

THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE

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March 29, 2023

VIA EMAIL

New York State Senator Brad Hoylman-Sigal
47th Senate District
hoylman@nysenate.gov

Dear Senator Hoylman-Sigal,

At your request, the Independent Budget Office (IBO) has compiled a descriptive overview of the financing deals and public subsidies for Madison Square Garden and the three most recently constructed major league sports stadiums within New York City: Yankee Stadium, Citi Field, and the Barclays Center.

All these sports facilities benefit from public subsidies or incentives that reduce costs but because the subsidy structures for each are different, cross-comparisons are difficult to make. None of the stadium owners are currently liable for New York City property taxes but for different reasons. Given the timeframe of your request, IBO is unable to perform a full cost analysis of each subsidy deal, particularly as the financing for several of the stadiums has been recently restructured to take advantage of low interest rates. However, in the enclosed memo we have summarized the major differences in the general structure of the public subsidy received by Madison Square Garden and the other three sports facilities.

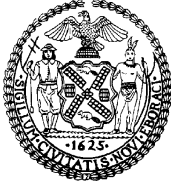
It is important to note that there is general agreement within the field of economics that substantial government subsidies for sports facilities are not typically an efficient use of scarce public resources. There is little evidence that these types of subsidies generate sufficient economic activity to lead to a net fiscal benefit to the local area.

If you have any questions or would like additional information, please feel free to contact me at LouisaC@ibo.nyc.ny.us or Alaina Turnquist, who completed this analysis, at AlainaT@ibo.nyc.ny.us.

Sincerely,

A handwritten signature in black ink that reads "Louisa Chafee".

Louisa Chafee
Director



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MEMORANDUM

To: Sarah Stefanski, Assistant Director
From: Alaina Turnquist, Budget and Policy Analyst
Date: March 29, 2023
Subject: Public Investment and Subsidies for New York City Major League Sports Facilities

This memo highlights key differences in the financing structure and public subsidies received by Madison Square Garden (MSG), Yankee Stadium, Citi Field, and Barclays Center. While all these sports facilities benefit from public subsidies or incentives that reduce their costs, the subsidies are structured differently for each stadium. Due to the timeframe for this request, IBO is unable to perform a full cost analysis of the public subsidies received for each stadium. However, we have highlighted the differences among each deal and describe some of the limitations of available data. Importantly, none of the stadiums pay property taxes to New York City.

MSG is a privately-owned commercial property that would pay property taxes to New York City, if not for the property tax exemption granted to it in 1982 under state law. Prior to receiving the tax exemption, the owners of the arena, who also owned the Knicks basketball and Rangers hockey teams, threatened to move the teams to New Jersey if not provided with some form of property tax relief. MSG's owners said that energy costs and the property tax liability threatened the financial viability of keeping the teams in Manhattan. Since 1982, MSG has received a full exemption from property tax liability under [Article 4, Section 429](#) of New York State Real Property Tax law. The exemption is contingent upon MSG's continued use by professional major league hockey and basketball teams for their home games.

In contrast, Yankee Stadium, Citi Field, and Barclays Center were all built on publicly owned land that is exempt from property taxes. The land and the stadiums are leased to team-affiliated limited liability corporations (LLC). The construction of all three stadiums was financed using triple-tax exempt bonds issued through public benefit corporations, along with other public subsidies. For Yankee Stadium and Citi Field, this was through the New York City Industrial Development Agency (NYCIDA) and for Barclays Center, this was through the state-created Brooklyn Arena Land Development Corporation (BALDC). The team-affiliated LLCs in turn make annual payments in lieu of taxes (PILOTs) to pay down the debt service associated with these bonds. The PILOTs do not enter the city's general revenue stream as property taxes would. Details for all these stadiums, and the types of subsidies received, are outlined in the accompanying table.

