billion dollars of subsidies. Many of the 900 new “permanent jobs” will be seasonal and low-wage, generating paltry “ripple effects” and making it difficult to justify such a lavish expenditure of tax dollars.

While most of the subsidies were approved by the Bloomberg administration, Mayor Rudolph Giuliani shortly before leaving office in 2001 authorized the Yankees for the next five year to deduct up to \$5 million a year of stadium planning costs from their rent payments to the city. Official documents since uncovered reveal that over \$200,000

of those “planning costs” were spent on high powered consultants who lobbied the city and state for even more subsidies.

These documents were obtained by GJNY pursuant to a New York City Freedom of Information Law Request. Copies of the billing records submitted to the city are

available as an online appendix to this report: [www.goodjobsny.org/yankee\\_planning\\_expenses.pdf](http://www.goodjobsny.org/yankee_planning_expenses.pdf)

**NYC’s Controversial Internal Revenue Service Ruling**

The New York City Industrial Development Agency (IDA) won a landmark ruling from the Internal Revenue Service (IRS) to issue nearly \$900 million in low-interest, triple tax-exempt bonds to finance the construction of the stadium, saving the Yankees an estimated \$172 million in interest.<sup>16</sup>

The law firm Nixon Peabody represented the IDA in its dealing with the IRS.<sup>17</sup> Incredibly,

the firm is also listed by the Yankees in court documents as their “bond counsel,” as discussed in Chapter 6: The Stadium Turnstile.

The Federal Tax Reform Act of 1986 repealed the use of tax-exempt private

<b><u>Fiscal Benefits</u></b>	<b>Amount (millions)</b>
<u>City new tax revenue/savings</u>	\$178.5
Stadium construction/operations (see GJNY’s report <i>Loot, Loot, Loot for the Home Team</i> for an analysis of why this estimate for new tax revenue is overstated)	\$96.2 <sup>12</sup>
Parking garage construction and operation	\$56.8
Rent/maintenance savings (net savings resulting from the city no longer being responsible for maintaining the new stadium and no longer collecting rent from the team)	\$15.5 <sup>13</sup>
Salvage value of current stadium (i.e. selling of stadium seats)	\$10 <sup>14</sup>
<u>State/MTA new tax revenue</u>	\$137.2 <sup>15</sup>
<b>Total Revenue</b>	<b>\$315.7</b>

activity bonds for sports facilities. But Congress, apparently intending to preserve tax-sheltered financing for multi-use, publicly owned arenas, did not repeal the tax exemption for bonds that are paid off with tax dollars. (Private activity bonds, such as industrial revenue bonds, are paid off by the corporation benefiting from the loan, not from general municipal tax revenues. Because bond buyers will accept a lower interest rate when it is exempt from federal, state and city income taxes, companies can borrow money at interest rates roughly 25 percent lower than taxable bonds.)

City lawyers submitted a request to the IRS for a special ruling allowing payments-in-lieu-of taxes (or “PILOTs”) to be considered the legal equivalent of taxes for the purpose of servicing the bond debt and providing the Yankees with tax-free bonds.<sup>18</sup> This argument contradicted statements made by the New York City Corporation Counsel as well as the City’s Budget Director in testimony before the City Council in spring, 2005 when they outlined financing for the massive development proposed for Manhattan’s Far West Side.<sup>19</sup>

In June 2006, the IRS granted the City’s request despite language in its own regulations that seemed to contradict the ruling.<sup>20</sup> Hailed as the “deal of the year” by *Bond Buyer*, the leading national trade publication on bonds, the maneuver drew the attention of Congress. The Committee on Oversight and Government Reform’s Subcommittee on Domestic Policy held a hearing in March, 2007 at which IRS

Chief Counsel Donald L. Korb was questioned at length about the process and substance of the decision.<sup>21</sup>

Despite this attention, in April 2007, the IDA proposed issuing another \$190 million of tax-exempt debt to finance the construction of the stadium’s three parking garages, which the city predicts will create 20 permanent full-time jobs. Although the state contributed \$70 million to the garages, the Economic Development Corporation acknowledged that its first Request for Proposals (RFP) was not “economically viable,” and the second RFP only received two responses (the IDA is the bond issuing arm of the EDC).<sup>22</sup> With the financial viability of the garages in doubt, the IDA dubbed them a “Civic Facility Project” in order to legally issue tax-exempt bonds for their construction.

