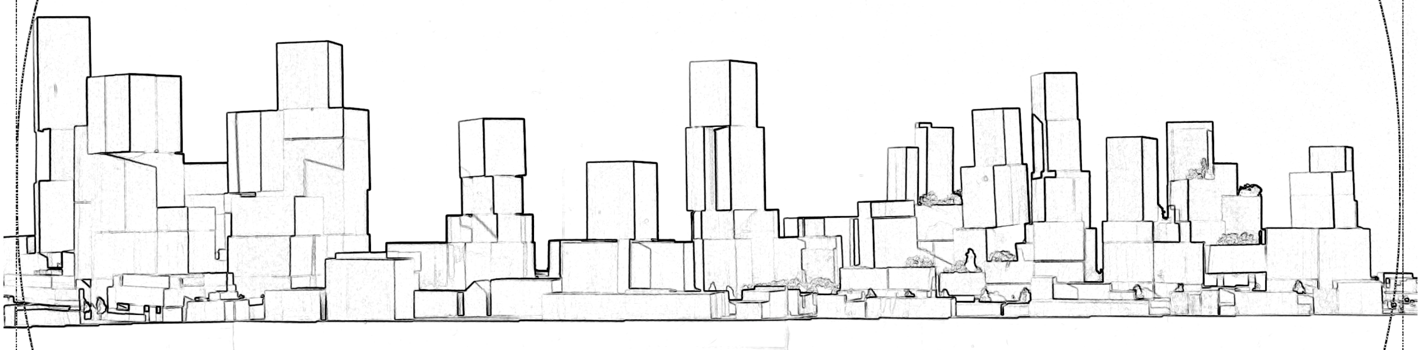
Anatomy of a Sweetheart Deal:



Public Subsidies and MOU for Dummies for Forest City Ratner's Atlantic Yards Proposal

ISSUED APRIL 12, 2005. UPDATED: MAY 20, 2005

BY DEVELOP DON'T DESTROY BROOKLYN

AVAILABLE ONLINE AT: www.dddb.net/dummies

WWW.DEVELOPDONTDESTROY.ORG
CONTACT@DEVELOPDONTDESTROY.ORG
PRESS CONTACT: 917-701-3056
GENERAL INFORMATION:718-362-4784

Public Subsidies FOR **DUMMIES** *What The Taxpayer Will Give Forest City Ratner*

	Known Subsidy Amounts*
1. Direct Cash From New York City	$100 million
2. Direct Cash From New York State	$100 million
3. 30 Year Full Property Tax Exemption (if the lease runs for its full term of 99 years, the abatement would exceed $1 billion)	~$360 million
4. Mortgage Recording Tax Exemption	~$77 million
5. 7.6 Million Square Feet of Development Rights	~$360 million
6. Tax-Exempt and Taxed Bonding for the Arena	~$500 million
7. Housing Construction Subsidies/Tax Credits	(likely to be well over $100 million)
8. Forest City Pays $1.00 for a 99 year lease for all the land under the Arena,its garages, and accessways, including City streets,a total of approximately 6.5 acres	$26 million

Approximate Known Subsidy Total……..............……........$1.623 BILLION

	Unknown Subsidy Amounts*
9. A discounted, closed door price for Atlantic Yards, without a competitive or fair bidding and RFP (request for proposals) process	$???,???,???
10. Unspecified (and unlimited) additional funds for "extraordinary infrastructurecosts"	$???,???,???
11. Government subsidies and/or tax credits to provide "affordable housing"	$???,???,???
12. Dollar for Dollar Credit for any costs which Ratner incurs in relocating and installing public utility infrastructure	$??,???,???
13. Guaranties from the City, the ESDC and the EDC that they will "use their best efforts" to obtain energy cost savings for the Arena for an unspecified period of time	$??,???,???
14. Arena Construction Materials & Fixtures Sales Tax Exemption	$??,???,???
15. Credit under the Brownfield Program if Forest City has to spend more than $20 million in remediation of environmental hazards	$??,???,???

Approximate Unknown Subsidy Total............……………........…..…$???,???,???