New York City Major League Stadium Subsidies (continues on next page)				
	Madison Square Garden	Yankee Stadium	Citi Field	Barclays Center
Year Opened/ Renovated	Opened in 1968, last major renovation in 2013	Opened in 2009	Opened in 2009	Opened in 2012
Type of Sports Facility	Basketball and hockey arena	Baseball stadium	Baseball stadium	Basketball arena
Neighborhood and Borough	Midtown West, Manhattan	Concourse, Bronx	Flushing Meadows-Corona Park, Queens	Atlantic Yards, Brooklyn
Capacity for Sporting Events (seats)	19,800	46,500	42,000	17,700
Ownership	<ul style="list-style-type: none"> Privately owned land and air rights Privately owned arena Below-ground land owned by Amtrak 	<ul style="list-style-type: none"> City-owned land leased through NYCIDA to team-affiliated LLC Stadium owned by NYCIDA, leased to team-affiliated LLC 	<ul style="list-style-type: none"> City-owned land leased through NYCIDA to team-affiliated LLC Stadium owned by NYCIDA, leased to team-affiliated LLC 	<ul style="list-style-type: none"> BALDC-owned land and stadium, leased to team-affiliated LLC
Construction Financing	Private borrowing	Tax-exempt and taxable bonds	Tax-exempt and taxable bonds	Tax-exempt and taxable bonds
Key Subsidies¹	<ul style="list-style-type: none"> New York State law grants full annual property tax exemption 	<ul style="list-style-type: none"> Triple tax-exempt bonds issued through NYCIDA Property tax exemption due to public ownership of land and stadium Direct city capital investment for infrastructure, including money towards new Metro North station Construction sales tax, mortgage recording tax, and MTA-related tax exemptions Rent credits on old stadium while new stadium under construction 	<ul style="list-style-type: none"> Triple tax-exempt bonds issued through NYCIDA Property tax exemption due to public ownership of land and stadium Direct city capital investment for infrastructure Forgone parking and rent revenue Construction sales tax, mortgage recording tax, and MTA-related tax exemptions Rent credits on old stadium while new stadium under construction 	<ul style="list-style-type: none"> Triple tax-exempt bonds issued through BALDC Property tax exemption due to public ownership of land and stadium Direct city and state capital investment for infrastructure Construction sales tax, mortgage recording tax, and MTA-related tax exemptions Below-market sale of MTA land

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New York City Major League Stadium Subsidies (continued)				
	Madison Square Garden	Yankee Stadium	Citi Field	Barclays Center
Property Tax Paid to City/ Payments in Lieu of Taxes (PILOTs)	<ul style="list-style-type: none"> No property taxes paid to city No PILOTs 	<ul style="list-style-type: none"> No property taxes paid to city PILOTs made to pay off debt service (not part of general revenue stream for city) 	<ul style="list-style-type: none"> No property taxes paid to city PILOTs made to pay off debt service (not part of general revenue stream for city) 	<ul style="list-style-type: none"> No property taxes paid to city PILOTs made to pay off debt service (not part of general revenue stream for city)
Property Tax Exemption/PILOT Duration	<ul style="list-style-type: none"> Ends only if repealed by state law Contingent on hosting professional basketball and hockey team home games 	<ul style="list-style-type: none"> PILOTs tied to life of the bonds 	<ul style="list-style-type: none"> PILOTs tied to life of bonds 	<ul style="list-style-type: none"> PILOTs tied to life of bonds
Other Noteworthy Information	<ul style="list-style-type: none"> Located above the prime transit hub of Manhattan Requires special zoning permit. Current permit set to expire July 2023 	<ul style="list-style-type: none"> Stadium displaced existing city park land, requiring replacement parks 		<ul style="list-style-type: none"> Located in central transit hub of Brooklyn Part of larger neighborhood redevelopment plan

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Challenges in Comparing Property Tax Values. While none of these stadiums pay property taxes, each is assessed by the city’s Department of Finance for property tax purposes. The assessed values and the property taxes that would result are not comparable measures of the city property tax breaks, however, for reasons linked to the terms of each stadiums’ subsidies.