The IDA needed a not-for-profit organization to act as a conduit for such tax-exempt financing and selected Bronx Community Initiatives Development Company (BCIDC). BCIDC is a “special purpose” LLC whose sole member is the Community Initiatives Development Corporation, a non-profit corporation with operations in six states that apparently exists to secure tax exempt financing for various projects including parking garage companies.<sup>23</sup> Its Senior Vice President, Joe Seymour is the former Executive Director of the Port Authority of New York and New Jersey.<sup>24</sup> The New York City Industrial Development Agency has held a public hearing on the garage project; read testimony from the hearing at

[http://www.goodjobsny.org/yankeestadium\\_garages\\_news.htm](http://www.goodjobsny.org/yankeestadium_garages_news.htm).

Stuart Gaffin, an Associate Research Scientist at the Center for Climate

A description of CIDC and its subsidy proposal is in chapter 7: What is BICDC And Why Does It Want our Tax Dollars?

***The Stadium Through the Eyes of PlaNYC2030***

In December 2006 Mayor Bloomberg announced an ambitiously “green” agenda dubbed PlaNYC2030, including aggressive targets for reducing greenhouse gas emissions, promoting transit use, and improving quality of life. However, the Yankee stadium project violates the Administration’s vision for a sustainable city.

Trees mitigate global warming by converting CO<sub>2</sub> into oxygen. Yet the Yankee Stadium project replaces trees with synthetic turf, contrary to PlaNYC. Synthetic turf, often made of recycled rubber, contains potentially carcinogenic materials.

Public Advocate Betsy Gotbaum has unsuccessfully pushed for the Parks Department to study the potential health risks of synthetic turf.<sup>25</sup> According to

**What is PlaNYC2030?**

PlaNYC is a major initiative by the Bloomberg Administration to make New York City a more environmentally sustainable city by the year 2030. Announced in December of 2006, the ambitious plan includes dramatic proposals to benefit New Yorkers by: promoting increased and improved access to public transportation, reducing car traffic, creating more open space and affordable housing, improving air and water quality, and cleaning up chemically contaminated properties (i.e., brownfields), among others.

The plan has been widely recognized as a major achievement by a variety of environmental and advocacy organizations. The comprehensive website offers additional details: [www.planyc2030.org](http://www.planyc2030.org)

Systems Research at Columbia University, synthetic turf is “un-naturally warm” and initial studies found “heat islands” above such turf in New York City, with temperatures over 140 degrees.<sup>26</sup> Safe plans for disposing of the potentially hazardous turf also need to be considered since the lifespan of synthetic turf is approximately 10 years.

The long term maintenance of current and replacement parks is also a concern. This is especially true for low-income neighborhoods like the South Bronx.

Numerous park advocacy reports have documented inadequate park maintenance, most recently a June 2007 report by Citizens Budget Commission with support from New Yorkers For Parks which stated: “All parks are not kept in acceptable condition, and parks in poorer neighborhoods are more likely to be in worse condition than parks in wealthier neighborhoods.”<sup>27</sup>

## **Warm-ups: Randy and Rudy in the Luxury Box**

As mayor from 1994 through 2001, Rudy Giuliani anointed himself the Yankees' #1 fan. And he certainly earned the title. A life-long pinstripe fan who grew up in Dodger country in Brooklyn and Long Island, Giuliani as mayor repeatedly advocated for building a new Yankee Stadium on the Far West Side of Manhattan.

Giuliani's Deputy Mayor for Economic Development, Planning and Administration from 1997 to 2000 was Randy Levine, who would become president of the Yankees in 2000. Levine and Giuliani were colleagues at the U.S. Department of Justice early in their careers. Giuliani first named Levine his Commissioner of the Office of Labor Relations, a position he took after serving as chief labor negotiator for Major League Baseball (MLB).<sup>28</sup> As Deputy Mayor, Levine spent much of his time promoting the West Side stadium proposal. He also received a waiver from the New York City Conflict of Interest Board allowing him to keep a consulting contract with MLB. A copy of the waiver is available as an online appendix to this report: [www.goodjobsny.org/yankees\\_levine\\_coi.pdf](http://www.goodjobsny.org/yankees_levine_coi.pdf)

The Giuliani Administration eventually backed away from the West Side stadium plan for lack of public support. But amidst the debate, Giuliani granted the Yankees a \$5 million annual rent reduction to pay for new "stadium planning" expenses (the City technically owns Yankee Stadium).

