

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON FINANCE

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May 14, 2014
Start: 10:12 a.m.
Recess: 12:03 p.m.

HELD AT: Council Chambers
250 Broadway - Hearing Room,
16th Fl

B E F O R E: JULISSA FERRERAS
Chairperson

COUNCIL MEMBERS:

Corey D. Johnson
Helen K. Rosenthal
I. Daneek Miller
James G. Van Bramer
Laurie A. Cumbo
Mark Levine
Robert E. Cornegy, Jr.
Vanessa L. Gibson
Vincent Ignizio
Ydanis A. Rodriguez

A P P E A R A N C E S (CONTINUED)

Assembly Member David Weprin
24th Assembly District, Queens

George Sweeting
Deputy Director
New York City Independent Budget Office

Daniel Gilloon [sp?]
Representing James Claffey, Jr., President
Local 1 - International Alliance of Theatrical
and Stage Employees (IATSE)

Jessica Walker
Partnership for New York City

Steven Nallish for Gary LaBarbera, President
Council District 9
International Union of Painters
and Allied Painters Trades

James Parrott
Fiscal Policy Institute

Brigid Flaherty
ALIGN

Austin Shafran
Working Families Party

Elizabeth Bird
Good Jobs for New York

Bob Master
Political Director
Communications Workers

Andrew Hollweck
New York Building Congress

2 CHAIRPERSON FERRERAS: Good morning.
3 Welcome to today's Finance hearing. My name is
4 Julissa Ferreras, and I chair the Finance Committee.
5 We've been joined by Council Member Rodriguez,
6 Council Member Miller, Council Member Levine, Council
7 Member Cornegy, Council Member Ignizio, and Council
8 Member Corey. I know Council Member Rosenthal was
9 here - -

10 COUNCIL MEMBER: [Whispers] Council
11 Member Johnson.

12 CHAIRPERSON FERRERAS: I'm sorry, Council
13 Member Johnson. It's the familiarity. I'm so sorry.
14 Today we only have two items. We have a Land Use
15 item and a Preconsidered Resolution relating to the
16 Madison Square Garden Property Tax Exemption. Let's
17 start with the Land Use item. Property located at
18 810 River Avenue in the Speaker's district will
19 receive an Article 11 Property Tax Exemption from HPD
20 for the construction of affordable housing. This
21 project will provide 133 units of rental housing to
22 tenants with incomes between 30% and 90% area median
23 income, which is approximately \$34,360 to \$77,310 for
24 a family of four. The property tax exemption will be
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1 given for 40 years, and will be regulated by HPD.

2 The Speaker supports this project.

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4 The next item on the agenda is
5 Preconsidered Resolution, which supports legislation
6 that would repeal the Madison Square Garden Property
7 Tax exemption. Before I speak about the Res 0, I
8 want to -- I just want to take a quick minute to
9 thank the Finance Council Tanisha Edwards and the
10 Property Tax Specialist Emory Edoff [sp?] for their
11 work in preparing for this hearing. Thank you very
12 much. You both did a great job.

13 Now, for the benefit of the public and my
14 colleagues, I will start by giving a brief summary of
15 the Madison Square Garden Tax Exemption. Madison
16 Square Garden, LP owns the New York Knicks, the New
17 York Rangers, and other properties. In 1968, when
18 the Garden opened until 1982, MSG paid real property
19 taxes to the City. During the early 1980s,
20 escalating energy, labor, taxation, and energy costs
21 made New York City a very expensive place to play
22 professional sports. In light of these increasing
23 costs, Mayor Edward Koch was concerned the city would
24 lose both teams along with revenue generated by

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2 having these teams play their home games in New York
3 City.

4 In efforts to encourage the Knicks and
5 the Rangers to continue to play their home games in
6 the city, a property tax exemption was given to MSG
7 in 1982. Chapter 459 of the Laws of 1982 was enacted
8 by the State Legislature, and signed into law in July
9 1982 by the Governor of New York State, Hugh Carey.
10 The law added Section 429 to the Real Property Tax
11 Law granting in effect a full property tax exemption
12 to MSG, as long as both teams played all their home
13 games in that facility.