For MSG, in February 2023 the finance department assessed the fair market value at \$867 million, which results in a property tax amount of \$42 million, although the city does not collect this property tax. This calculation is used to report on the value of the city tax expenditure. IBO views this as a conservative estimate of the foregone revenue since—knowing the property has a full tax exemption—there is little incentive to devote extensive resources to estimating the fair market value of the arena, which is the first step in determining the tax liability for the property.

For the other stadiums, the use of tax-exempt bonds creates an incentive for the stadiums to have their properties assessed at a higher value, providing more security for the debt. Under this structure (described in detail in the next section), the city’s finance department assigns a property tax assessment meant to approximate the stadium’s property tax value. The assessment, however, must also result in a PILOT amount large enough to cover the annual debt service on each stadium’s bonds. In this way, the fair market value and the PILOT amounts are linked. At the time of Yankee Stadium’s financing, vacant land in

Manhattan was used to baseline the value of the vacant park land where the stadium was constructed in the Bronx.

As of February 2023, the DOF assessed fair market values for Yankee Stadium, Citi Field, and Barclays Center are \$2.6 billion, \$3.2 billion, and \$2.6 billion respectively, and the property tax amounts would be \$115 million, \$121 million, and \$99 million, respectively. The stadium PILOTS totaled \$84 million for Yankee Stadium, \$44 million for Citi Field, and \$39 million for Barclays Center in 2023.² However, these PILOT payments are used to pay down the stadiums' debt service, and do not flow to the city as traditional PILOTs would. Therefore, comparing the PILOT amounts to what the property taxes would have been does not equate to a property tax expenditure because none of these revenues flow to the city.

Explaining the Financing Structure of Yankee Stadium, Citi Field, and Barclays Center. The federal government allows state and local governments to issue debt that is exempt from federal, state, and local income taxation. Tax-exempt bonds lower the project financing costs for a developer because investors are willing to accept a lower interest rate when their interest income is not subject to income tax.

In general, the federal internal revenue code limits tax-exempt status to projects with a governmental or public purpose, although bonds for some private activities can qualify. In 1986, an amendment was enacted specifically excluding sports facilities from using tax-exempt bonds, with some exceptions. Following the amendment, sports facilities could be financed with tax-exempt bonds if the project had either 90 percent public use or was 90 percent backed with public tax revenue (referred to as the 90-10 rule). With Yankee Stadium, Citi Field, and Barclays Center unable to receive exemptions through public use, the state and city agreed to finance at least 90 percent of the debt service for the bonds.

Under the 90-10 rule, the tax revenue cannot be revenue directly tied to the stadium, it is required to come from generally applied taxes, like sales or property. The public issuer is not allowed to use special taxes specific to the stadiums to back the debt (for example charging extra sales tax only on the stadium's tickets or charging the stadium rent). As a workaround, the NYCIDA and BALDC entered into PILOT agreements under which the debt is backed by payments not to exceed the estimated property tax payments that would be paid if the stadiums were built on privately owned land that were subject to property taxes.³

Since these stadiums were built, this financing structure—using PILOT revenue to back the debt—has been ruled to no longer qualify under the 90-10 rule. Nevertheless, stadiums that have already made use of this structure are permitted to maintain it.

¹ The previous Yankee Stadium and Shea Stadium were owned by the city, with the teams paying rent to the city based on a share of the stadium's revenue, and the city covered maintenance and operating costs. Under the new leases, maintenance and operation was transferred from the city to the teams. In exchange, the city gave up rental payments.

² Sources of PILOT payments: 2022 [PARIS](#) Annual Report and 2022 Brooklyn Events Center, LLC [Financial Statements](#).

³ NYCIDA and BALDC are conduit issuers for the stadium corporations, meaning the responsibility for the debt service falls on the stadium corporations—not the NYCIDA or BALDC, the city, or the state.