This rent reduction was hammered out by Levine, who by then was working for the Yankees, and his successor Deputy Mayor for Economic Development Robert Harding. The definition of planning expenses was left so broad that it included an audacious clause allowing the Yankees to use at least \$200,000 of the savings to pay lobbying expenses. Copies of the billing forms submitted to the city are available as an online appendix to this report:

[http://www.goodjobsny.org/yankee\\_planning\\_expenses.pdf](http://www.goodjobsny.org/yankee_planning_expenses.pdf)

Private citizen Giuliani may be benefiting financially from the Yankee project in the Bronx. According to an affidavit the New York Yankees filed in a federal lawsuit initiated by the community group Save Our Parks, Giuliani Security & Safety a division of Giuliani Partners and one of Giuliani's post-mayoralty private ventures serves as a security consultant for the new stadium. Another firm, SafirRosetti, run by Giuliani's former police commissioner Howard Safir, will also serve as a security consultant. Details of the contracts including their value have not been made public.<sup>29</sup>

According to the most recent federal campaign disclosure report, Yankee officials have already contributed \$16,300 to Giuliani's presidential campaign.<sup>30</sup>

After Levine left City Hall to become president of the Yankees organization, his cozy relationship with his former boss did not go unnoticed. Mike Lupica, one of New York's preeminent sports writers, wrote upon Levine's departure: "It is now

completely official that Steinbrenner's private box at the Stadium has become an annex to Giuliani's City Hall." <sup>31</sup>

The decision by the Yankees' aging owner George Steinbrenner's to step back from the day-to-day operations of the team meant Levine was in charge of delivering the new stadium.

## **Filling out the Roster: Former and Current Public Officials**

The location and massive public financing of the new stadium were possible because the Yankees convinced government bodies that are established to guard the public coffers to instead act for the benefit of the franchise.

New York City legislators, as in other big cities, often defer to the city council member or state legislator who represents the affected area when voting on large development projects. Officials will rarely criticize or vote against a project that is not in their borough or district; in exchange, they receive unquestioned control of their own projects. Thus the Yankees had only to convince the Bronx borough delegations. The central institution of Bronx politics and the key to the Yankees' plan for taking over the parks was the borough's Democratic Party organization, which has been led by State Assembly Member Jose Rivera since 2002.

Moments before the June 2005 alienation vote was about to begin, a state assembly member raised questions about interim parks. The sponsor of the legislation, Assembly Member Carmen Arroyo responded, "I recommend you take the package that Mr. Rivera is offering today." It is unclear what the package consisted of or who negotiated it.<sup>32</sup>

Jose Rivera's son Joel Rivera is a Bronx Council Member and the Council's Majority Leader. Joel Rivera co-sponsored the City legislation to seize the

parks that was voted upon three days later.<sup>33</sup>

Despite a 1989 change to the city charter that reduced the overall power of the five Offices of Borough President, land use policy remains one of the central functions of each office. Borough President Adolfo Carrión's support for the Yankee stadium project was critical in terms of moving it through the land-use review process and limiting objections from other elected officials.

To help gain the backing of these leaders, the Yankees hired former Bronx elected officials and public servants as lobbyists and donated to Bronx political campaigns.

The Yankees' lobbying roster included the consulting firm Mirram Group, led by former Bronx party boss Roberto Ramirez (Jose Rivera's predecessor) and über-operative Stanley Schlein.

### ***Mirram Group***

The Yankees paid Mirram Group, a political consulting and lobbying firm run by former Bronx Democratic Party boss and Assembly Member Roberto Ramirez, \$301,900 in the first quarter of 2006. This was the single largest lobbying fee registered in the city last year.<sup>34</sup>

Ramirez was elected to the state assembly in 1990 and became the first Latino to lead a county political organization in the state when he became chairman of the Bronx Democratic Party in 1994. He is widely credited with reviving a party organization that grew weak amidst the borough's economic decline and

demographic changes in the 1970s and 1980s.<sup>35</sup>

In 1998 after his terms in Albany, Ramirez founded Mirram Group and the firm quickly became a major player in Democratic politics. It delivered big for the Yankees by securing the support of the state legislature and city council. Ramirez's firm was responsible for encouraging city council members to vote for the plan even though terms of the rumored "Community Benefits Agreement" between the Yankees and Bronx officials had not been made public.

