Loot, Loot, Loot for the Home Team

How the Proposal to Subsidize a New Yankee Stadium Would Leave Residents and Taxpayers Behind

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Acknowledgments:

This report was written by Good Jobs New York Project Director Bettina Damiani and Research Analyst Dan Steinberg who also researched and wrote the fiscal analysis in the "A Numbers Game" chapter.

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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.

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Any errors in the report are solely the responsibility of its authors.

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Executive Summary

Whatever the Yankees want, the Yankees get. That's been the policy of one mayor after another in New York. The richest team in major league baseball wants to build a new stadium, and city and borough officials seem all too eager to subsidize one. But public officials and team executives are throwing taxpayers a curve ball. They are making it seem as if the Yankees are footing the bill for the new facility, but that is far from the truth.

Good Jobs New York's analysis of available information reveals that taxpayers will pay a very high price for the project. Even if the Yankees pay the direct construction costs, the public will face other expenses and lost revenue totaling nearly half a billion dollars. This sum far outstrips the new stadium's projected economic benefits to the city.

There are also serious problems with the process by which the deal has been pushed. It has been marked by top-down, closed-door decision making, and very limited community input. It has also been marred by a covert legislative maneuver in Albany to seize park lands, as the proposed new stadium and parking garages would displace 22 acres of heavily used public park lands in the South Bronx. According to many residents, plans to replace the parks are woefully inadequate.

Given our findings about both costs and process, Good Jobs New York suggests that the entire deal be reevaluated to make sure it is in the best interests of both the residents of the Bronx and all New York taxpayers.

Major findings

Direct and indirect subsidies could exceed $480 million. Public officials and team executives have stressed that the Yankees would cover the $800 million cost of constructing the new stadium, with the city and state contributing about $210 million for replacement parks, parking garages, and infrastructure improvements. But the taxpayer costs are far higher: the Yankees would not be required to pay rent, property taxes, mortgage recording taxes, or sales tax on construction materials. The city and state would also issue tax-exempt bonds to finance the stadium's construction, generating tax-free income for the bond buyers. These additional subsidies will cost taxpayers far more than what has been reported.

The new stadium will not generate enough revenue to cover its cost to taxpayers. The public costs of the project will exceed the stadium's contribution to the city's economy over a 30 year period, as estimated by a report commissioned by the New York City Economic Development Corporation. This finding is consistent with countless previous studies by academic economists who have found that revenues created by new stadiums, especially replacement facilities, do not result in significant economic growth.

Subsidizing this stadium is a costly and inefficient strategy for creating jobs. Even by the city's account, many of the "permanent jobs" created by this project will be seasonal and low-wage.

Compared to other uses of the money, it is difficult to justify spending and foregoing hundreds of millions of dollars in tax revenue for poorly compensated jobs such as ticket takers, ushers, vendors, restaurant workers, and parking lot attendants. Jobs such as these would not effectively address the alarmingly high rates of poverty and unemployment in the stadium's South Bronx community – the U.S. Congressional district with the nation's highest rate of poverty.

The surrounding community has been excluded from the planning process. Despite the massive size of this project, little or no effort was made to include community residents in its development. This top-down approach has created resentment among many residents, park advocates, and transportation groups. Public officials have taken great pains to expedite the public review and subsidy allocation processes while obscuring the deal from local residents. As a result, many residents believe the new stadium would not address the long standing needs and concerns of their community.

The state-legislated seizure of two parks – Macomb's Dam Park and sections of John Mulally Park – sent shockwaves through the area. Together they function as the South Bronx's Central Park, and Macomb's Dam Park would be entirely lost to the stadium and parking garages. The Bronx Borough President and local officials seek to plan replacement parks, but these plans have fallen short of what the community currently has. Instead, smaller parks would be sprawled about the area of Yankee stadium. New recreational space is even proposed for the roofs of the parking garages, not ideal for a neighborhood with one of the highest asthma rates in the city. Other new park space would have to compete with the sounds of elevated subways and shadows from the new stadium.

Public officials must be held accountable. Both Mayor Bloomberg and Bronx Borough President Adolfo Carrion have altered their positions regarding publicly subsidizing this project. And local elected officials State Assembly Member Carmen Arroyo and her daughter, City Council Member Maria del Carmen Arroyo, were instrumental in seizing the parks by co-sponsoring the state legislation and home rule message permitting the Yankees to build a new stadium on top of a public park.

Yankee President Randy Levine is also central to the story. Levine, Deputy Mayor for Economic Development and Planning under Mayor Rudolph Giuliani, knows a great deal about packaging corporate giveaway deals. That administration's proposal to build a new trading floor for New York Stock Exchange, at its height, would have cost over a billion dollars. Even as an aborted deal, it has still cost taxpayers upwards of $122 million. Besides the NYSE boondoggle, over $200 million in subsidies were allocated to some of the wealthiest firms in the country; several media firms even received a second helping.

South Bronx residents live in the poorest Congressional district in the country. In recent months they have actively sought a place at the community planning table. But insiders seem to have set the table long ago. We note that Levine has made $2,000 in campaign contributions to Borough President Carrion and that executives of the Yankees cable television station, the YES Network, have contributed $7,000 to Carrion's campaign.

A recent "community benefit" deal negotiated by the Bronx Borough President for a neighboring project, the Bronx Terminal Market, has set a low bar for future deals.

The New York Yankees and baseball are an integral part of being a New Yorker. The Yankees are an international symbol of a successful sports franchise; people around the world wear Yankee merchandise. New Yorkers love their baseball (don't worry Met fans, your team is up for subsidies too) and by and large Bronxites take great pride in hosting the Yankees. That's why many Bronx residents feel they deserve better from the Yankees and their elected officials.

Public Policy Options

Call the Yankees' bluff. As the largest sports and media market in the United States, New York has terrific bargaining power. This power should be used to insist that the Yankees exhaust every available option – including stadium renovation instead of replacement – with the goals of creating good jobs, lower taxpayer costs, better public health, and more vibrant public parks.

Restart the planning process to include community stakeholders. The stadium deal will never achieve these goals unless the community is genuinely involved in the process. Many Bronx organizations want to participate. It may slow the process a bit, but it would ensure a far better outcome. Delaying the Yankees' desired spring groundbreaking should not be an issue.

Give the renovation option a full hearing. Residents and taxpayers deserve a full exploration of why the Yankees don't want to renovate their current stadium. Public officials should investigate and weigh all other options and make the findings public. A "financial hardship" for three seasons for the Yankees shouldn't drive a permanent blunder for New Yorkers.

Get the figures straight. GJNY's research reveals recurring inconsistencies between city and state agencies on the deal's costs and benefits. A full accounting of both the true subsidy costs and realistic public benefits is necessary for a more informed debate.

Introduction

While former Mayor Rudolph Giuliani literally spent his final hours in office hammering out generous stadium deals for the New York Yankees and Mets, Mayor-elect Bloomberg skeptically remarked, "We'd all like to have stadiums. The question is, how can we afford it?"[1] Despite ensuing budget gaps that the city estimates will reach $3 billion in 2008, Mayor Bloomberg has changed his tune. Today, city and state officials are proposing that taxpayers help fund a new Yankee Stadium through direct subsidies, tax breaks, and infrastructure projects that could cost more than $400 million.

Meanwhile, the South Bronx community that would be most impacted by the project has been largely excluded from the planning process and a city commissioned analysis suggests that the stadium would not generate enough economic growth to offset its cost to taxpayers.

The Project

The New York Yankees hope to build a new stadium one block north of their existing location at East 161 Street and River Avenue in the Bronx. The project would also include the construction of four new parking garages containing approximately 5,000 spaces. The proposed stadium and garages would be developed on public parkland that is heavily used by local residents, including all of Macomb's Dam and portions of John Mullaly Parks which were seized by the New York State legislature in June, 2005.

