

Chairman David Weprin

New York City Council Finance Committee

250 Broadway, 18th floor

New York, NY 10007

April 25, 2006

Dear Chairman Weprin:

Good Jobs New York urges you to postpone tomorrow's vote on the Payment in Lieu of Taxes (PILOT) agreements that would provide nearly \$1.4 billion in tax-exempt bonds for the Yankees and Mets. Until the financing structure receives approval from the Internal Revenue Service, it is premature to expect your committee members to vote on this matter. It is also imperative that your committee reviews the city's request for IRS approval.

The 1986 Tax Reform Act established that *tax-exempt bonds may not be used for stadiums* unless the debt is repaid from the city's general revenue sources. The city is proposing to service this debt using payments in-lieu-of property taxes from the Yankees and Mets (the teams would not have to pay property taxes since the stadiums and land would be owned by the city). Since the IRS has yet to issue its determination, it is unclear whether these PILOTs qualify as general revenue.

Last year, during one of your committee hearings the city council sparred with the administration over control of PILOT funds. The Administration argued that the Mayor has the power to dispose of PILOT revenues at his discretion, even though this is outside the budget appropriation process. A compromise was reached that now requires Council approval over the use of PILOT funds, but still, these funds can only be disbursed at the request of the Mayor and wouldn't be transferred to the city treasury.

You may remember that the city's corporation counsel testified at the April 25, 2005 hearing:

“...contractual rights to receive PILOTs in the future, directed by the Mayor pursuant to economic development agreements, are not ‘revenues of the city’.” He continued “...they are therefore not subject to payment into the general fund.”

How then, when the Yankees and Mets come into the equation, are PILOTs general revenue?

Additionally, the Independent Budget Office questioned if the PILOTs would be sufficient to re-pay the bonds. It is clear that these stadium projects deserve more scrutiny from your committee, especially due to the questionable economic benefits and lack of guaranteed revenue streams from the stadiums.

Best regards,

Bettina Damiani

Project Director

Daniel Steinberg

Research Analyst