### *The Natural*

Stanley Schlein has a decades-long pedigree within Bronx politics. The Yankees paid Schlein \$83,000 to lobby the Mayor's office, the City Council, the Bronx Borough President, the Department of Parks, the Department of Finance, and office of Deputy Mayor Dan Doctoroff.<sup>36</sup> He helped win City Council passage for the stadium plan by brokering a deal in which the Yankees agreed to give 25 percent of jobs to Bronx residents while annually donating for the next 40 years \$800,000 worth of cash grants and free tickets to the community through "a person of prominence" to be selected by the Bronx politicians.<sup>37</sup>

The annual donation is the main feature of the "mitigation agreement" (erroneously dubbed a "community benefits agreement") by the Yankees and elected officials. The deal has been criticized by local residents as a "slush fund" for the Yankees to wield continuing influence in the community, and for failing to include

accountability measures or community representation. In addition, the Building Trades Employers' Association claims the agreement made local hiring commitments without its knowledge.<sup>38</sup>

Stanley Schlein has been a fixture in Bronx politics since the Koch administration and is widely regarded as having enormous influence within the Democratic Party and city government. Last year, he worked as the main lawyer for the Bronx Democratic establishment, as an Assembly staffer for Jose Rivera, as chairman of the city's Civil Service Commission, as a lobbyist for the Yankees, and as a court appointed lawyer for the incapacitated.<sup>39</sup>

Schlein served as a key operative in lining up political support for the new stadium. Randy Levine told the *New York Times* that Schlein "knows his way around. He was instrumental in helping us frame the issues in getting our legislation through and dealing with the community."<sup>40</sup>

In February 2006, state court officials barred Schlein from accepting guardianships and other judicial appointments, citing "conduct incompatible with the appointment and/or unsatisfactory performance."<sup>41</sup> Months later, Mayor Bloomberg chose not to reappoint Schlein as chairman of the Civil Service Commission, which is the agency considered "the guardian of the merit system."

In October 2006, it was reported that the Federal Bureau of Investigation's Public Corruption Unit was investigating the real

estate dealings of Schlein and Jose Rivera.<sup>42</sup>

### ***The Essential Borough President***

Ironically, Bronx Borough President Adolfo Carrión early in his tenure chided subsidized stadium proposals, saying: “It has to be schools over stadiums. It has to be our children first.” But by 2005, he became one of the project’s biggest cheerleaders.<sup>43</sup> The Borough President’s support for the project was critical and Yankee officials worked hard to garner it.

Yankee President Levine gave Carrión \$2,000 for his 2005 re-election campaign, according to New York City Campaign Finance Board records.<sup>44</sup> Carrión is the only local Democrat to whom Levine, a Republican, has contributed. The YES Network and its employees also contributed \$9,850 in 2003 to Carrión’s 2005 re-election.<sup>45</sup> The YES Network is a cable television station owned by the Yankees’ holding company.<sup>46</sup>

Executives at Tishman Speyer, the developer of the stadium, also contributed to Carrión. Chairman Robert Tishman gave Carrión \$1,000 in May of 2003 and its managing director of development Valerie Peltier contributed another \$1,000 in March of 2004.<sup>47</sup>

### ***The Lobbyists’ Lineup***

The Yankees spent over a million dollars on high-powered lobbyists on the federal, state, and city levels to help usher the stadium project through the obstacle course of approvals needed.

**Federal:** Due to land use issues and the financing structure, the stadium project required the approval of several federal agencies: the National Park Service, the Army Corps of Engineers, and the Internal Revenue Service. The Yankees targeted the feds by hiring Michael Rossetti, a lobbyist from the law firm Akin Gump Strauss Hauer & Feld LLP (“Akin Gump”), to lobby the U.S. Department of Interior, where he had previously worked. Yankee President Randy Levine also serves as Senior Counsel at Akin Gump.<sup>48</sup>

Because the Department of the Interior, through the National Park Service (NPS), had paid for improvements to Macombs Dam Park in 1979 under the Land and Water Conservation Fund, the NPS was required by federal law to approve the plan to replace the park. The project could not move forward unless the NPS determined that the replacement parkland was of equal or greater value and that “all practical alternatives” were considered before the parks were seized.<sup>49</sup>

Correspondence between state and federal officials indicates that the NPS initially expressed concern about the parkland swap. NPS agent Jean Sokolowski wrote in a May, 2005 e-mail, “Develop[ing] recreational facilities atop two of the garages is a questionable LWCF option.” Over the ensuing months, NPS officials corresponded regularly with representatives from the city, state, and the Yankees, and eventually decided not to conduct their own assessment of the land swap and instead relied on the city’s Environmental Impact Statement.<sup>50</sup>

In April 2006, NPS official Jack Howard told *Metro* newspaper that the city's plan to break ground on the stadium in the coming months was unrealistic and that the process could be lengthy. In a startling turn of events, the NPS approved the parkland conversation on June 17, 2006, about two weeks after it officially received the proposal from state officials.<sup>51</sup>

