



**Statement of Paul J. Gessing
Director of Government Affairs, National Taxpayers Union**

**before the
New York City Council Economic Development Committee**

**on the
Proposed New Jersey Nets Arena
May 24, 2005**

Chairman Sanders and distinguished Members of the Committee, thank you for holding these important hearings today. I am reading this statement on behalf of Paul Gessing, Director of Government Affairs with the National Taxpayers Union (NTU), America's oldest and largest grassroots taxpayer organization with 350,000 members nationwide and more than 2,300 in New York City. You can learn more about NTU – and its educational affiliate, the National Taxpayers Union Foundation (NTUF) at: www.ntu.org.

NTU represents the interests of taxpayers before a variety of government bodies and actively lobbies Congress and in various states. NTU has long taken a particular interest in publicly-funded economic development issues for the simple fact that state and local funding of sports stadiums and convention centers often wind up being millstones around the necks of local economies. Thus, instead of being economically-essential or matters of local pride as they are so often sold by their well-connected backers, buyer's remorse is often experienced by the public and their elected officials alike.

Last May, NTU offered testimony before the full Council regarding the proposed development known as the Brooklyn Atlantic Yards (BAY), specifically the proposed 19,000-seat arena project designed to attract the New Jersey Nets NBA franchise.

Since that time, NTU has released two separate letters from large numbers of economists on sports stadiums. One of those letters exposed the economic development fallacies being put forth by backers of the proposed baseball stadium in Washington, DC. This stadium is expected to cost taxpayers in one of the most economically beleaguered cities in America more than \$500 million and costs have continued already begun to rise on this project although not one shovelful of dirt has been turned.

NTU's second letter was signed by more than 100 economists and targeted the proposed stadium for the Jets on Manhattan's West Side. In that letter, the economists pointed out in no uncertain terms that "A vast body of economic research on the impact of sports stadiums suggests that the proposed Jets Stadium on Manhattan's West Side, now estimated to cost \$1.925 billion, will not generate significant net economic or fiscal benefits." Since at least \$1.295 billion of the project's price tag would be subsidized in some form by state or local taxpayers, an economic return is imperative yet elusive – the significance of which should not be lost on participants in this debate.

Although some economists have been fooled by the bait-and-switch use of condemnation powers under the BAY proposal, taxpayers and property owners throughout this city are not fooled. They know that the Nets arena is nothing more than a “loss-leader” in the eyes of Bruce Ratner and his development team. The arena will lose money, but it is nothing more than a tool to allow for the taking of hundreds of private residences in order to clear land for several apartment buildings, from which Mr. Ratner will make a handsome profit. Taxpayers and residents, of course, will still get shafted.

If this deal goes through, Bruce Ratner will receive between \$1.5 and \$2 billion in taxpayer subsidies and favorable tax treatment. Specifically, he will receive \$100 million each from the City and the Empire State Development Corporation for site preparation and infrastructure. He will receive unspecified and unlimited funds for “extraordinary infrastructure costs” that could include a platform over the Railyards (estimated to cost \$200 million). He gets a 99-year lease on the land under the arena, its garages, and accessway together at a cost of \$1.00. He also will enjoy what will essentially be a closed door price for the Railyards, because of an unfair the bidding process that allows only 6 weeks for his competitors to submit their bids, while he has been in discussions with MTA for over a year and a half. In fact, Forest City Ratner Corporation signed a letter of agreement with the MTA for use of the yards, more than three months before the agency put out their RFP for other bidders.

In addition to these direct subsidies, this project will also receive tax exempt bonds, abatement of real estate taxes, exemption from sales taxes, and credit under the federal brownfields program. Perhaps the most generous subsidy – a subsidy that is almost priceless – is the government’s willingness to abuse its power of eminent domain on behalf of this project.

Although the stadium itself is arguably a “public use,” there is no doubt that chasing homeowners out for so-called “fair market value” prices, only to allow the construction of apartment buildings to be owned by Forest City Ratner, exceeds the parameters of public use as intended under the United States Constitution. In fact, this summer, the Supreme Court of the United States will decide the case of *Kelo v. New London, Connecticut*, a case that may have implications regarding the use of eminent domain and this project.

In summary, regardless of the ultimate impact it has on the City’s budget, the true cost to the project’s neighbors and taxpayers is incalculable. Compare this debacle with the recently completed deal for the New York Giants’ new stadium at the Meadowlands. On land that is already owned by and under control of the state, the team has agreed to construct – at a cost of \$750 million of its own money – a new 80,000 seat stadium. The combined state and local subsidy for the Giants (including land) is around \$200 million. That is a far cry from the enormous subsidies being proposed here.

It boggles the mind that New York’s political leaders would consider spending billions of taxpayer dollars on sports stadiums that will do so little for the city’s economy. You would be justifiably outraged if Wal-Mart asked for taxpayer subsidies to build a new store in Brooklyn; yet the situation here is no different.

Instead of abusing the government’s power to lure jobs back to New York City and State, politicians should concentrate on the basics of economic development like low taxes, respect for the rights of property owners, and public safety. Rather than expanding government’s role to include the provision of massive and unnecessary public subsidies for sports teams, I urge you to rededicate yourselves to performing those limited tasks as effectively as possible. Thank you for allowing NTU to testify today. NTU and its 350,000 members stand ready to work with you in making New York State and City a better place to work, live, and do business.