

## **Testimony of Good Jobs New York**

### **Before the New York City Council Committee on Finance**

**April 10, 2006**

#### **Regarding Proposed Public Financing for the New York Yankees**

My name is Bettina Damiani, Director of Good Jobs New York, a joint project of the Fiscal Policy Institute with offices in Albany and New York City and Good Jobs First, based in Washington, DC. Good Jobs New York promotes accountability to taxpayers in the use of economic development subsidies.

Thank you Chairman Weprin and committee members for the opportunity to testify before you today. As we have stated numerous times, GJNY believes the Yankees have every right to rebuild or renovate the stadium and should do so with union workers. But, the community has a right to defend its parks and as fiscal watchdogs we have a right to question the use of subsidies in this project.

Now that Council has approval of the Yankees' ULURP application last week – handing over twenty two acres of public parks for a new stadium and parking garages – it is imperative that this committee use the proposed subsidies for this project as leverage to ensure the ball team keeps the many promises it made to benefit the community. Unless benchmarks and penalties are placed on the proposed financing, this council will give the Yankees a free pass at the expense of the taxpayers.

### *Create Benchmarks & Penalties*

This city is not in a bidding war for the Yankees who haven't threatened to relocate since the 1990s. And why should they? New York is the largest sports and media market in the U.S.; the stadium enjoys exceptional mass transit and highway access and; the Yankees broke the American League attendance record last season with 4.1 million visitors; and are currently the wealthiest sports franchise in the country, earning \$264 million in revenues last year. Valued at nearly a billion dollars, the Yankees have made it rich in the Bronx.

How much is the city willing to spend to move this corporation across the street? Numerous studies by academic economists have demonstrated that new stadiums, especially replacement facilities, do not generate a significant increase in economic activity. One prominent study found that new stadiums had no discernible impact on economic development in 27 of 30 metropolitan areas and had a negative impact in the other three areas. Since the city has decided to move forward with this dubious deal, it should get the best deal it can to represent the interests of taxpayers and the Bronx community.

Claims made about additional tax revenue and jobs created by a new Yankee Stadium depend upon a large increase in fan attendance, but the Yankees broke the American League attendance record last year and new stadium will have fewer seats. Even a city-

sponsored analysis concluded that the construction and operation of the new stadium would generate \$96 million in tax revenue for New York City over 30 years.

This is less than the cost of the replacement parks alone.

### *Stadium in lieu of taxes?*

In 1986 Congress attempted to restrict the use of tax-exempt bonds for stadiums, but left a loophole that stipulated these bonds may be used if the city covers 90% of the bond debt from general revenue sources. The council is being asked to approve that payments-in-lieu of taxes service the Yankees debt on the proposed \$866 million in bonds being issued for the stadium. So the Yankees would pay for the capital cost of the stadium, through public funds that the Council fought for the right to control just last year.

This financing scheme raises two concerns:

1. Do PILOTs qualify as general revenue for the purpose of paying back the tax-exempt stadium bonds? Last year, when the City Council argued that State law requires that PILOT funds be remitted to the city treasury, the Mayor's office disagreed. The resulting compromise gives the Council oversight of PILOT funds, but it is unclear whether they are collected and spent by the city as a general revenue source;

2. Will the payments in lieu of taxes be enough to service \$866 million in debt? At a board meeting of the Industrial Development Agency (IDA) last month City Comptroller William Thompson's representative stated the office had "reservations" over this financing scheme and requested written approval from the Internal Revenue Service. Taxpayers have a right to know the status of the Comptroller's request and for communication from the IRS to be made public.

GJNY would also like to remind the council that the tax-exempt bond financing is just one of many subsidies being proposed for the project. In addition to the over \$200 million being spent on replacement parks, parking garages, and the demolition of Yankee Stadium, the city is proposing sales tax breaks on construction materials, mortgage recording tax breaks, and electing not to collect any form of rent while the team occupies the city's building. GJNY has estimated these costs in a report released last February. Yet, since that time the city's IDA has refused to quantify the value of the tax breaks being offered. This is egregious from a transparency perspective and irresponsible from a fiscal policy perspective.

***Recommendations:***

- Before this committee gives final approval, it must incorporate a written guarantee that requires the Yankees to achieve certain hiring benchmarks in order for them to receive financing. The Yankees claim the stadium will create 900 permanent new jobs and the team has made other commitments regarding first-source hiring. The Yankees should be penalized if these commitments aren't met. This is currently being done under corporate retention deals like Bank of America and Pfizer which were secured under Mayor Bloomberg;

- Say no to public financing for the project until funds for a Metro-North station are secured. According to transit advocates, the state's contribution of \$70 million for parking garages would cover the cost of the new station while diminishing the need for the garages. This resolution would serve the interests of taxpayers and the health of South Bronx residents who have already paid a tremendously high cost in this deal;
- Hold off *any* approval of Yankee subsidies until the financing structure is approved by the IRS.

Thank you for consideration of our testimony.

Team was last valued at \$950 million on Forbes.com MLB Team Valuations for 2005

Robert A. Baade, "Stadiums, Professional Sports, and Economic Development: Assessing the Reality." A Heartland Policy Study. April 4, 1994.

The current Yankee Stadium has 57,545 seats and the new stadium would seat 53,000 with room for a possible additional 1,000 fans with standing-room only tickets.

An analysis by Economics Research Associates

1986 Tax Reform Act - Public Law No. 99-514, 100 Stat. 2085 (October 22, 1986).

“Loot, Loot, Loot for the Home Team: How the Proposal to Subsidize a New Yankee Stadium Would Leave Residents and Taxpayers Behind” is available at [www.goodjobsny.org](http://www.goodjobsny.org).