In the period between January 1 and June 30<sup>th</sup>, 2006, Akin Gump was paid \$20,000 by the Yankees to lobby the Department of the Interior, the cabinet agency that includes the NPS.<sup>52</sup> Lobbying reports indicate that the Yankee work was handled by former U.S. Congress Member and now Akin Gump Senior Advisor Bill Paxon and partner Michael Rossetti. Paxon represented the Buffalo area from 1989 to 1999 and chaired the National Republican Congressional Committee. Rossetti was counselor to the Interior Secretary until 2004 and had previously worked for Governor Pataki's Office of Advocate for Persons with Disabilities.<sup>53</sup>

**State:** The Yankee organization spent just over a million dollars between 2003 and 2006 lobbying city and state agencies for the new stadium, according to a report by Common Cause/NY. The Common Cause report also notes that the Yankees' owner, president, and chief operating officer have contributed a total of \$25,600 to the campaigns of city and state politicians key to stadium development since 2003.<sup>54</sup>

New York City public relation firms were also paid to lobby public officials. Brian R. Meara Public Relations and Rubenstein

Associates, two prominent PR firms were enlisted by the Yankees.<sup>55</sup>

Assembly Member Jose Rivera leads the Bronx state delegation, but no legislation hits the floor of the State Assembly without the nod of Speaker Sheldon Silver, who represents Lower Manhattan and the Lower East Side. The Yankees hired Brian Meara's public relations company to specifically woo the Assembly Speaker.<sup>56</sup> Meara is reportedly a close personal friend and adviser to Silver.<sup>57</sup>

In his lobbying disclosure filings with the state, Meara reveals a tidy triangle of New York politics. He was working for Powers & Company, the lobbying firm run by former state Republican committee chairman William Powers, who is now a New York co-chair for Giuliani's presidential campaign. According to records from the state's Temporary Commission on Lobbying, the Yankees began paying Powers & Co. \$16,000 a month in February 2002 to lobby state and local officials and have renegotiated the terms each year since.

Copies of Powers billing documents submitted to the city are available at [www.goodjobsny.org/yankee\\_powers.pdf](http://www.goodjobsny.org/yankee_powers.pdf)

Powers & Co. then subcontracted to Meara's firm at a rate of over \$6,000 per month for the 24 months of 2005 and 2006.<sup>58</sup>

**City:** To ensure the proposal was cast in the best light possible Rubenstein & Associates, a major public relations firm

in New York was paid \$8,500 in 2006 to lobby the mayor's office on behalf of the Yankee organization.<sup>59</sup> As discussed elsewhere in this report, others lobbied City Hall and numerous public agencies on behalf of the Yankees: Mirram Group; Fried, Frank, Harris, Shriver & Jacobson; and Stanley Schlein.

## The Stadium Turnstile: Familiar Faces Win Government Approvals

In addition to the elected members of the State Legislature and the City Council, the Yankee stadium deal required approvals from various city agencies and staff. Once again, the Yankees hired firms with former insiders who knew the city's planning and development process from their years as public servants. Specifically, the Yankees targeted the Planning Commission, the Department of Parks and Recreation, and the City Council.<sup>60</sup>

The degree of each individual's involvement is not always evident, but the connections include:

**Fried, Frank, Harris, Shriver & Jacobson:** A law and lobbying firm specializing in land use matters, was according to public records paid by the Yankees \$180,000 in 2005 and \$227,290 in 2006 to court the Planning Commission, City Council and Department of Parks and Recreation.<sup>61</sup>

The Fried Frank officials sent to lobby the Planning Commission certainly know their way around the Department of City Planning. Frank Chaney, a real estate associate at Fried Frank, used to be a deputy director at the Department of City Planning. According to his bio on the firm's website, he was also an assistant

commissioner and administrative city planner at the New York City Citywide Administrative Services and a member of the New York City Economic Development Corporation (EDC) board.<sup>62</sup> Chaney served as the Director of Land

Use for Staten Island Borough President Guy Molinari from 1998 to 2003.<sup>63</sup>

Another Fried, Frank partner who lobbied the Planning Commission was Melanie Meyers, who served as general counsel to the Department of City Planning under Giuliani from 1994 to 1998.<sup>64</sup>

Stephen Lefkowitz, a real estate partner for the firm and son of former longtime state Attorney General Louis Lefkowitz, put his vast public sector experience

to work for the Yankees as a lobbyist and lawyer. According to billing documents that the firm submitted to the Yankees, Lefkowitz attended numerous stadium meetings and helped the draft the Memorandum of Understanding for the project. Copies of the billing documents are available as an addendum to this report. Between October 6, 2004 and December 20, 2004, Lefkowitz logged in 52 hours on the project. This work cost taxpayers \$36,849 due to the Yankees ability to deduct planning expenses from their rent payments to the city.