The Yankees, who drew an American League record 4.1 million fans last season, have not threatened to relocate from New York City since the 1990s. The team is located in one of the most desirable sports and media markets in the world, and the stadium enjoys mass transit and highway access to Northern New Jersey, Westchester, Southwest Connecticut and Western Long Island.

Nevertheless, the city and state are now poised to grant large subsidies for a new Yankee stadium, largely because the Yankees consider the option of renovating their historic stadium as too expensive.

As currently proposed, the financing arrangement for the Yankee Stadium project involves a contribution of over $200 million from the city and state for up front costs including the parking garages, replacement parks, and demolition of the current stadium. The Yankees agreed to pay the $800 million construction cost of the stadium itself, but would not be required to pay rent or property taxes, mortgage recording taxes, or sales tax on construction materials, and would be eligible for discounted energy bills. These additional subsidies will cost taxpayers far more that what has been reported.

In addition, Major League Baseball's basic agreement between teams and players permits the Yankees to deduct all stadium construction debt from their gross revenues, meaning the team could save millions of dollars each year that they would normally be required to split with smaller-market teams as part of Major League Baseball's revenue sharing program.[2]

Proposed Taxpayer Subsidies

CITY	***COSTS***[3]
Replacement parks	$101.3 million[4]
Demolition of the existing stadium	$23.9 million[5]
Acquisition of land and Harlem River waterfront remediation	$4.5 million
Water main relocation	$3.6 million
East 161st Street sidewalk expansion	$500,000
East 161st street retaining wall reconstruction	$700,000
Rent Rebates	$13.49 million
Foregone rent (including maintenance savings)	$103 million[6]
Foregone property tax revenue	$44 million[7]
Mortgage Recording Tax break	$8 million
Energy tax breaks	??
Fund for Yankee's future operational expenses	$4.7 million[8]
Additional reserve fund	$1.7 million (PV of 8.5 million in 30 years)
STATE	***COSTS***
Parking garages	$70 million
"Capital reserve" funds	$4.7 million
Mortgage Recording Tax break	$14 million
CITY AND STATE	***COSTS***
Foregone sales tax revenue on construction materials	$25-30 million[9]
CITY, STATE, FEDERAL	***COSTS***
Tax-exempt bonds	$55 million[10]
	TOTAL $478.09 million

The process by which the stadium plan has been conceived and developed did not include the South Bronx community that would be most affected by the project. To begin, the New York State Legislature quietly seized the public parks before the community had been adequately notified or consulted. Even more troubling, much of this park space will be lost to parking garages which would most likely increase traffic in an area already plagued by some of the highest asthma rates in the country. The plan to replace these parks also reflects the lack of community input, and local groups are enraged that several acres of replacement parks will be located above parking garages – hardly an inviting place for many residents-- and five other acres would be along the Harlem River, over half-a-mile away from the current parks and adjacent to the Major Deegan Expressway.

Public officials and representatives of the New York Yankees tout the proposed stadium as an investment that will create jobs and generate tax revenue for New York City. When Mayor Michael Bloomberg was asked about public expenditures on the project, he responded: “We don’t do subsidies…The city is getting paid back at a profit.”[11] However, the findings of this report clearly demonstrate that the project’s costs outweigh its benefits to taxpayers. In addition, most of the permanent jobs created by the new stadium would be seasonal and low-wage positions, making the stadium an even more questionable subsidy.

Chapter 1
The Team and its History

The New York Yankees are one of the most successful and lucrative franchises in the history of professional sports, with 26 World Series Championship titles and thirty-nine league championships. Having won eight straight division titles, the club is currently at the height of its popularity, setting a new American League attendance record of 4.1 million last season and collecting a league-high $264 million in revenues.[12] The team's payroll at the start of last season topped $208 million, about $85 million higher than any other team. The team that George Steinbrenner purchased for $10 million in 1975 is estimated by to be worth $950 million today.[13]

The Stadium

The New York Yankees were originally called the Highlanders in 1903 because the team played its home games in a hastily constructed structure at Hilltop Park on Broadway between 165th and 168th Streets. In 1913 they were renamed the Yankees and began playing at the Polo Grounds, which was home to the New York Giants baseball team.[14] The acquisition of the immensely popular Babe Ruth led the Yankees to begin planning their own ballpark, and wealthy owners Colonel Jacob Ruppert and Colonel Tillinghast L'Hommedieu Huston purchased ten acres of land in the Bronx bounded by 157th and 161st Streets along River Avenue. Despite the fact that Ruppert had been a four-term congressman and Tammany Hall mainstay, the Yankee owners paid for the entire cost of the new ballpark: $675,000 for the land and $2.5 million for construction.[15]

The new ballpark, which opened on April 18, 1923, was the first to be called a "stadium" and the first built with a triple deck. Dubbed "the house that Ruth built" by the *New York Evening Telegram*, it had a seating capacity of 67,224 and would eventually host New York Football Giants' games, 30 championship boxing fights and visits from Pope John Paul II, Pink Floyd, Billy Graham and Nelson Mandela.

In 1964 the Yankees were sold to the Columbia Broadcasting System, one of the wealthiest companies in the country. Since the 1950s, however, the stadium itself had been bequeathed to Rice University and the land beneath to the Knights of Columbus.

In the early 1970s, despite the ensuing budget crisis that led New York to the brink of bankruptcy, Mayor John Lindsay responded to CBS's threats of moving the team by proposing that the city assume ownership of the Stadium along with the costs of renovation. The Lindsay administration announced plans to refurbish the stadium for $24 million and the stadium was closed for renovation in 1974 and 1975. As it turned out, the $24 million projected cost was vastly inaccurate, and by the time the reconstructed stadium was completed in 1976 the cost had risen to $101 million.

A 1976 *New York Magazine* article that observed, "Some New Yorkers might have wished their $101 million had been spent elsewhere. The increasing number of city residents who won't be able to afford the admission price may not care. But to those who promoted it, built it, and insured it, the rebuilding of Yankee Stadium has been the greatest game in town."[16]

Along the way the city had shifted South Bronx neighborhood renewal funds directly to the stadium, and a *New York Times* investigation speculated that interest, tax exemptions, and parking facilities "may add $150 million to the bill over the next 31 years."[17]

With George Steinbrenner as owner, the Yankees would again threaten to leave in the 1990s. Mayor Rudolph Giuliani, a fervent Yankee fan from Dodger country in Brooklyn, became fixated on building a new Yankee Stadium on the Far West Side of Manhattan. After spending millions of dollars on planning studies and stopping a referendum on the stadium he knew would lose, the project ultimately did not succeed. However, on his way out of office, Giuliani granted the Yankees a sweet lease extension which included millions of dollars in rent reductions intended to pay for new stadium planning studies.

Giuliani also reached tentative agreements with the Yankees and Mets to assist them in building two new retractable-roof stadiums.

At the time, Mayor-elect Bloomberg expressed doubt about whether the city should agree to help pay for the ballparks after the economic impacts of September 11th, saying "We'd all like to have stadiums. The question is, how can we afford it?" As recently as July 2004, a day after *Crain's New York Business* reported that the Yankees wanted to build a new stadium across the street from its existing one, Bloomberg said "It's got to be done with private money."[18] Less than a year later, in June 2005, the city had signed a Memorandum of Understanding with the Yankees detailing the proposed subsidies for the project and Bloomberg lent his vocal support.

Who is pitching for a new Yankee stadium?

The Yankee Stadium project involves a variety of public officials and Yankee executives, including one who has been both. Necessary approvals for the project range from elected officials at the state legislature, city council and the borough president to public benefit corporations like the New York City Industrial Development Agency and the Empire State Development Corporation for the project to move forward. Yet, without the support of the Mayor and Governor the project would not have gotten off the ground.

