

A home run for New York: Yankee president says everyone wins with new stadium deal

BY RANDY LEVINE

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The Yankees recently applied for secondary financing for the new Yankee Stadium. The project is fulfilling its promise. The new stadium is a triumph of public policy and private sector initiative.

But we live in a skeptical and cynical age. We may have lost the capacity to recognize an example of industry and government working together for the common good. If the city - and indeed the nation - is going to survive the current economic crisis, we'd better learn what a good deal looks like. And the new Yankee Stadium is a good deal. In fact, the city Economic Development Corporation issued its cost benefit analysis last week and determined that the net revenue to the city is \$60 million. Not a loss of revenue - but a \$60 million gain.

Some critics have gone so far as to lie about the components of the deal. It's time to set the record straight.

The New York Yankees, not the taxpayers, are paying for the construction and operation of the new stadium. All of the money to finance the construction of the stadium is from the Yankees. Those who keep repeating that the city is paying are either deliberately misrepresenting the facts or simply do not understand the financial mechanism that is available to build large scale projects.

The mechanism is: An entity controlled by the city issues bonds to build a new stadium. Those bonds are purchased by private investors, not taxpayers. The Yankees have a long-term lease with the city entity that owns the building. That city entity pays no taxes. The Yankees make a payment-in-lieu-of-real-estate taxes (called a PILOT) and this amount - and only this, and nothing from the government or the taxpayers - pays back the private bondholders. Since the city entity, not the Yankees, owns the stadium, this use of PILOTs does not cost the city anything. The city does not lose anything because city entities do not pay property taxes; the city does not collect property taxes now, and without this financing the Yankees would not have built a new stadium, and thus no taxes would have been received.

In addition, the city saves money because in the old building, the city was responsible for tens of millions of dollars in maintenance costs, an amount that grew as the stadium aged. In the new stadium, the Yankees have that obligation. Under the deal between the city and the Yankees, the city is receiving a building it does not have to pay to construct or maintain.

This structure is different from almost every other used for stadium deals. In those cases, direct taxes otherwise collected by municipalities were used to pay back the debt on the stadium bonds. In the Yankees deal, the taxpayers lose nothing that they otherwise would get. No money is diverted from the city's capital or operating budget that will affect city operations or the building of schools, highways or any other capital project. Issuing these bonds will not preclude tax-exempt financing for other projects in the city.

Moreover, in a very difficult economic climate, the new stadium project creates jobs and is a stimulus for the local economy.

For example, we have already:

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- Maintained a commitment to create over 1,000 new jobs after completion.
- Awarded contracts for more than \$440 million in business to state companies - more than \$300 million to those in the city and more than \$130 million to companies in the Bronx.
- Fulfilled transit and Metro- North station, parking and recreation wish lists that community leaders were unable to obtain for years.
- Made a difference to the lives of residents. The Yankees are providing more than \$40 million to the community, with more than \$2 million annually in grants, sports equipment and tickets going to Bronx community organizations.
- Gone through the most transparent and thorough vetting in modern times, with more than 20 separate governmental approvals and actions, 17 public hearings, three votes by the City Council, two votes in the state Legislature and two failed opposition lawsuits.

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Since the 1970s, there has been much talk and little action; the South Bronx remains the poorest congressional district in the United States. With the Yankees' \$1.3 billion, largest-ever investment in the area, the revitalization is underway.

Levine is president of the New York Yankees.