Lefkowitz, who worked as a lawyer for the New York State Senate and Urban Development Corporation in the 1970s, has more recently served as outside

**Fried, Frank, Harris, Shriver & Jacobson LLP,** whose history dates back to the beginning of the last century, is one the nation's largest law firms with clients and offices worldwide. Fried Frank's clients range from multinational corporations to local and foreign governments.

counsel for developers or public agencies in some of the city's largest redevelopment projects, including Times Square, Battery Park City, the Time Warner Center, and Bruce Ratner's Brooklyn Metrotech and Atlantic Yards projects.

**Nixon Peabody LLP** is one of the largest multipractice law firms in the United States, with offices in sixteen cities and approximately seven hundred attorneys collaborating across twenty-five major practice areas.

Copies of Fried, Franks billing documents submitted to the city is available at [www.goodjobsny.org/yankees\\_fried.pdf](http://www.goodjobsny.org/yankees_fried.pdf)

**Nixon Peabody:** Possibly hitting the biggest public financing home run in recent years, this financial services law firm helped win the IRS ruling that enabled the Yankees and the Mets to receive a combined \$1.4 billion in triple tax-exempt financing for the construction of their stadiums.<sup>65</sup>

While Nixon Peabody pursued the IRS ruling on behalf of the New York City Industrial Development Agency, the Yankees *also list retaining* Nixon Peabody as "bond attorneys" to perform work "vital" to the new stadium.<sup>66</sup>

According to the *New York Observer*, Nixon Peabody Partner and tax-exempt bond specialist Bruce M. Serchuk helped

craft the financing structure. Prior to joining Nixon Peabody, Serchuk worked in the Office of the Chief Counsel at the IRS and in the Office of Tax Policy at the Treasury Department.<sup>67</sup> According to the Nixon Peabody website, while at the IRS

Serchuk was responsible for drafting and reviewing private letter rulings and technical advice memoranda, including rulings regarding private activity bonds.<sup>68</sup>

As discussed above, the tax-exempt bonds for the stadiums were approved by a

private letter ruling from the IRS, in apparent contradiction of the intent of a 1986 federal tax reform law.<sup>69</sup>

**Sive, Paget & Riesel:** Several partners from this prominent environmental law firm have histories at the New York City Department of Law environmental division. Yankee billing documents indicate that the firm was involved in drawing up the team's amended lease agreement with the city and court documents associated with the Save Our Parks lawsuit indicate they performed "work vital" to the new stadium also.<sup>70</sup>

**Sive Paget & Riesel** is a full service environmental law firm that specializes in environmental impact review and litigation. The firm has a client base of major corporations, environmental groups, and federal, state, and local government agencies and municipalities throughout New York State.

Partner Michael Bogin's biography for the law firm states that he led the litigation section of the state Attorney General's Office of environmental protection. From

1993 to 1995 he was deputy assistant chief of the environmental law division for the New York City Law Department. Steven Russo, a partner at the firm, was deputy chief there at the same time.<sup>71</sup> Another partner, Mark Chertok has been special environmental counsel for EDC and the Empire State Development Corporation (ESDC).<sup>72</sup>

Partner David Paget defended the Yankees in Federal Court in 2006 against Save Our Parks.<sup>73</sup> Paget has also advised the ESDC in its environmental review of the Brooklyn Atlantic Yards project, previously worked for its developer, Forest City Ratner until October, 2005. A New York State Supreme Court Justice initially dismissed Paget as the ESDC counsel, calling it “a severe, crippling appearance of impropriety.” The decision was later overturned.<sup>74</sup>

Copies of Sive Paget billing documents submitted to the city is available at [www.goodjobsny.org/yankees\\_sive.pdf](http://www.goodjobsny.org/yankees_sive.pdf)

**Tishman Speyer:** Tishman Speyer was hired by the Yankees to construct the stadium. Tishman’s manager for stadium development, Anthony Mannarino, was the former head Executive Vice President of the New York City Economic Development Corporation from 1990 through 1994, and served as Acting President in 1994.

**Tishman Speyer Properties** is one of the leading owners, developers, fund managers and operators of real estate in the world. It owns properties such as Rockefeller Center and the Chrysler Building.

Copies of Tishman Speyer’s billing documents submitted to the city are available at [www.goodjobsny.org/yankees\\_tishman.pdf](http://www.goodjobsny.org/yankees_tishman.pdf)

## **What's BCIDC and Why Does It want our Tax Dollars?**

Even though the new stadium will have fewer seats than The House Ruth Built, the Yankees apparently expect to attract many future fans from distant parts of the City and from the suburbs; hence their stadium plan calling for massive amounts of new parking space. While it will enjoy the rewards of greater auto access, the team won't bear the risk of operating the garages.