Public and Political Oversight and Input……………………...........3 Men in a Room

**Footnotes for Public subsidies for Dummies:*
1, 2. As per the MOU, pending approvals.
3. As per the MOU: Present value for a 30 year exemption (likely to be an unheard of 99 years, which would more than triple the $360 million amount). Based on the City finance department's formulas for assessed value of commercial and residential properties, and current tax rates.
4. As per the MOU: Based on a $3.5 billion total project cost. The cost has ranged in the press from $2.5 to $3.5 billion, and will likely surpass those numbers.
5. 7.6 million sq. ft. of development rights, at a conservative $100 per sq. ft, presuming Ratner pays a maximum of $400 million on property acquisition.
7. As announced at a May 19, 2005 Mayoral press conference at Brooklyn Borough Hall.
6. As per the MOU: Based on press reports over 18 months, with an arena construction cost ranging from $450 to $600 million.
8. As per the MOU: Based on approximately 260,000 sq. ft. of development rights at a conservative $100 per sq. ft.
9. Currently the 11-acre Railyards have no official open bidding process, and until there is, it is assumed the developer will vastly underpay for this extremely valuable piece of real estate. The MTA has yet to do an independent appraisal of the rail yards or issue an RFP, though they have been negotiating with FCR for over one year, according to MTA spokesman Tom Kelly.
10, 11, 12, 13, 14, 15. All stipulated in the MOU.
9, 10, 11, 12, 13, 14, 15. To date there is no way to know what total these items will reach. It is not difficult to imagine that these unknown amounts could also surpass the $1 billion mark.
****Niote: As per the MOU, the arena PILOTs go to pay off the arena bond and debt service (like the Jets Stadium). It is not clear where the non-arena PILOT goes, though it appears to go to the State. This needs to be clarified.**

Atlantic Yards MOU FOR DUMMIES

What is an MOU?

Memorandum of Understanding – a nonbinding document setting out the terms of a behind-closed-doors agreement amongst a private developer and several governmental agencies.

Who are the players?

Forest City Ratner Companies ("Ratner")
The proposed developer, led by Bruce Ratner, its President and CEO.

The City of New York ("the City")
Acting through Daniel Doctoroff, Deputy Mayor For Economic Development and Rebuilding.

New York State Urban Development Corporation d/b/a Empire State Development Corp. ("the ESDC")
Acting through Charles Gargano, its Chairman and Chief Executive Officer.

New York City Economic Development Corp. ("the EDC")
Acting through Andrew Alper, its President

The Metropolitan Transit Authority ("the MTA")
The MTA owns 40% of the land involved in the proposed Project, including the 11 yard site of the Atlantic Railyards ("the Railyards"), which service the LIRR. The MTA did not sign the MOU.

What is the agreement for?

To permit Ratner to build 7.6 million square feet, including an 18,000 seat arena and seventeen high rise buildings (ranging between 16 and 53 stories high) to be used for housing, retail, and commercial office space on 24 acres of land running from the Atlantic/Flatbush intersection to Vanderbilt Avenue, between Atlantic Avenue and Dean Streets in Prospect Heights, Brooklyn. ("the Project") The proposed footprint of this project is nearly 1.5 times the size of the World Trade Center footprint.

What Does Ratner get in the Deal?

In exchange for building the Project, the MOU gives Ratner the following:

1. $100 million from the City and $100 million from the ESDC to be used, by Ratner, for "site preparation and infrastructure" and, in the case of the City, to subsidize the taking of land owned by private individuals to be leased back to Ratner for $1.

2. Unspecified (and unlimited) additional funds for "extraordinary infrastructure costs"–which are also unspecified, but could include a platform over the Railyards (estimated to cost at least $200 million), relocation of the Railyards, additional sewage disposal and treatment facilities, and the like.

3. A 99 year lease for $1.00 for all the land under the Arena, its garages, and accessway, including two City Streets (a total of approximately 260,000 square feet) ("the Arena property") which will be obtained by the ESDC from the City for the same $1.00. A 99 year lease for $1.00 for all the land under the rest of the proposed development (the bulk of it).

4. A discounted, closed door price for the Railyards, without competitive or fair bidding process.To date no independent appraisal has been undertaken.

5. An entire City Street at "Fair Market Value".

6. Dollar for Dollar Credit for any costs which Ratner incurs in relocating and installing public utility infrastructure, which would include gas, electric, steam and sewage lines etc.

7. Complete abatement of all real estate taxes for the entire Project, estimated to be at least $12 million per year for the term of the lease, totalling $360 million if the lease runs only 30 years. If the lease runs for its full term of 99 years, the abatement would exceed $1 billion!

8. Both Tax-Exempt and taxed Bonds floated by a Local Development Corporation ("the LDC") established by the ESDC for that purpose, in an amount sufficient to cover the entire cost of the construction of the Arena, estimated at $500 to $600 million.

