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Oversight and Government Reform

Professional Sport Stadiums: Do they Divert Taxpayer Funds from Public Infrastructure?

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Good afternoon, Mr. Chairman, and thank you for inviting us to testify about New York City's use of taxpayer subsidies for baseball stadiums and its possible impact on the city's ability to finance its infrastructure needs.

My name is Bettina Damiani, and I direct Good Jobs New York, a project of Good Jobs First (GJF) and the Fiscal Policy Institute (FPI). FPI focuses on tax, budget, and economic policy issues in New York State; Good Jobs First is a national resource center promoting accountability in economic development and smart growth for working families based here in Washington, DC.

For over two years, we have been investigating and exposing the hidden taxpayer subsidies and undemocratic processes by which New York's two baseball teams, the Yankees in the Bronx and the Mets in Queens, received a total of \$1.2 billion in subsidies to build their two new stadiums. Urging more transparency and accountability, we have passed this information on to neighborhood residents who fought the Yankee project, and to elected officials and the news media.

The Yankee Stadium project has drawn most of our attention because it so egregiously undermined democratic planning principles. It put the Yankee's bottom line before the employment, recreational and public health needs of the South Bronx. It threatens to create more air pollution after the team and officials covertly seized 22 acres of heavily used parkland where the new stadium and parking facilities are currently being built. The committee heard from a local resident, Joyce Hogi, at your hearing held last March the impacts this project is having on her community.

Unquestionably the new Mets stadium, to be called CitiField, also benefits greatly from public financing but at least it is being built on land currently used for the team's parking facilities, so it is not displacing park land. Compared to the Yankees' project, the Mets' new stadium is having a less negative impact on the surrounding community.

Background

The Yankees are building a \$1.3 billion stadium one block north of their existing location at East 161st Street and River Avenue in the Bronx. The stadium and garages are being built on 22 acres of heavily used public park land, including all of Macombs Dam Park and parts of Mullaly Park that were quietly seized – the technical term is “alienated” – by the New York City Council and New York State legislature in a nine-day period in June 2005.

The project includes the construction and rehabilitation of 9,000 parking spaces, enabling 2,500 more cars to arrive at the new stadium, even though it will have 5,000 fewer seats than the current one.¹ More parking spaces are counter intuitive since officials have invested in a new Metro North commuter station to be built near the stadium. Thus, the neighborhood, which already has one of the city’s highest rates of asthma, will gain more asthma polluting cars and genuine park space to be replaced with artificial turf. fewer seats than the current one.

After news got out that the parks had been given to the Yankees, residents created a group, Save Our Parks, and the local community board subsequently held hearings and voted overwhelmingly against the plan. The board’s resolution concluded that “the alienation of the parkland is against the interests of the community and its children,” citing health concerns associated with increased traffic, lack of community input into the plan, and the dangerous precedent of turning over public parkland for private use in the heart of a residential community.

Despite the community board’s official role in the city’s Uniform Land Use Review Procedure (ULURP), its vote is only advisory and was ignored by Bronx Borough President Adolfo Carrión, who submitted his approval of the project to the City Planning Commission in December 2005. In April 2006, the City Council overwhelmingly approved the overall land-use scheme for the stadium despite opposition from City Council Member Helen Foster, who represents the district where the stadium is situated (although Foster initially co-sponsored the legislation requesting that the parks be alienated). Carrion would later remove those members of the community board who voted against the plan.

How The Yankee Plan Worked

Part 1: All Hands on Deck

To navigate the city’s land use and subsidy systems as stealthily as possible, the Yankees hired numerous lawyers, lobbyists and consultants – many of whom are former public officials in the agencies being navigated – to covertly seize the parks without any public hearings and to arrange for several large taxpayer subsidies for the project.² The Yankees received extensive assistance from a myriad of officials to ensure the team received the parkland and as many public subsidies as possible.³

The park seizure was the linchpin of the project and was accomplished by a June 2005 “message of necessity” sent from the City Council to the Albany State Capital in the

waning days of the legislative session⁴. Only after this fait accompli did residents begin to realize what officials had done to them.