On April 4, 2007 the New York City Industrial Development Agency held hearings on \$190 million in tax-exempt "civic improvement" bonds for a firm to build and rehabilitate 9,000 parking spaces adjacent to the new stadium.

The firm, Bronx Community Initiatives Development Corporation LLC, was established in March 2007 immediately prior to its application with the NYCIDA signed in March. BCIDC is not a Bronx organization nor can it be said to have been initiated by the community. Instead, it is a "special purpose" limited liability company whose sole member is a national entity, the non-profit Community Initiatives Development Corporation (CIDC). CIDC works in multiple states and exists to secure tax exempt financing for a variety of developments, a small portion of which are parking garages. CIDC is headquartered in Hudson, New York over 100 miles north of the stadium and apparently it has never worked in the Bronx before.

CIDC's senior vice president, Joseph Seymour, is the former executive director of the Port Authority of New York and New Jersey.<sup>75</sup>

CIDC's President William Loewenstein was a strategic partner with incentives procurement advisors Stadtmuer Bailkin Biggins, LLC, until 2006<sup>76</sup> (Biggins is a former executive director of New York City's Office of Economic Development, and was later appointed Commissioner of Ports, International Trade and Commerce.)<sup>77</sup>

Loewenstein is currently a "market team member" with the successor firm Stadtmuer Bailkin Economic Development Group (SB-EDGE). One of Stadtmuer Bailkin, LLP's specialties involves securing economic development subsidies for corporate clients; it is listed on the New York City Industrial Development Agency's core application for the parking bonds as legal counsel for CIDC.<sup>78</sup>

One of Stadtmuer Bailkin's managing directors, Jane Orlin, has promoted herself as having written incentive guidelines while she was an employee of the New York City Economic Development Corporation.

In addition to the Yankees parking garages, CIDC has taken on other risky projects using taxpayer dollars, some of which have failed. The Syracuse Industrial Development Agency (SIDA) issued \$7 million in tax-exempt bonds for CIDC to build a senior citizen apartment complex in the city. The complex opened

in 2001 but CIDC had trouble renting the apartments – city officials believed the rent was too high. CIDC defaulted on the mortgage, forcing a change in ownership just one year after the complex opened.<sup>79</sup>

Syracuse also lost public money on a risky project facilitated by CIDC's president, William Loewenstein. In 1999, Loewenstein – who was paid \$57,000 per year by the city to help recruit new businesses – introduced Syracuse officials to a California manufacturing company, Spectrum MedSystems Corp. The company had existed since 1994 with no history of profitability. Spectrum was supposed to create 400 jobs and it received about \$2 million in loans from the city. The company ran out of money and the factory never opened, leaving the city responsible for the loans; some had been borrowed from the federal government. In 2002 Syracuse's new economic development director ended the city's 21-year consultancy with Loewenstein. According to the Syracuse *Post-Standard*, the new director said he knew of no company Loewenstein recruited that had ever created a job in Syracuse.<sup>80</sup>

## **Conclusion and Policy Options**

The Yankees employed firms with a small army of former public officials to help win a huge land grab and subsidy package at the expense of Bronx residents and city, state and federal taxpayers.

For our metropolis to flourish, the interests of the profit-driven real estate entities must be balanced with the needs of all New Yorkers. Significant undertakings, like Mayor Bloomberg's recently proposed PlaNYC, need real citizen participation to flourish. Good Jobs New York offers these policy options:

### **Honor Land Use Policies and the Community Boards**

New York City has a strong democratic planning process on the books (called the Uniform Land Use Review Procedure or ULURP). It should be embraced, not gamed.

Major decisions on this project (the seizure of the park land, the types of public subsidies offered for example) were privately agreed to by the Yankees and public officials in the project's Memorandum of Understanding (MOU)-- a copy is available at [http://www.goodjobsny.org/yankeestadium\\_mou.pdf](http://www.goodjobsny.org/yankeestadium_mou.pdf) Agreements should not be negotiated without the consultation of the local community board and until details of proposals are made available and mandated public hearings are held.

### **Disclose the Revolving Door**

Just as elected officials must reveal the companies or partnerships from which they receive income in financial disclosure statements, developers seeking land use approvals or development subsidies should be required to disclose in applications the names of all former government officials involved in the project (either as direct employees or as consultants or lobbyists), including their public and private positions and dates of public service.