Yankee President Randy Levine served as New York City Deputy Mayor for Economic Development, Planning and Administration after he was Commissioner of the Office of Labor Relations under Mayor Giuliani. Prior to that, Levine was chief labor negotiator for Major League Baseball, (MLB). Additionally, Levine was a colleague of Giuliani's while at the Department of Justice where they first met.[19]

News reports suggest that George Steinbrenner, the owner of the Yankees has stepped back in recent years, giving the reins of the day-to-day operations of the ball club to Levine.[20]

Levine's experiences in local government and with the Yankees provide him with unusually extensive knowledge of how to access subsidies for economic development projects. While serving as Deputy

Mayor, Levine received a waiver from the city's conflict of interest board to keep his consulting contract with MLB as Deputy Mayor in 1997.[21] The close relationship Levine kept with his former employer did not go unnoticed. Mike Lupica, one of New York's preeminent sports writer 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."[22]

Levine is also Senior Counsel at Akin, Gump, Strauss, Hauer and Feld, a nationally prominent law firm. In fact, it was this position he listed as his employer when he donated $2,000 to the winning campaign of Adolfo Carrion for Bronx Borough President, who has become a vocal supporter of a new stadium. According to the city's campaign finance records Carrion is the only Democrat to whom Levine, a Republican, has contributed.

Other political contributions made to by Levine went to Giuliani's mayoral races (over $4,000) and $850 to the campaigns of Republican officials in Staten Island where the Yankees have a minor league stadium: Susan Molinari's campaign for city council and James Molinaro's campaign for Borough President .[23]

As Deputy Mayor, Levine was involved in numerous non-stadium related economic development projects, including a proposed new 600,000 square foot trading floor for the New York Stock Exchange. Considered one of the city's biggest boondoggles, the now defunct plan called for $1 billion in subsidies. [24]

The project failed, partially due to newly elected Mayor Bloomberg's refusal to allocate funding for the project after the attacks on the World Trade Center.[25] Yet, the aborted project had a serious impact on the city budget, costing at least $122 million. Residents at 45 Wall Street were needlessly evicted to make way for the trading floor that was never built.[26]

The NYSE wasn't the only egregious subsidy deal. An estimated twenty-one firms received subsidy deals worth more than $200 million while Levine was Deputy Mayor for Economic Development including some companies that received a second helping of subsidies: Time Warner Inc., Bertelsmann AG, Bear Sterns, CBS and News America.[27]

These deals were given out in the late 1990's when media firms were flush with cash, making the case for subsidies difficult to justify. Larry Tisch, former chair of CBS told *The New York Times* after receiving a second subsidy, "We never threatened to leave the city, I just wanted us to be treated like everyone else."[28]

Levine's affinity for media firms seems to have come full circle. He recently said: "Really, we're an entertainment company – and a baseball team."[29]

Certainly there's money in entertainment and Levine helped create the YES Network, a cable sports and entertainment station. The YES Network is owned by the Yankees' holding company[30] and its officials have contributed $7,000 to the Bronx Borough President in 2003.[31]

Inside Baseball: Local officials

The city takes sports as business seriously. It even has a New York City Sports Commission to "insure the continuation and growth of a healthy environment for professional, amateur and scholastic sports activities in New York City."[32] In fact, the Yankees and the Mets received a total of $110 million in subsidies to build stadiums for their minor league teams in Staten Island and Coney Island.[33]

While the powers of Borough Presidents were diminished by a 1989 revision of the city charter that dissolved the Board of Estimate, they retain some authority over land use policy. The support of current Bronx Borough President Adolfo Carrion is critical for the Yankees to get a new stadium approved. While we find no record of Carrion being officially opposed to helping the Yankees build a new stadium, he like the mayor initially expressed doubts: "It has to be schools over stadium. It has to be our children first," Carrion said in 2002.[34]

Assembly Member Carmen Arroyo and her daughter Maria del Carmen Arroyo both played important roles for the project by supporting the Yankees plan to build on the parks. Assembly Member Arroyo sponsored the state legislation to remove the parks only after receiving a "home rule" [35] message from the City Council co-sponsored by Bronx Council Members Joel Rivera and Helen Foster.

Chapter 2
From Behind Closed Doors

In June of 2005 the City of New York and two public benefit corporations, the Empire State Development Corporation (ESDC) on behalf of New York State and the Economic Development Corporation (EDC) on behalf of New York City, signed a "Memorandum of Understanding" (MOU) with the New York Yankees.

The document stipulates that public officials will assist the Yankees with navigating the public review process towards a May 1, 2006 groundbreaking. The project is currently behind schedule.

The MOU, available at www.goodjobsny.org, details numerous financial and land use commitments on behalf of the city and state. However, it fails to include figures associated with the total estimated cost of the project or the cost to the Yankee organization. The General Project Plan (GPP) released by the Empire State Development Corporation in mid-January 2006, states the Yankees would pay $800 million for the cost of the stadium. However, this complex project is far more expensive and includes significant contributions from the city, state and federal governments. A full inventory of the costs and benefits of this project are in the third chapter.

It is important to note that the EDC and ESDC are not agencies of the government. They are "public benefit corporations" under contract with the city and state, respectively. They are controlled by staff and political appointees to a board who have most control over the allocation of subsidies and the development of large economic development initiatives like the proposed new Yankee Stadium.

The MOU and General Project Plan are important documents because they detail components of the project such as subsidies and proposed land use actions, but don't preclude officials or the Yankees from following mandated procedures to fulfill the promises in the document. The MOU merely assumes little or no impact from the public will slow down or dramatically alter the project plan. The General Project Plan commences the state subsidy review process.

Having the New York Industrial Development Agency (which is part of the EDC) own the property where the stadium and parking garages would be located – as outlined in the MOU - serves the Yankees two fold; it exempts them from sales and property taxes while facilitating the issuance of tax exempt bonds for the capital costs of the new stadium. It has been reported that up to $800 million in bonds will be allocated.[36] There are costs associated with allocated tax-exempt bonds but without additional details it is difficult to estimate the precise value. However, GJNY estimates that the Yankees will save $55 million in financing costs.

The MOU stipulates that instead of paying property taxes, the Yankees would pay off the debt of the tax exempt bonds through a payment in lieu of property taxes (PILOT), which is normally paid to the city to cushion the blow of the property tax exemption.

Subsidy highlights from the MOU include:

* Direct grants of $92 million: $74.7 million for the construction and design of parking garages $4.7 million from the city and state for to fund a capital reserve when the stadium is occupied and $8.5 million in 30 years for maintenance of the new stadium;

* A property tax exemption of $44 million;

* The Yankees would receive numerous tax breaks including exemptions from mortgage recording taxes, sales and use taxes on construction materials and future capital improvements for a savings of about $47 million;

* The Yankees will no longer be required to pay rent to the city. Instead, the IDA will lease the site from the city for the cost of $1.00 per year. The initial lease will be a term of forty years with staggering aggregates for the remaining 99 years of the deal;

* City taxpayers would finance the search for and construction of new park space to replace Macomb's Dam Park and a section of John Mullaly Park at a cost of $130 million. This figure includes costs such as stadium demolition and the relocation of a water main;

* The state will contribute $70 million for the construction of the parking garages;

* Except for applications for the parking garage, the city is waiving all application fees for approvals including land use applications and possibly those associated with subsidies.

A Who's Who in the Public Approval Process

New York City Economic Development Corporation, EDC (nycedc.com) is a public benefit corporation that allocates benefits to corporations and promotes economic development projects throughout the city. The EDC commissions cost benefit analyses, write reports about proposed economic development projects and maintains and leases property in New York City.

New York City Industrial Development Agency, IDA
(www.nycedc.com/ida)
The IDA, a subsidiary of the EDC The New York City IDA assists businesses in undertaking capital expansions that will retain or create jobs in New York City. The IDA is expected to own the property where the Yankees want to build its new stadium. The IDA must hold a public hearing and the board must approve the Yankee stadium project in order for it to move forward.

Empire State Development Corporation, ESDC
(www.empire.state.ny.us/)
Empire State Development Corporation is New York State's economic development agency and allocates benefits to corporations and promotes economic development projects in New York State. The ESDC is responsible for holding hearings on the General Project Plan (GPP). After a hearing the board must vote to approve the GPP.