The ensuing opposition of the local community board and a “no” vote from Council Member Foster was no match against the Yankees and the stadium project was rammed through so hurriedly in the spring of 2006 that community members were denied any chance to meaningfully participate in the planning process. The result: 22 acres of heavily used public park land, located in the poorest Congressional district in the United States, were seized for the most valuable sports franchise in the nation.

Part 2: Downplay the Subsidies

The Yankees have apparently chosen an Orwellian public relations strategy. The team’s leadership has repeatedly stated that the new stadium is being “privately funded” or “privately financed.” Yet, nothing could be further from the truth.

As we have documented in two reports (February 2006: *Loot, Loot, Loot for the Home Team* and July 2007: *Insider Baseball*) and as we update regularly on our website (www.goodjobsny.org), today subsidies for the Yankee project stand at more than \$737 million. And if a pending proposal by the New York City Industrial Development Agency to provide \$225 million in tax free financing for parking garages is approved, the total will rise to \$795 million.

The Justification

1) Team executives and New York officials justify this project and others like it in the name of job creation and the oblique term of “new” economic development. Without question, these projects create construction jobs in New York City – which are good jobs - along with a variety of other employment associated with building a new stadium, (estimated at 5,600). Currently, Yankee Stadium employs about 700 people and City official’s estimate that between 500-1,000 new jobs will be created. Many of these jobs are for part-time game-days jobs such as time vendors, ticket-takers, and cleaners.⁵

As the City Council prepared to vote on the project in April of 2006, the Bronx delegation and the Yankees said they would guarantee a community benefits plan that included promises that 25 percent of contracts associated with the project and 25 percent of “total job force” will go to Bronx residents. In addition, a “person of prominence” would oversee \$800,000 of annual contributions from the Yankees to the community⁶. To date, no such overseer has been announced. And the only announcement on jobs and contracts has come from the Yankees, suggesting the city is not monitoring hiring practices.

Despite the long involvement of borough and city officials in the project, no efforts have been made to incorporate job training or apprenticeship programs into the stadium construction for hiring of Bronx residents. It’s a tragic missed opportunity given the South Bronx’s decades of high poverty and unemployment.

2) Using Federal tax dollars for New York City project is a good thing and you'd be hard pressed to find a municipality that claims to get its fair share from Washington. Local officials report that these projects are bringing Federal resources to our city; but subsidizing the Yankees, we argue, is not what we had in mind. Estimates from the New York City Independent Budget office expect the Federal government will forgo \$251 million in revenue from the triple tax free bonds allocated for the Yankee project, (see the attached subsidy sheet for a breakdown) and \$114.7 million for the Mets stadium.

Better Use of Taxpayer Funds

Good Jobs New York has long argued that company-specific subsidies like those given the Yankees are bad policy. We believe taxpayer resources are better spent on public goods that benefit all employers and all workers. At the top of that list, right next to skills and workforce development, is infrastructure.

We New Yorkers are proud of our trademark infrastructure: our subways, water tunnels, roads and bridges that connect the islands that make up our city. But some of these connectors holding our city together are well over 100 years old. Far more New Yorkers would benefit if we rehabilitated our infrastructure instead of building new stadiums for wealthy sports franchise owners.

The City's infrastructure systems are severely taxed and will only become more so. New York City's population is projected to increase by a million residents to 9 million in the next 20 years. Of course, we cannot grow physically, so that means ever-more intensive use of our existing systems.

It's already happening. For example, our subway system has seen dramatic increase in ridership, the highest since 1952⁷ since more efficient payment methods were introduced and crime rates have decreased.

Bridges: As evident in the attached map, New York City has over 800 bridges defined by the state Department of Transportation as "deficient" – that's more than half of the bridges they inspected. While a deficient rating does not necessarily mean that a bridge is unsafe, it does mean the structure requires rehabilitation in order to be fully functional. It's important to note that New York State has a more stringent rating system than the Federal government for its bridges. According to the Federal Highway Administration more than 50 of our bridges that are on the national highway system are deemed "structurally deficient".

