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 report presents fiscal impact estimates for the two plans currently under consideration in early June 2005: the General Project Plan and the Alternative Plan.

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. Indeed, the arena costs represent only around one-seventh of the total investment in the project. The anticipated public investment of $200 million represents under six percent of the total investment in the project.

Among other things, under the General Project Plan the project will add approximately 5850 net new residential units (with 20 percent for low-income and 30 percent for middle-income families) and 1.2 million square feet of class A office space. Under the Alternative Plan, the project will add 6650 net new residential units and 259,078 square feet of new commercial 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 $1.12 billion, with a present value of $395.7 million (using a 5.5 percent discount rate) for both the General Project Plan and the Alternative Plan.

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 under the General Project Plan is estimated to total $4.19 billion over thirty years, or a present value of $1.53 billion. The additional tax revenue from the Alternative Plan is estimated to total $4.47 billion over thirty years, or a present value of $1.63 billion.

The study also estimates the property tax on improvements (after the abatement program) and ground rent. In the General Project Plan, the thirty-year aggregate revenue on these two taxes comes to $242 million, or a present value of $56 million. In the Alternative Plan they total $38.8 million with a present value of $11.9 million. Several sources of additional tax revenue from the project are not estimated. Under the General Project Plan, the total estimated increment to city and state tax revenues from the project comes to $6.02 billion over thirty years, or a present value of $2.13 billion. The increment to city and state tax revenues under the Alternative Plan is $6.40 billion over thirty years or a present value of $2.26 billion. The total construction and operating costs to the city and state from the project are estimated at a present value of $572.6 million for the General Project Plan and $603.4 million for the Alternative Plan. Thus, the net fiscal benefit to the city and state from the Altantic Yards project is estimated to have a present value of at least $1.55

billion over thirty years for the General Project Plan and $1.66 billion for the Alternative Plan.