New York City Department of City Planning and The City Planning Commission
(www.nyc.gov/planning)
The Department of City Planning is responsible for the city's physical and socioeconomic planning, including land use and environmental review; preparation of plans and policies; and provision of technical assistance and planning information to government agencies, public officials, and community boards. The City Planning Commission holds hearings and releases documents relating to the Urban Land Use Review Procedure or ULURP.

New York City Department of Parks and Recreation
www.nycparks.org
NYCDPR is the lead agency for the purpose of environmental review and the Draft Environmental Impact Statement (DEIS) is available on its website. It's important to note that the lead agency for environmental review varies from project to project.

Public process?

Large economic development projects very often require city, state and/or Federal government involvement. The proposed Yankee Stadium project is no different. In fact, similar proposals in Brooklyn and on Manhattan's Far West Side have requested public financing, zoning changes, and property condemnation.

The Yankees have agreed to pay for construction of a new stadium if tax-exempt financing is provided. The MOU agrees to create a non-profit organization, a Local Development Corporation (LDC), to allocate tax-exempt bonds. The LDC would have to comply with the Tax Equity and Financial Responsibility Act (TEFRA) that requires a public hearing prior to the issuance of tax exempt bonds. The General Project Plan does not mention an LDC, but instead says the IDA will handle the bond sales.

Regardless of what entity issues the bonds there must be a public hearing. GJNY recommends that any new entity allocating tax exempt bonds should at a minimum follow the IDA procedure that includes: notifying the public 30 days in advance of a public hearing; posting the hearing notice in a prominent location on its website; making copies of cost/benefit analysis, application for the bonds and other materials available six days prior to the hearing.

GJNY estimates the Empire State Development Corporation will schedule a hearing around its General Project Plan sometime in the next two months. Though critical components of the land-use process are already completed or far along in the process.

Key players in the land use process

The Yankee project must move through the city's Uniform Land Use Review Procedure (ULURP). Key players in the ULURP process include: the Department of City Planning and the City Planning Commission, Bronx Borough President Aldolfo Carrion, Bronx Community Board #4, the City Council and its Land Use Committee. The New York City Department of Parks and Recreation is the lead agency for the purposes of the city and state environmental review.

Though Bronx Community Board #4 voted against the project in November of 2005, their role is only advisory and the Bronx Borough President submitted his conditional approval for the project to the City Planning Commission in December 2005.

Both Bronx Community Board #4 and Borough President Carrion held public meetings in late 2005 and the Borough President held a hearing in December. There dozens of residents were barred admission and not everyone who signed up to testify had the opportunity to do so.

> To learn about public hearings send an email to gjny@goodjobsfirst.org.

These hearings were not held before the board allocating discretionary tax breaks, though the use of subsidies for this project is relevant to land-use decisions and should be considered by officials whether they ultimately support or oppose the project.

Public hearings required:

* The New York City Department of City Planning held a hearing on the Yankee project January 11, 2006. More about the city planning calendar is available at www.nyc.gov/html/dcp/home.html

* After City Planning, the project moves to the City Council where the Land Use Committee will hold a hearing and the full council will vote on the project. The city frequently updates its hearing calendar located at http://www.nyccouncil.info/

> Be sure to sign up for our monthly subsidy alert list for notices by sending an email to gjny@goodjobsfirst.org. Good Jobs New York will closely monitor public hearings for proposed subsidies on this project

State legislature says seizure of Bronx parks is enlightening

The key to making this project cost efficient for the Yankees was for city and state officials to secure Macomb's Dam Park and a section of John Mullaly Park for the new stadium and parking garages. This allows the Yankees to avoid renovating their current stadium, which would force the team to play elsewhere for up to three seasons. The Yankees have described such a scenario as "a financial hardship" [37]

Parks are considered so sacred that cities are not permitted to de-map them without approval from the state.[38] The State Legislature unanimously passed legislation authorizing the leasing of parkland and removal of streets in June, 2005. Despite the lack of hearings on the seizure of the parks, the state received a "home-rule" message from the City Council approving the plan to take the parks. As mentioned earlier, the state legislation was sponsored by Assembly Member Carmen Arroyo while Council Members Joel Rivera and Helen Foster co-sponsored the City Council's home rule message.

Council Member Maria del Carmen Arroyo, Assembly Member Carmen Arroyo's daughter, told a local newspaper that her constituency hardly reached out to her regarding the proposal to alienate the parks[39] but it is unlikely the week between finalizing the MOU and passage of the alienation bill (including a weekend) allowed local elected officials adequate time to inform community members and gather public input.

A Freedom of Information Law request to Council Member Arroyo for correspondence between her office and the public prior to the seizure of the parks reveals that she did not notify or engage her constituents prior to cosponsoring the home-rule message to state officials. This apparently explains why officials claim there was no opposition to the plan in the community.

If details of this legislation had been made available to the community before legislators voted on it, local residents could have provided comments to defend the heavily used parks and to advocate for their improvement. Instead, the legislation includes generic public benefit language.[40]

> "It is further found and declared that the development, financing, operation and maintenance of such stadium and related facilities, including parking facilities, are for the benefit for the people of the city of New York and for the improvement of their health, welfare recreational activities and prosperity…"

Because Macomb's Dam Park was improved with funds under the Federal Land & Water Conservation Fund Act (LWCF) in the early 1980s, the National Parks Service must grant approval for the conversion of this parkland, placing the burden on the city and state to demonstrate that:

* all practical alternatives to the proposed park conversion have been evaluated;

* the fair market value of the park property to be converted has been established and the property proposed for substitution is of at least equally fair market value;

* the proposed replacement property is of reasonably equivalent usefulness and location as the converted property; [41]

Advocates and community leaders have questioned whether the project meets these three federal criteria.[42]

Replacement parks
With over twelve acres of tree lined space, Macomb's Dam Park, created nearly 120 years ago, functions as the Central Park of the South Bronx.[43]

Even though officials tout the plan as increasing open space by two acres, park advocates and residents say it pales greatly in comparison to the current large, continuous, and heavily used park space in the area. The "replacement parks" plan would cost taxpayers upwards of $101 million,[44] and originally included about 10 acres of parks above the new parking garages in close proximity to elevated subway lines. This plan also called for the creation of "Heritage Field," which would entail preserving the ball field where the Yankees currently play along with the first deck of the existing stadium. These proposal caused concern among local residents that they would not have routine access to this space.

Since the alienation of the parklands was done without a public process, residents have organized to preserve their parks and encourage the Yankees to renovate its current Stadium. For example, new groups created in response to the proposed Yankee Stadium such as Save our Parks, Bronx Voices for Equal Inclusion, and Save Yankee Stadium, have educated hundreds of their neighbors and local businesses owners about the lack of public process and have become an important organizing tool for the community.

The Parks Department has responded by modifying the replacement park plan to include several public ball fields on the site of the current stadium and partially addressing the issue of parks on top of garages. However, community groups remain unsatisfied:

* The proposed stadium will divide up the continuous swath of parkland currently provided by Macomb's Dam and Mullally Parks;

* Five acres of the replacement parks will be located near the proposed Gateway Center Mall a half mile away. This waterfront park will be separated by rail tracks from the rest of the community and will only be accessible by a pedestrian bridge.

* Acres of replacement parks will be located on top of a parking garage that is not at-grade from the approach where most local residents would be entering the park.

* Many of the proposed locations are referred to as "astro parks" and would replace Macomb's Dam Park's greenery, which features 400 mature trees that would be lost[45].

* Replacement parks would not be ready until 2009.