### **Extend the Cooling-Off Period**

To reduce the revolving-door influence problem, the City should extend to three years the time period which former elected officials and agency personnel must wait after leaving office before they can work as lobbyists or with firms involved directly on projects involving their public-sector jobs. Currently, the City's conflict of interest law has loopholes permitting public officials to immediately go to work at firms that do business with the city.

### **Scratch the Parking Garages**

City and state officials should act on their stated city-wide commitment to fund public transportation *as an alternative* to driving. Recently officials pledged funds to build a Metro North train station near the Yankee stadium. With an estimated 10,000 fans per game choosing Metro North to get to games, the number of proposed parking spaces can be substantially cut back and park land restored.

## Appendix A: Taxpayer Subsidies for the New Yankee Stadium and Parking Garages

<b>City Subsidies</b>	<b>Amount (millions, present value)</b>
Land/Infrastructure/Transit	\$203.9 <sup>1</sup>
Forgone property taxes	\$144.2 <sup>2</sup>
Forgone sales taxes	\$10.5 <sup>3</sup>
Rent rebates	\$13.4 <sup>4</sup>
Forgone mortgage recording tax	?
Tax-exempt bonds for stadium (income tax exemption on bond interest)	\$10 <sup>5</sup>
Tax-exempt bonds for garages	\$2.1 <sup>6</sup>
<b>City Total:</b>	<b>\$384.1</b>
<b>State Subsidies</b>	
Garage construction/infra.	\$70 <sup>7</sup>
Maintenance funds	\$4.7 <sup>8</sup>
Forgone sales taxes	\$11.4 <sup>9</sup>
Forgone mortgage recording tax	?
Tax-exempt bonds for stadium	\$18 <sup>10</sup>
Tax-exempt bonds for garages	\$3.9
<b>State Total:</b>	<b>\$108</b>
<b>MTA-Metro-North Station</b>	<b>\$51.2</b>
<b>Federal Subsidies</b>	
Tax-exempt bonds for stadium	\$100 <sup>11</sup>
Tax-exempt bonds for garages	\$20.2
<b>Federal Total:</b>	<b>\$120.2</b>
<b>Total:</b>	<b>\$663.5 million</b>

<sup>1</sup> 2008 Executive Capital Commitment Plan

<sup>2</sup> Independent Budget Office, "Update to IBO's Analysis of the Financing for the Proposed Yankee Stadium," April, 2006.

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<sup>6</sup> Industrial Development Agency Cost-Benefit Analysis, Bronx Community Initiatives Development Company, April 5, 2007.

<sup>7</sup> MOU, ESDC GPP

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- <sup>15</sup> This figure accounts for all state fiscal benefits related to the construction of the new stadium, parks, and parking garages and the operations of the stadium and garages. The stadium-related benefits were calculated by Economics Research Associates and include revenue from sales tax, personal income tax, hotel tax, parking tax, and other miscellaneous taxes. All of this information is contained in the project’s Final Environmental Impact Statement.

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- <sup>20</sup> Section 1.141-4(e)(5)(ii) of the Internal Revenue Code stated “a payment in lieu of taxes made in consideration for the use of property financed with tax-exempt bonds is treated as a special charge.”
- <sup>21</sup> Copies of testimony available at: <http://domesticpolicy.oversight.house.gov/story.asp?ID=1228>
- <sup>22</sup> Patrick Arden, “Tight Fit,” *Metro*, July 5, 2007.
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- <sup>26</sup> Telephone conversation between Bettina Damiani and Dr. Gaffin June 27, 2007
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<sup>75</sup> Joseph J. Seymour Appointed Executive Director of the Port Authority of New York and New Jersey December 13, 2001, press release from the Port Authority of New York and New Jersey, Press Release Number: 163-2001.

<sup>76</sup> See former webpages for Stadtmauer Bailkin Biggins at <http://web.archive.org/web/20060206224626/www.sbb-incentives.com/people.shtml> . February 6, 2006.

<sup>77</sup> Website of Biggs, Lacy, Shapiro and Company: [www.sbb-incentives.com/people/biggin.shtml](http://www.sbb-incentives.com/people/biggin.shtml)

<sup>78</sup> Application to the New York City Industrial Development Agency, [http://www.goodjobsny.org/Yankee\\_Parking.pdf](http://www.goodjobsny.org/Yankee_Parking.pdf)  
<sup>79</sup> Maureen Sieh, "City Agency Evicts Restaurant, Tenants. City's Director of Operations Signs Eviction Notice for Pavilion on James Complex," *The Post-Standard*, August 21, 2002.

<sup>80</sup> Rick Moriarty, "How a City Loses \$2M Through Bad Loans," *The Post-Standard*, April 13, 2003.