

Executive Summary

This report offers an analysis of the likely fiscal impact on the budgets of the City of New York and State of New York from the Forest City Ratner Companies (FCRC) arena, commercial and community development project at Atlantic Yards in Brooklyn.

The FCRC project at Brooklyn's Atlantic Yards distinguishes itself from the standard sports facility project in at least two important ways. First, New York City and New York State will benefit from a recapture of tax revenues presently generated in New Jersey. Second, the FCRC project is not a standalone arena, rather it encompasses a 21-plus acre mixed-income residential and commercial community. Among other things, the project will add at least 4500 net new residential units (with 20 percent for low-income and 30 percent for middle-income families) and 1.9 million square feet of class A office space.

In a typical case, a community builds a sports facility either to retain an existing team or attract a new team to the area. In either case, the lion's share of the money spent at the new arena or stadium is diverted from existing local expenditures, i.e., it does not constitute additional consumer spending. In a broad sense, the same is true with the proposed Nets arena in Brooklyn; the difference in this instance is that while the spending in the larger media market is mostly reshuffled within the area, it is relocated from one tax jurisdiction to another. Tax collections that

presently go to New Jersey will now go to New York City and New York State.

In particular, incomes of Nets players, executives and staff will be taxed in New York State and partially in New York City (if the individual lives in one of the five boroughs). Further, part of the spending at Nets games and other events at the Atlantic Yards arena will be new to New York City and New York State and sales taxes collected from this new spending will constitute net increments to the public coffers. Taking care to omit recirculated revenue, this study estimates that over thirty years the aggregate revenue generated for the city and state from the team and arena will be \$730.4 million, with a present value of \$257.5 million (using a 5.5 percent discount rate.)

Given the housing and commercial office space shortage in Brooklyn and New York City, the Atlantic Yards development will permit increments to the number of people living in and businesses working in New York. These increments will bring new income and sales, and, consequently, new tax revenues, to the city and state. This additional tax revenue from the residential and commercial developments at Atlantic Yards is estimated to total \$2.93 billion over thirty years, or a present value of \$1.08 billion.

The study also estimates the property tax on improvements (after the abatement program) and ground rent. The thirty-year aggregate revenue on these two taxes comes to \$446.7 million, or a present value of

\$162 million. Several sources of additional tax revenue from the project are not estimated. The total estimated increment to city and state tax revenues from the project comes to \$4.1055 billion over thirty years, or a present value of \$1.503 billion. The total construction and operating costs to the city and state from the project are estimated at \$1.2865 billion over thirty years, or a present value of \$690.4 million. Thus, the net fiscal benefit to the city and state from the Altantic Yards project is estimated to be at least \$2.819 billion over thirty years, or a present value of at least \$812.6 million.