Traffic impacts

Surrounded by highways and suffering from alarmingly high asthma rates, South Bronx residents are concerned about the traffic and pollution impacts of the stadium and its 3,000 new parking spaces. There will be a 72% increase in stadium-related parking when including the 1,200 spaces that will be made available for stadium patrons at the nearby Gateway Center mall.[46]

However, the project's Draft Environmental Impact Statement argues that new parking spaces will not result in additional vehicle trips and that the garages would ease traffic in the neighborhood. [47] This unsubstantiated claim defies planning logic, since the availability of parking is a key determinant in how fans choose their mode of travel. A better way to reduce traffic and air-quality harm would be to build a Metro-North station that would allow thousands of more fans to utilize mass transit each game while connecting the South Bronx community to the surrounding region.

Chapter 3
A Numbers Game

An analysis of all available data suggests that two assertions frequently made about the Yankee Stadium project are not accurate: 1) the stadium project is entirely financed by the Yankees themselves; 2) the project represents a public investment that will contribute to the revival of the South Bronx and eventually generate economic benefits to offset its costs to taxpayers.

The Yankees have repeatedly boasted that they will be paying for the entire cost of the stadium. Before details of the project had surfaced, a June 2005 *Associated Press* article described it as one of the only privately financed stadiums in the Major Leagues since Dodger Stadium was built in 1962.[48] While the Yankees have agreed to pay about $800 million to build the actual stadium, this complex project entails many additional costs that would be borne instead by taxpayers.

PROPOSEED TAXPAYER SUBSIDIES	
CITY	***COSTS***
Replacement parks	$101.3 million[49]
Demolition of the existing stadium	$23.9 million[50]
Acquisition of land and Harlem River waterfront remediation	$4.5 million
Water main relocation	$3.6 million
East 161st Street sidewalk expansion	$500,000
East 161st street retaining wall reconstruction	$700,000
Rent Rebates	$13.49 million
Foregone rent (including maintenance savings)	$103 million[51]
Foregone property tax revenue	$44 million[52]
Mortgage Recording Tax break	$8 million
Energy tax breaks	??
Fund for Yankee's future operational expenses	$4.7[53] million
Additional reserve fund	$1.7 million (PV of 8.5 million in 30 years)
STATE	***COSTS***
Parking garages	$70 million
"Capital reserve" funds	$4.7 million
Mortgage Recording Tax break	$14 million
CITY AND STATE	***COSTS***
Foregone sales tax revenue on construction materials	$25-30 million[54]
CITY, STATE, FEDERAL	***COSTS***
Tax-exempt bonds	$55 million[55]
	TOTAL - $478.09 million

The Yankees are slated to receive subsidies in the form of tax breaks, direct grants, interest rate discounts, and surrounding infrastructure improvements. These subsidies deserve scrutiny, especially in light of the fact that Mayor Bloomberg has himself declared that the Yankees have no intention of leaving New York.[56] Furthermore, in recent years the Yankees have broken their own attendance records, topping 4 million visitors last season, suggesting strong fan attachment that should strengthen the City's bargaining position.

Recently, the Yankees and city officials have characterized the project as an economic development endeavor worthy of public expenditures. Last summer Mayor Bloomberg said this is "an excellent investment for the people of the South Bronx and the people of New York,"[57] and added, "We don't do subsidies. The City is getting paid back at a profit."[58]

Based on Good Jobs New York's cost estimates and an economic impact analysis commissioned by the city's Economic Development Corporation, it is clear that the public cost of the project will exceed the stadium's contribution to the city and state's economies over a thirty-year period. In short, this project does not meet the standards of a rational economic development investment.

Supporters of the new stadium rally around the banner of job creation and Yankee President Randy Levine recently stated that 1,000 new jobs would be created.[59] But projections by the city and state differ. The city-sponsored analysis estimates 700 permanent New York City jobs and the state estimates 598 jobs would be directly created by a new stadium. Neither Levine nor city officials have addressed job quality standards such as wages and benefits.

Subsidies for sports stadiums usually involve direct public expenditures for the construction of the facility, which would ostensibly be recovered through revenue sources such as rents and taxes related to economic activity spurred by the stadium. The financing arrangement for the Yankee Stadium project involves a contribution of over $200 million from the city and state for up-front costs including parking garages and replacement parks. Meanwhile key revenue sources that could offset those costs -- such as rent, property tax, and sales taxes on construction materials -- would not be collected.

Proposed Subsidies

Discretionary subsidies (a.k.a. company-specific or individually-negotiated subsidies) are those for which companies compete, and state or local officials have latitude in awarding. There may be no specific criteria that a company must meet, or very broad, loose criteria that give officials a great deal of discretion on whether a company gets a subsidy, or how large the subsidy should be.[60]

Replacement Parks and Related Infrastructure
According to the Draft Environmental Impact Statement, the new parks would cost $101.3 million. However there are several other related infrastructure costs. Much of this new parkland would be located on the current site of Yankee Stadium, which would cost the city approximately $23.9 million to demolish. The city would also need to acquire land for new parks along the Harlem River and environmentally remediate this property for an estimated cost of $4.5 million.

Additional Infrastructure Costs
The city would be responsible for removing and relocating a water main located on 162nd Street, costing approximately $3.5 million; reconstructing the 161st Street retaining wall for $700,000; and expanding the sidewalk along 161st Street for $500,000.

Parking Garages
The State would contribute $70 million in bond proceeds for the construction of four new parking garages to be located on existing parking lots and parkland.[61] The New York City Economic Development Corporation and the New York City Department of Parks and Recreation have issued a Request for Qualifications (RFQ) to solicit interest in the construction, rehabilitation, and operation of the garages.[62] After the RFQ process, EDC and the Parks Department will issue a Request for Proposals (RFP) initiating the bidding. The selected developer/operator would cover the remaining cost of the garages, estimated at $176.8 million, and receive future revenue from the garages.

GJNY is concerned that if developers do not express interest, the city would be required to pay for the entire cost of the garages. The state's General Project Plan clearly states, "The balance of cost of constructing the New Parking Garages will be borne by the garage operator and/or the City."[63]

Cash Grants
The city and state would each fund $4.7 million when the new stadium is occupied. The state funds would be utilized for infrastructure or other uses agreed to by the Yankees. City funds would be invested to assure that the new stadium "continues to operate as an up-to-date, first-class major league baseball stadium." Thirty years after the initial occupancy of the stadium, the city would contribute an addition $8.5 million for the same purpose.

Property Tax Exemption
The Yankees would not pay property taxes. A payment-in-lieu of property taxes (PILOT) would be used to pay debt on the tax-exempt bonds. Economist Andrew Zimbalist has estimated that the present value of this subsidy would amount to approximately $44 million.[64]

No-Rent Arrangement
Under the proposed lease agreement with the city, the Yankees would no longer pay rent for the stadium.

Currently the Yankees are required to pay rent but are permitted to deduct their maintenance costs, which the team would be responsible for covering under the proposed new lease. Between 2000 and 2004, the Yankees paid the city $26.43 million in rent <u>after</u> maintenance deductions and "stadium planning" credits bestowed by the Giuliani administration.[65]

The city argues that the cost of maintaining the current ballpark is rising exponentially, and that the current arrangement would actually cost the city millions of dollars over the next 30 years, even after factoring in rent the city would have collected over this time.

However, over the past 15 years, maintenance costs have not risen nearly as much as the Yankees' rent payments, which are based on a formula related to attendance, concessions and waiter receipts. In fact, maintenance costs have not exceeded rent payments since the early 1990s, and the Yankees rent payments have increasingly become an important source of revenue for the city.

Yankees Rent Payments (in millions)[66]

	1995-99	**2000-04**
Gross rent	$32.40	$60.90
Maintenance deduction	$21	$23.5
"Stadium planning" deduction	$0	$10.97
Net Rent to city	**$11.40**	**$26.43**

If attendance and consumer spending at the new stadium increase as much as projected by the city, rent payments would continue to increase also.