While home to some of the most famous bridges in the world, it's easy to forget that New York City is accessible because bridges connect our city; we are surrounded by water - the Hudson and East Rivers surround Manhattan; the Atlantic Ocean greets Brooklyn, Queens and Staten Island and the Long Island Sound surrounds the Bronx. There are even bridges that connect to bridges. For example there are approximately 10 bridges that lead to the Brooklyn Bridge. And in fact the Brooklyn Bridge itself is deemed to be one of the most deficient in the city.

Subways: With over 450 subway stations and 660 miles of tracks, the New York City subway system is an economically and environmentally efficient means of transportation for 5 million people a day helping make New York the one of the least car dependent cities in the United States. The subways are our highways; it's how we get to work, school and even baseball games. Yet, the system is aging rapidly.

Earlier this year, New York City Comptroller Williams Thompson released a report stating that the Metropolitan Transportation Authority (MTA) needs an additional \$673 million more than currently budgeted for our subways and buses to be in a state of good repair.⁸ Highlights from the report include:

- Upgrades are necessary to the ventilation fans which clear smoke from subway tunnels in the event of an explosion or fire;
- Just over half of the lighting in the subway system won't reach a state of good repair until 2022;
- The system's service reliability is decreased because of outdated signal systems.

In August of this year, I along with millions of commuters was unable to get to work because an unexpected heavy rainfall brought the subway system to a halt. The MTA's internal investigation found that it will need to invest \$30 million in a variety of solutions to better communicate with riders in such situations. It will also "quantify the costs of the longer-term capital fixes needed to permanently repair the system" and those costs are not yet known.⁹

Water System: New Yorkers are also proud of our water supply; water straight from the tap we've been known to argue can go head to head with the best in bottles. Yet, the Water Filtration Plant in the Bronx where two massive tunnels were built in 1917 and 1936 is working overtime. A new tunnel is being built and a federally mandated project to upgrade New York City Water Supply is now underway. But these tunnels – architectural feats – aren't cheap. Officials initially estimated the filtration project would cost \$1.3 billion, but last month admitted what local residents have long assumed: the cost has ballooned to over \$3 billion. Making matters worse, the Water Board recently announced it would hike water rates by 11 percent.

Conclusion

Although sports entertainment corporations have an entire section of every day's newspaper devoted to them, the Yankees and the Mets are, we must always remember, privately owned entertainment corporations. It's discouraging that officials are confusing teams with public goods like parks, water and transit that are essential to the city's public health and economic vitality.

Yet, in the case of the Yankees, now headed by Randy Levine, the former Commissioner of the Office of Labor Relations and then Deputy Mayor for Economic Development under Mayor Giuliani, some corporations have learned how to game government for

massive stadium subsidies while publicly claiming “private” financing, and announcing phantom “community benefits.”

Mayor Bloomberg’s ambitious PlaNYC 2030 aims to improve the city with affordable housing, back up systems for our water supply, better transportation and an upgrade to our energy infrastructure.¹⁰ It’s welcome news that our officials have a strong vision for the sustainability of our city. It won’t come cheap.

New York City’s competitive future and public health rest largely on the investments made in our infrastructure. We must not neglect those investments that benefit every employer and every worker while lavishing gifts on private entertainment corporations.

¹ The new stadium will have over 4,500 fewer seats than the current one. The current stadium has a seating capacity of 57,545 while the new one will have 53,000 seats.

² “Insider Baseball” Good Jobs New York, July 2007. www.goodjobsny.org

³ A copy of the Memorandum of Understanding between the city and the Yankees is available at : www.goodjobsny.org/yankeestadium_mou.pdf

⁴ A time line of the park alienation is available at: <http://www.goodjobsny.org/legislativetimeline.htm>

⁵ Economic and Fiscal Impact of Proposed NY Yankees Ballpark, prepared by Economics Research Associates for the New York City Economic Development Corporation. GJNY obtained via a Freedom of Information request

⁶ The Yankees Participation and Labor Force Agreement can be found at: http://www.goodjobsny.org/Yankees_deal.htm

⁷ Metropolitan Transportation Authority www.mta.info

⁸ A Review of MTA New York City Transit “State of Good Repair” Capital Expenditures, February 1, 2007. Office of the New York City Comptroller

⁹ Metropolitan Transportation Authority report to Governor Spitzer, September 20, 2007.

¹⁰Details available at www.planyc2030.com