

**TESTIMONY OF RANDY LEVINE
PRESIDENT, NEW YORK YANKEES
BEFORE THE DOMESTIC POLICY SUBCOMMITTEE
OCTOBER 24, 2008**

Thank you, Mr. Chairman. My name is Randy Levine, and I am the President of the New York Yankees. I have a brief opening statement and will then be happy to answer any questions you or other Subcommittee members may have.

While the Yankees hope to be as helpful as possible in connection with the Domestic Policy Subcommittee's study of stadium financing and the issuance of payment in lieu of taxes ("PILOTs") bonds, the specific governmental bond issuer - the New York City Industrial Development Agency, and not the New York Yankees - is best qualified to respond to the Subcommittee's questions regarding tax law, tax policy, or Department of Treasury or Internal Revenue Service regulations. As I will describe today, had this PILOT financing mechanism not been in place, a new Yankee Stadium would not have been built. And, without a new stadium, the Yankees regrettably would have been forced to leave the Bronx. This would have been a significant loss for the local community and its economy, not to mention for the Yankees. Before attempting to give the Yankees' perspective on these issues, however, I'd like to take a few minutes to discuss a number of misstatements and mischaracterizations that New York Assemblyman Brodsky has made over the last few months, including before this Subcommittee, regarding the Yankee Stadium Project. It is important that any discussion of the policy issues related to PILOTs begin with an accurate understanding of the record.

First, it is critical to note the tremendous transparency that has been a hallmark of this Project from the outset. Since the inception of the Project in 2005 to date, it has been one of the

most transparent transactions undertaken, and the details have been recorded in voluminous, publicly-available documents. The Project has been subjected to extensive scrutiny by various Federal, state, and local governmental agencies and authorities, as well as the general public. In this regard, the Project has resulted in twenty separate governmental approvals and actions, at least sixteen public hearings and meetings, two unsuccessful opposition lawsuits, and a plethora of media coverage. By way of illustration, various aspects of the Project were approved by the New York State Legislature on two occasions, by the New York City Council on three occasions, and by numerous other governmental agencies as well. Having received such approvals, in addition to the support of three New York State governors - on both sides of the aisle - and the Mayor of New York City, it is clear that the Yankee Stadium Project was thoroughly vetted by New York's elected officials.

Contrary to certain public statements, a number of which have been made in front of this very Subcommittee, there are vast public benefits and economic opportunities that this Project has produced and will continue to produce for New York State, New York City, and the Bronx.

To truly understand what the Yankee Stadium Project means to the South Bronx, one of the nation's poorest areas, I think it is instructive to look at an example I am sure you are familiar with, the City of Cleveland. In 1978, Mr. Chairman, the City of Cleveland became the first major American city to default on its bonds since the Great Depression. As a result, the great City of Cleveland experienced severe economic hardship throughout much of the 1980s. Through subsequent actions and policies, which included implementing tax incentives to spur economic growth, Cleveland was ultimately able to recover and prosper. In fact, Mr. Chairman, many commentators on that period believe that the building and opening of Jacobs Field, the

home of the Cleveland Indians, in 1994, was a key component of the City's economic revival. It is critical to note that Jacobs Field was built with the assistance of public funds.

Mr. Chairman, as a New Yorker I have heard promises to invest in the South Bronx for decades. I remember President Carter visiting the South Bronx in 1977 to promise its revival. It took decades, but in recent years, thanks in large part to the leadership of New York's elected officials, including Mayor Michael Bloomberg, who is widely applauded as a leader in creating jobs and managing tough economies, you see the pulling together of the South Bronx community. If you visit the area today, especially around the Stadium, you see promise and growth. As I will describe, the Yankee Stadium Project is a key component of this promise and growth.

The new Yankee Stadium, at a cost exceeding \$1 billion, is one of the largest economic development projects in the history of the Bronx, and the benefits of this tremendous Project have flowed to local firms. To date, approximately \$440 million has been awarded to New York State firms, approximately \$305 million has been awarded to New York City firms, and approximately \$132 million has been awarded specifically to Bronx-based companies. Construction of the new Stadium has employed approximately 6,000 persons. The Project is using union labor and operates under a project labor agreement. Pursuant to our Community Benefits Agreement, approximately 25% of the employees are Bronx residents and approximately 39% of these employees are minorities and women. The Yankees have provided approximately \$1 million in job training grants to institutions such as Project Hire, Helmets to Hardhats, and Non-Traditional Employment for Women. Over 300 graduates have passed through the programs run by such institutions and are now working at the Yankee Stadium site and other construction job sites in New York City.