City and state officials have provided different estimates for how much stadium maintenance would cost over the next 30 years. The DEIS claims over $500 million. It is unclear how it arrived at this number, which is far higher than the $350 million estimated by Mayor Bloomberg[67] and the $200 million estimated in a draft of ESDC's General Project Plan.[68] The DEIS also claims that the city would collect $497 million in rent over this period, suggesting that a net loss of revenue from eliminating the rent/maintenance agreement is very plausible depending on the true cost of maintenance.[69]

A spokesman from the New York City Department of Parks and Recreation explained that the high maintenance cost estimates are based on the fact that "team representatives made it clear that they desired facilities on par with other first class major league baseball facilities located around the country."[70] This would be a new responsibility for the city since the current lease is set to expire by 2009, and city officials are in the position to negotiate a far more favorable rent arrangement.

Sales Tax Exemption

The city and state would provide a sales tax break on construction materials and for future capital improvements, replacements, and repairs. The value of this subsidy is estimated to be between $25 and $30 million dollars.[71]

Tax-exempt Bonds

New York City would lease the stadium site to the New York City Industrial Development Agency or a to-be-announced Local Development Corporation to facilitate the issuance of tax exempt bonds for the development of the new stadium. The interest income from these bonds is exempt from city, state, and federal income taxes, resulting in lower interest payments for the Yankees that are paid for by taxpayers in the form of foregone income tax revenue.

The cost of this subsidy is unknown since it depends on how many bonds are issued and who buys them. The $55 million in city, state, and federal income tax breaks is based on a conservative assumption that only $200 million of the $800 million total cost of the stadium will be financed with tax-exempt bonds.[72] It is worth noting that a draft of the Empire State Development Corporation's General Project Plan (GPP) estimates that the fiscal cost of project financing will be even higher: $16.1 million for New York City and $60.3 million for New York State alone in present value over 40 years.[73]

Energy Tax Exemption
In the Memorandum of Understanding, the city and state agreed to provide energy cost savings for the new stadium through a variety of programs which are largely intended to assist small businesses. For example, the Con Edison Business Incentive Rate Program or the New York Power Authority, the New York State Economic Development Power Board and the New York Public Utility Service and the Energy Cost Savings Program. Other energy discounts are available through the as-of-right Empire Zone program, available to the parking garage operators.

Rent Rebates
The Memorandum of Understanding stipulates that the Yankees would be eligible for a $5 million credit against their rent to the city from 2006 through 2008, as long as the leasing of the new stadium is approved.

Mortgage Recording Tax Exemption
This tax is imposed on the recording of real estate mortgages in New York City. Assuming that $800 million in bonds are issued for the stadium, this would amount to $8 million in foregone taxes for the city and $14 million for the state.

Application Fees
Except for applications for the parking garage, the city is waiving all application fees including land use applications and possibly those associated with subsidies.

As-of-Right Benefits
In addition to the discretionary subsidies described thus far, the project would be eligible for a number of as-of-right tax breaks that are intended to help those living and working in low-income communities.

As-of-right incentives are entitlement programs where a company is eligible for a subsidy automatically, based on doing something or exhibiting characteristics that qualifies the company for the entitlement. Public officials create the guidelines for as-of-right programs but have no discretion in the awarding of individual subsidies and do not require a public hearing. [74]

Industrial and Commercial Incentive Program
The ICIP provides a property tax to eligible industrial or commercial buildings that are physically improved, expanded, or newly constructed in various designated areas of New York City.

If the Yankees were required to pay property taxes, it has been estimated that the value of Industrial and Commercial Incentive Program (ICIP) tax breaks would amount to about $299.[75] It is because of this program that the property tax exemption listed in the table above is only $44 million.

Empire Zone
The Empire Zone program encourages business development in designated areas by offering subsidies to new and expanding commercial and industrial firms. Benefits include sales tax exemptions, wage tax exemptions for some employees and investment tax credits as well as free security surveys and energy discounts.

According to the city's Request For Qualifications, the parking garages would be eligible for Empire Zone benefits, in addition to federal subsidies pertaining to Empowerment Zones and the New Markets Tax Credit Program.

Projected Benefits
Studies examining the use of public subsidies for sports facilities have consistently reached the conclusion that the revenues created by new stadiums do not lead to measurable economic growth. Income generated by sports franchises generally does not remain in the local economy since most of this revenue goes to players, coaches, executives, and owners who spend beyond the jurisdiction of the team.[76]

In addition, spending on spectator sports is largely offset by reductions in other forms of leisure spending by consumers, such as going to the movies or theater. This causes new stadiums to account for small increases in net new spending and new jobs.

Economists have found this to be particularly true for replacement facilities like the new Yankee Stadium project. According to sports economists Robert Baade and Allen Sanderson, "replacing infrastructure for sports does not lead to an expansion of the local economy but rather maintains economic activity at or near its former level once the construction phase of the new facility project ends."[77]

In fact, several studies have discovered that municipalities may actually receive fewer benefits after these new stadiums open due to the diversion of certain revenue streams from the old stadium.[78]

These findings have obvious relevance to the current proposal to build a new Yankee Stadium. Tax revenue generated by the construction and operation of a new stadium and its parking lots over the next 30 years, as calculated in a city-commissioned report, would not cover the costs of the proposed subsidies.

According to the analysis conducted by Economic Research Associates for the New York City Economic Development Corporation, the cumulative fiscal contribution of the new ballpark would be about $225 million to the city, state, and Metropolitan Transit Authority over the next 30 years. Including the fiscal impacts of parks construction and parking garage construction and operation, these estimated benefits still fall short of the project's public costs.

One-time fiscal impacts

The economic impact of stadium construction is relatively small and of limited duration.

One-Time Fiscal Benefits of Stadium, Parks, and Garage Construction[79]

New York City	$20,724,000
New York State	$40,705,000
MTA	$180,000
Total	$61,609,000

Long-term fiscal impacts

The following table summarizes the cumulative fiscal impacts of the new stadium including the benefits accrued from parking garage and parks construction:

Cumulative Fiscal Benefits of Ballpark, Parks, and Parking Garages[80]

	Present Value
New York City	$153,001,000
New York State	$133,357,000
MTA	$3,880,000
Total	$290,238,000

The EDC-sponsored analysis projects the stadium itself would contribute $96 million to the city's coffers, meaning that over 30% of the project's total forecasted revenues for the city would be derived from the new parking garages.[81] This might be considered a "good deal" for the city since the state and a private developer may share the cost of building the garages. However, instead of achieving better mass transit access through a Metro-North station, the city would disproportionately benefit from the component of the project that advocates and community groups fear will have the most detrimental impacts on public health.

Overall the total benefit of $290.24 million falls short of project's total cost to taxpayers, which Good Jobs New York estimates to be over $400 million.

Who is ERA? A City-Commissioned Study

The projected fiscal benefits of the new stadium discussed in the previous section were produced by the private consulting firm Economics Research Associates (ERA), who was commissioned by the New York City Economic Development Corporation to conduct an economic impact analysis of the project. ERA's findings were selectively integrated into the project's Draft Environmental Impact Statement.[82]

With offices throughout the United States and in London, ERA is an international consulting firm that "assists private developers and public agencies in assessing the future economics and outcomes of real estate projects and economic development plans." Shuprotim Bhaumik, a Principal at ERA who worked on the Yankee Stadium analysis, previously served as a Senior Vice President for this project's client, the New York City Economic Development Corporation.

> "… the implication is that for economic development purposes, sports stadiums and arenas are not particularly effective at creating jobs and income."
> *Senior Vice President, Economic Research Associates*

It is also worth noting that ERA Senior Vice President Steven E. Spickard stated in 1995 that "professional sports is essentially a quality of life issue," and lists among its main assets entertainment value for residents, community pride, and media exposure. Spickard conceded that "the implication is that for economic development purposes, sports stadiums and arenas are not particularly effective at creating jobs and income," but admitted that the primary focus of political debates on demonstrating economic benefits "has been good for Economics Research Associates."[83]

Critique of ERA analysis

Although the ERA analysis suggests this project is not a wise public investment, it still overstates the level of new economic activity that would be generated by a replacement stadium. The analysis is inconsistent and relies on obsolete data.