9. No requirement to pay back the Tax-Exempt Bonds, in whatever amount issued.

10. No sales tax on any construction materials for the Arena.

11. A promise from the ESDC to "consider" waiving Ratner's obligations to pay City and State mortgage recording taxes for all financing for the entire Project, and to waive all sales taxes for construction materials for the entire Project and for fixtures for the Arena.

12. Guaranties from the City, the ESDC and the EDC that they will "use their best efforts" to obtain energy cost savings for the Arena for an unspecified period of time.

13. Credit under the Brownfield Program (a Federal program to clean up environmentally hazardous properties) if Ratner has to spend more than $20 million in remediation of environmental hazards.

14. Government subsidies and/or tax credits, against any taxes due, to provide "affordable housing."

15. Any and all other exemptions to which Ratner may be entitled under law.

What Does Ratner pay for this Deal?

1. The closed-door price for the Railyards. (See item 4 of "What does Ratner get?")

2. The cost of the privately owned land that Ratner acquires directly, or that is acquired by the ESDC by "condemnation," which is the taking, by the government, of privately owned land through eminent domain.

3. Deeding over of all of the land in Item 2, which will be leased back to Ratner for 99 years, for $1, to avoid Real Estate Taxes. (See item 3 of "What does Ratner get?")

4. The cost of an entire City street, at a value set by the City.

5. PILOTS, which are "Payments in Lieu of Real Estate Taxes", set by the City or ESDC. However, with regard to the PILOTS for the Arena, if the PILOTS exceed the amount that Ratner would have had to pay in "debt service" (in other words, mortgage payments) (but which he is not paying – see item 7 of "What does Ratner get?"), then he gets back 10% of the overpayment for the operation of the Arena. Under this formula, after the bonds are paid via the PILOTS, Ratner will get a refund of a full 10% of the annual PILOT payments for arena operating costs. The PILOTS would be paid to the LDC and the ESDC, instead of going into the City's general treasury.

6. Construction costs of the non-Arena portion of the Project, minus "affordable" housing subsidies and taxcredits, most likely minus sales taxes.

<u>What do we get for our $1.5 billion-plus public investment?</u>

1. Destruction of the character of our communities through out-of-context, out-of-scale, and unsustainable overdevelopment. Including the construction of subsidized big-box national chain stores which out-compete local small businesses and send their profits out of state.

2. No public or political input or oversight for the largest development project ever proposed in Brooklyn. As the project would be led by the State, there would be a complete bypass of the City's Uniform Land Use Review Procedure, known as "ULURP," which relegates the entire City Council to the sidelines. The full State legislature would also have no say in the oversight of this project.

3. 23,000 more vehicular trips per day. Unmitigable and immense traffic congestion at and around one of the worst intersections in the entire City, which would have an adverse economic impact, and would increase asthma rates in a district which already has one of the highest rates in the City (New York City has the highest rates in the country.)

4. 250 arena events per year in a residential community.

5. Overtaxing of our schools, libraries, fire and police departments, and an overburdened public transportation system which is already at peak capacity. To date there is no plan to increase funding for these services and infrastructure, and no plan to mitigate the impact on them.

6. "Affordable" housing as described in a housing MOU between FCR and ACORN released on May 19th, 2005:

225 units for $13,181-29,150 household income (1 and 6 person families)*
675 units for $18,014-36,430 household income (1 and 6 person families)*
450 units for $26,362-72,875 household income (1 and 6 person families)*
450 units for $44,376-$102,025 household income (1 and 6 person families)*
450 units for $61,951-$116,600 household income (1 and 6 person families)*
2500 units for well above $116,600 household income, aka "market".
*It is not clear how many units in each bracket will skew towards the higher or lower ends.
40% of the "affordable" rents will be similar to going rate market rents in the borough.

Yet the median household income for ALL of Brooklyn is $32,000.
The housing MOU between FCR and ACORN, announced on May 19th, is only an agreement in principle, many questions remain, i.e. if it can be financed, and why the plan which usually requires a significant amount of housing for homeless families, doesn't. Meanwhile the MOU between FCR, ESDC and NYEDC states "...it is the intention of the parties to work together to ensure that a reasonable number of units will be developed as affordable"–no guarantees of anything.

7. An abusive use of eminent domain.

8. Secondary residential and business displacement (rippple effect).

9. All in all: a destructive, taxpayer-subsidized, sweetheart, backroom deal.