I want to emphasize that we believe the new Yankee Stadium will generate approximately 1,000 additional jobs when compared with the present Stadium. This is a much larger number than the fifteen that Mr. Brodsky referred to. These jobs, which are largely union jobs, include additional restaurant, concession, security, construction trades, ticketing, marketing, front office, and maintenance positions. Given the tremendous job creation the Stadium Project has generated and will continue to generate, it has the unequivocal support of the leading unions, including the SEIU, New York Building Trades, UNITE HERE, and OPEIU. The Project has allowed these union members – who are the hardest hit during an economic downturn when jobs dry up – to continue their employment and to put food on the table for their families.

New investment is coming to our neighborhood in the South Bronx, as demonstrated by the Hard Rock Cafe's decision to open in the new Stadium and the new Gateway Mall a few blocks away. In addition, the NYY Steak Restaurant, the museum, the retail stores, and the banquet, conference, and business center, will all be open year-round. Having the stadium available 365 days a year as both a tourist and business destination will pull more traffic into the area, which in turn will provide local establishments with stronger year-round business than they've enjoyed in the past. Further, it is because of the Yankee Stadium Project that local residents and other commuters and passengers will now be able to benefit from the addition of a new Metro-North train station.

Without the Project, made possible by the issuance of tax-exempt PILOT bonds, none of the millions of dollars I have discussed would have flowed into local businesses located in New York State, New York City, and the Bronx, and none of the thousands of jobs associated with the Project would have been created. In addition, because of the new Stadium, New York was awarded the 2008 All Star Game, which led to a celebration of the Bronx, millions of dollars in

economic activity for the City, and over one million dollars in grants to Bronx and New York City community based organizations, hospitals, and educational and recreational programs. In addition to these contributions, the Yankees continue to provide approximately two million dollars in grants and equipment per year to community organizations in the Bronx, as well as providing 30,000 free tickets per year to Bronx community groups.

As to any concerns regarding affordability of tickets at the new Yankee Stadium, contrary to what you may have heard regarding ticket price increases, approximately 35% of the tickets will be priced at \$25 or less, approximately 50% of the tickets will be priced at \$45 or less, and approximately 80% of the tickets will be priced at \$100 or less. In fact, we expect that approximately 25,000 seats will have no price increase from the present Stadium and, in addition, 5,000 bleacher seats will remain priced at \$12 each.

With regard to the PILOTs generally, though I am not an accountant or a tax attorney, and though it is the New York City Industrial Development Agency that issued the bonds for the Project, I will do my best to address some of the issues you have raised.

First, it is important to note that it was the New York City Industrial Development Agency that sought and received a letter ruling from the Internal Revenue Service that interest on these bonds would be exempt from federal income taxes. The purchasers of these bonds relied on this ruling. It is also important to mention that when the Project was approved and the initial bond financing closed, additional tax-exempt bond financing for the Project was clearly contemplated and disclosed in the Official Statement, the disclosure document delivered in connection with the sale of the bonds.

Second, contrary to some assertions, debt service on the bonds to finance the costs of constructing the new Yankee Stadium will be paid entirely from PILOT payments made by the Yankees. Neither the full faith and credit of the State of New York nor New York City has been pledged to the repayment of the Project financing; it is only the PILOT payments. Simply stated, had the financing mechanism not been in place, no new stadium would have been built. And, as I've mentioned, without a new stadium the Yankees would have been forced to leave the Bronx. The Yankees also bear responsibility for the maintenance costs and expenses associated with the new Yankee Stadium. If there were no new Stadium, the City would have been responsible for paying millions of dollars per year for such maintenance costs.

Finally, with regard to the questions you have raised concerning assessments, it is the New York City Department of Finance, and not the Yankees, that determines the assessed values of real property, including the land and improvements comprising the new Yankee Stadium, as well as the methodology used to reach those assessments. It is then the City Council that fixes the tax rate applied to those assessed values in order to calculate the real estate taxes which are levied against properties, or, in the case of the new Yankee Stadium, the maximum amount of PILOTs which can be paid under the PILOT agreement. As normally occurs in the course of a Department of Finance assessment, the Yankees provided certain requested information to the Department about the new Stadium Project.

As I've outlined today, the Yankee Stadium Project has created numerous jobs, spurred economic development and growth, and guarantees that the Yankees will continue to be an invaluable fixture in the New York community and economy for many years to come.

Thank you, I will be glad to answer your questions.