Forecasted Attendance

Claims made about new tax revenue and jobs created by a new Yankee Stadium depend upon a large increase in fan attendance. After the ERA report was completed, the Yankees had a banner year in 2005, breaking the American League attendance record by drawing 4.1 million fans.

Therefore, the fiscal benefits projected in the ERA report are overstated because its baseline attendance figure was calculated by averaging annual attendance between 1997 and 2004. If last year's attendance is factored in, the incremental attendance in 2009 due to a new stadium would be 25% less than ERA predicts. Updating the attendance figures would substantially reduce the projected benefits and jobs created.

A meaningful increase in attendance at a new Yankee Stadium is unlikely. Last year the Yankees drew more fans than ERA projected the new stadium would attract at its peak. In addition, research indicates that a team's on-field competitiveness is most critical in determining attendance, and that attendance spikes with a new stadium because owners are more likely to invest in a better team when it would provide the biggest return.[84] Since the Yankees already have the highest payroll and attendance figures in major league baseball, it may be unrealistic to assume that their attendance would increase substantially. In fact, if the Yankees sold out every home game during their new stadium's first season, it would only amount to a 7% increase in attendance from last season.

Spending Leakage

The ERA study rightfully acknowledges the fact that a substantial portion of the income from ticket sales would eventually "leak" out of the local economy because most of this revenue goes to players, coaches, and others that spend this money outside of the area. However, the report inexplicably does not apply this rule to revenue generated by concessions and merchandise and does not address the overall economic impact of shifting spending to a venue where income is more likely to leak out of the local economy.

Business Displacement

In many stadium projects, locally owned leisure establishments are replaced by professional sports enterprises whose income is distributed among "absentee" owners and players.[85] Since the Yankees plan on vastly increasing the stadium's retail space, the ERA report and the DEIS fail to account for the potential impact on local businesses.

Discrepancies Between City and State Figures

The Empire State Development Corporation's General Project Plan (GPP), released in January 2006, includes summary figures from an independent analysis of the stadium project. The GPP projects far greater economic benefits from the project than the ERA report, whose findings were incorporated into the official Draft Environmental Impact Statement (DEIS).

Fiscal Benefit From ESDC's General Project Plan	
	Present Value
New York City	$147,700,000
New York State	$174,000,000
Total	**$321,700,000**

The tables on this page compare the benefits as projected in the GPP and as presented in the EIS.

It is unclear why the state's projections are so much higher than the city's but the GPP provides two clues:

* ESDC predicts far more jobs will be created through construction activity and that these jobs and the permanent jobs will result in far more income per employee than projected by ERA.

Fiscal Benefits From Sources in EIS	
	Present Value
New York City	$153,001,000
New York State	$133,357,000
MTA	$3,880,000
Total	**$290,238,000**

* In calculating the fiscal benefits, the GPP includes sales tax revenue generated by consumption expenditures from construction workers' income.

Without knowing the extent to which the ESDC analysis accounts for leakage, substitution effect, and other factors, it is impossible to evaluate its data. Nevertheless, it was ERA's numbers that were incorporated into the project's official DEIS which is currently under review.

Jobs

Economists often point out that the limited economic impacts of stadium investments are partially attributable to the quality of sports-related jobs.

Local income increases through good jobs for local residents, but according to economist Richard Dye, "professional sports and stadiums divert economic development toward labor-intensive, relatively unskilled (low-wage) activities…it would be expected that the sports-minded area would experience a falling share of regional income."[87]

Chart I
ERA's Permanent NYC Jobs

Ticket revenue	203	Ticket Revenue	291
In Stadium		**In Stadium**	
Concessions	280	Concessions	326
Merchandise	24	Merchandise	31
Parking	43	Parking	65
Out-of-Stadium		**Out-of-Stadium**	
Restaurant	95	Restaurant	111
Retail	53	Retail	69
Entertainment	3	Entertainment	4
Hotel	26	Hotel	35
Miscellaneous	8	Miscellaneous	12
Direct Jobs	**700**	**Total Jobs**	**900**[86]

Indeed, the types of jobs induced by stadium activity are typically low-wage and seasonal, such as ticket takers, ushers, vendors, restaurant workers, guards, and parking lot attendants. The ERA study estimates that the average annual salary of the in-stadium jobs, which make up half of the permanent jobs, would be approximately $18,562.[89] Chart I contains permanent job forecasts from the ERA report.

Chart II
ERA's Temporary NYC Jobs

Hard Costs	3,132	Hard Costs	4,742
Soft Costs		Soft Costs	
Engineering	172	Engineering	279
Architecture	172	Architecture	279
Financial	45	Financial	131
Others	74	Others	142
Direct Jobs	**3,600**	**Total Jobs[88]**	**5,600**

New stadium construction would also result in the creation of temporary jobs. ERA's projections are summarized in chart II. Altogether, the DEIS projects the construction of the stadium, parking garages, and parks will create 8,468 construction jobs in New York City and State and an additional 5,494 temporary jobs in related industries.

The findings of this chapter suggest that the costs of the Yankee Stadium project would exceed projected benefits. It is clear that subsidizing this stadium is a costly and inefficient strategy for creating jobs, especially since many of the "permanent" jobs created are seasonal and low-wage positions.

Since the city and state are prepared to invest beyond the project's benefits, it is important to weigh the "consumption benefits."

Consumption benefits are defined as consumer satisfaction from the presence of a new stadium.[90] It is clear that the consumption benefits from a new Yankee Stadium would not be evenly distributed, but would be enjoyed by those who can afford tickets to a game. The average price as estimated in official documents would be $57.[91]

In this sense, it should be a serious policy concern that most South Bronx residents would be priced out of the new ballpark and left with only a few hundred part-time, low-wage jobs. Economists have argued that more equitable financing arrangements could be achieved through a substantial ticket tax or a tax on other stadium-related revenue. Meanwhile, by waiving the Yankees' obligation to pay rent in the new lease, the city is eliminating a significant revenue stream from the stadium that is actually derived from attendance.

Chapter 4
The Bronx is Changing

After years of neglect the Bronx is changing: its crime rate is declining; its population has grown to about 1.3 million residents;[92] it has seen an increase of 67,000 newly available housing units in the past fifteen years;[93] large retailers like Target have set up shop; new commercial space has been built; and hospitals are expanding.

Benefits for Residents

Local residents and the city have made strides in making the Bronx a better place to live, though there are still large hurdles in the areas of good jobs, affordable housing and public health. At public hearings and in the media Yankee executives and the Borough President say they will negotiate a Community Benefits Agreement (CBA) to help address these issues.

Community Benefit Agreements (CBAs) — deals between developers and coalitions of community organizations, addressing a broad range of community needs — are safeguards to ensure that affected residents share in the benefits of major developments. They allow community groups to have a voice in shaping a project, to press for community benefits that are tailored to their particular needs, and to enforce developer's promises. CBAs are only one aspect of a growing new movement towards community benefits in land use planning, taking shape through labor-community partnerships around the country.[94]

In early February 2006, the Bronx Borough President revealed an agreement between his office and Related Companies for the development of Gateway Center Mall immediately south of Yankee Stadium. This agreement impacts the Yankee stadium proposal since the Borough President reports it will be the benchmark for the future.

North of Yankee Stadium, the Kingsbridge Armory Redevelopment Alliance (KARA) organized in part by the Northwest Bronx Community Clergy Coalition (NWBCCC) and the Retail, Wholesale and Department Store Union (RWDSU) are working with a local developer to encourage new uses for the armory once two National Guard units are relocated to a new site.

There are several concerns about the Borough President's agreement:

* The commitment to hire Bronx residents is weak. Retail tenants at the Development will have no hiring obligations under the agreement and the developer, who will have few employees to begin with, can hire non-Bronx residents it deems more qualified;

* Commercial tenants are also not required to report on their hiring practices under the agreement and thus there will be no way to evaluate whether local residents actually benefit from the bulk of the job growth;

* The developer is not required to consider the wages or benefits paid by prospective tenants when choosing among them, tenants are not required to make efforts to pay Living Wages and Benefits, and tenants are not required to report on the wages or benefits that they pay to their employees;

* Retail space set aside for local businesses under the agreement is to be reserved for nine months prior to the mall opening, at the most, and the developer is free to rent the space at its discretion;

* The agreement allocates space for a day care center, but only reserves this space "for up to nine months" prior to the completion of construction, apparently indicating that there is no guarantee it will be created;

* The agreement expires in less than nine years;

* The agreement bars injunctive relief for violations and it contains a cap for the developer's monetary liability. Together these provisions enable the Developer to pay off its obligations.

As part of the proposed Yankee development, the Borough President has regularly touted a plan that would include new schools, a hotel, a Metro North stop (a commuter line that literally passes Yankee Stadium between Grand Central Station and points north of New York City), a museum and a convention center. Whether these items will come to fruition is doubtful since none of them are in city or state official documents and are not under his authority to deliver.

A better example of incorporating community opinions is taking place around the proposal to develop the Kingsbridge Armory, located a couple miles north of Yankee Stadium in one of the oldest armories in the country. Currently local officials and the Kingsbridge Armory Redevelopment Alliance (KARA), organized in part by the Northwest Bronx Community Clergy Coalition (NWBCCC) and the Retail, Wholesale and Department Store Union (RWDSU), are working with a local developer to encourage new uses for the armory after two National Guard units are relocated to a new site.

The KARA plan includes affordable recreational space, a multi-plex cinema, community space, stores that will provide hundreds of good union jobs to the community and for small schools to be built on the land outside the Armory.

NWBCCC has been working closely with a developer and its members to ensure the redevelopment of the armory addresses the needs of the neighborhood. NWBCCC has reached to additional groups in its community to spearhead a CBA and create a community collaborative as development of the armory moves forward.

In the fall of 2005, a community forum was held where nearly 70 people broke out into workgroups focusing on issues they would like to see addressed in a CBA including union jobs for local residents, school facilities; complementary retail and entertainment facilities and a new recreational area.

Community Needs

Yankee Stadium is situated in the poorest Congressional district in the country. Nearly 60 percent of Bronx residents rely on income support from the government, and public schools are severely overcrowded, more so than in any other borough. [95]

Fortunately, asthma rates across the city are dropping, including in the Bronx. Yet children living near Yankee stadium suffer some of the highest asthma hospitalization rates.[96] Ironically, this same area has the lowest car ownership levels in city[97].

Conclusion and Public Policy Options:
The Current Proposal is No Home Run

When a powerful, wealthy firm such as the New York Yankees is escorted through the city and state's land-use and environmental review processes and offered multiple, lucrative taxpayer subsidies, all New Yorkers should be concerned. City officials seem all too happy to comply with Yankees' demands even if it means shortchanging the neighborhood and skirting public participation.

The process resembles many of the "corporate retention" deals the City made in the 1990's, many of which proved to be bad deals, in which large, powerful companies received large subsidies but failed to deliver on job creation pledges – some even lost employment.[98]

The process by which Macomb's Dam Park and part of John Mullaly Park were seized was insulting to the community and reflective of a top-down planning approach. To this date, the plans to replace these parks fall short. Placing recreational space on top of parking garages and close to highways is insensitive to the health needs of the area.

Also reminiscent of corporate "retention" deals gone awry, there is little evidence that the Yankees need this subsidy or have plans to move out of New York City. Mayor Bloomberg and Bronx Borough President Adolfo Carrion have altered their position in the past year and are supportive of the project, though they have failed to fully articulate its costs and benefits. The party line seems to be that the Yankees are paying for the construction of the new stadium. What isn't mentioned is that taxpayers would subsidize almost half a billion dollars in construction financing, tax breaks, infrastructure projects, land acquisition, and other lost revenue.

We believe that by restarting the planning process with genuine community involvement, public officials can drive a harder bargain, reduce taxpayer costs, and achieve a better outcome for taxpayers and the community.

The clock should be stopped and new plans must be created that address the conditions of those residents who will be most impacted.

For example, does the project:

* create good new jobs and job training opportunities for Bronx and New York City residents?

* help alleviate overcrowding in schools?

* strengthen (or displace) locally owned businesses?

* improve air quality and public health?

Public Policy Options

Call the Yankees' bluff. As the largest sports and media market in the United States, New York has terrific bargaining power. This power should be used to insist that the Yankees exhaust every available option – including stadium renovation instead of replacement – with the goals of creating good jobs, lower taxpayer costs, better public health, and more vibrant public parks.

Restart the planning process to include community stakeholders. The stadium deal will never achieve these goals unless the community is genuinely involved in the process. Many Bronx organizations want to participate. It may slow the process a bit, but it would ensure a far better outcome. Delaying the Yankees' desired spring groundbreaking should not be an issue.

Give the renovation option a full hearing. Residents and taxpayers deserve a full exploration of why the Yankees don't want to renovate their current stadium. Public officials should investigate and weigh all other options and make the findings public. A "financial hardship" for three seasons for the Yankees shouldn't drive a permanent blunder for New Yorkers.

Get the figures straight. GJNY's research reveals recurring inconsistencies between city and state agencies on the deal's costs and benefits. A full accounting of both the true subsidy costs and realistic public benefits is necessary for a more informed debate.

Endnotes:

[1] Michael Cooper, "Bloomberg Has His Doubts on Stadiums," *The New York Times*, December 7, 2001, p. D1.
[2] Filip Bondy, "Yankees build a palace: Team Steinbrenner finds loophole to skim revenue-sharing funds such as naming rights, luxury boxes could lead to investment of nearly nothing," Daily News, June 19, 2005.
[3] All calculations are in present value, although the applied discount rate varies due to different sources.
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[5] Empire State Development Corporation, General Project Plan (GPP). The following five cost estimates are also from the GPP.
[6] Neil deMause, "Bloomberg's Gift Horse: Yanks and Mets stadiums could cost taxpayers $800 million", *Village Voice,* November 14, 2005, p. 22.
[7] Andrew Zimbalist, "Big Apple can take a shine to this new threesome of sports facilities," *Street & Smith's Sports Business Journal,* July 27, 2005. p. 25.
[8] Memorandum of Understanding, New Yankee Stadium Project, June 15, 2005, p. 8.
[9] Economic and Fiscal Impacts of Proposed NY Yankees Ballpark, prepared by Economics Research for the New York City Economic Development Corporation, p. 8.
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[19] Wayne Barrett, "Moonlighting for Baseball Giuliani Gets Big Bucks from Wilpon and Steinbrenner, *Village Voice*, August 11, 1998.
[20] Michael O'Keeffe and T.J. Quinn, "The Art of the Dealmaker," *Daily News,* February 12, 2005.
[21] Ibid.
[22] Mike Lupica,"The Boss' New City Hall Underboss," *Daily News*. January 9, 2000
[23] New York City Campaign Finance database.
[24] "Mayor Giuliani Announces Departure of Deputy Mayor Randy Levine," Office of the Mayor press release, January 2, 2000.
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[27] Database of subsidy deals is available at www.goodjobsny.org
[28] Charles Bagli, "CBS Granted More Tax Cuts to Stay Put" The New York Times, January 29, 1999, p. B1.
[29] O'Keeffe & Quinn, "The Art of the Dealmaker."
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[31] New York City Campaign Finance Board database.
[32] http://www.nyc.gov/html/sports/html/home.html

[33] Richard Wilner, "Big Apple's Double Play-Stadiums to Pump Bucks into Nabes," *New York Post*, May 28, 2001, p. 24.
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[54] Economic and Fiscal Impacts of Proposed NY Yankees Ballpark, prepared by Economics Research for the New York City Economic Development Corporation, p. 8.
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