14 Fast forward 32 years later. The Garden
15 is still receiving the full property tax exemption,
16 yet it no longer is on the verge of losing money
17 because of the inability of -- because of the
18 inability to pay operating costs, nor is the City
19 faced with the threat of the team's departure.
20 Undeniably, the operation of the Garden is certain
21 profitable. With revenue from ticket sales,
22 concessions, concerts, theatrical productions, ice
23 shows, the circus, and much, much more.

24 While it is true that the City offers
25 property tax exemptions to encourage economic

1 development and job retention, these exemptions,
2 however, are granted for finite periods of time. And
3 are perpetual in duration like the Garden's tax
4 exemption. According to the Council of Finance, the
5 cumulative value of the exemption since it was
6 enacted in 1982, is currently over \$300 million, with
7 \$17.3 million in foregone taxes in Fiscal Year 2015
8 alone. I believe representatives of the Garden have
9 submitted written testimony, and I will ask my
10 Counsel to read the Garden's testimony.
11

12 [Pause]

13 COUNSEL TANISHA EDWARDS: Tanisha
14 Edwards, Finance Committee Counsel. The Madison
15 Square Garden thanks Chairwoman Ferreras and all the
16 members of the Finance Committee for the opportunity
17 to submit testimony. Madison Square Garden is one of
18 New York City's most important cultural institutions,
19 and has served as a vital economic engine for 133
20 years. MSG spends almost \$900 million a year on all
21 of its activities, operations, and administration.
22 MSG is perennially one of the country's busiest
23 arenas hosting approximately 400 annual events that
24 attract four million people to the heart of New York
25 City each year.

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2 Patrons who travel to MSG from outside
3 the city contribute an incremental \$200 million to
4 the city's economy through spending on local
5 businesses such as food, shopping, lodging, and
6 parking. The arena employs nearly 6,000 full-time,
7 part-time, seasonal, and per diem employees and works
8 with 14 different unions. When you add in MSG's
9 other New York City properties, which include Radio
10 City Music Hall and the Beacon Theater, the company
11 spends more than one billion dollars on its
12 activities, operations, and administration, employs
13 nearly 8,600 workers and works with 27 unions while
14 driving more than \$270 million in off-site visitor
15 parking.

16 In addition, MSG recently completed its
17 entirely self-funded more than one billion dollar
18 arena transformation that created as many as 3,700
19 union construction jobs at a time when job creation
20 in New York City was more important than ever. This
21 was an unprecedented investment. And it would allow
22 MSG to attract even more high-caliber events, such as
23 the NCAA Regional East Finals and the NWA All-Star
24 Game driving further revenues into the city.

1 Other businesses and organizations
2
3 throughout New York City receive significant tax
4 breaks and subsidies. It remains patently unfair to
5 single out one company when other entities receive
6 significant public subsidies. Specifically, the
7 Yankees, Mets and Nets have all received significant
8 tax breaks and subsidies. It is estimated that those
9 teams will receive more than \$2.3 billion in benefits
10 over the next 40 years. These benefits far exceed
11 the value of MSG's tax abatement over the same period
12 of time. The Madison Square Garden Arena is
13 synonymous with New York City, and one of these most
14 important contributors to its economic and civil --
15 civic vitality.

16 We are proud to be one of the City's
17 largest union employers, and the site of more than a
18 century of greatness in enjoying moments in sports,
19 entertainment, politics, and culture. In addition,
20 MSG is also a philanthropic leader in the New York
21 City businesses. Our Garden of Dreams Foundation
22 works with all areas of MSG to bring the magic of MSG
23 to children from its 22 partner organizations, which
24 include: The Children's Aid Society, the NYPD, the
25 FDNY Widows and Children's Fund, the Wounded Warrior

1 Project, the Harlem Dowling, the NYU Medical Center,
2 and Morgan Stanley Children's Hospital at New York
3 Presbyterian, and the Department of Homeless
4 Services.
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6 Madison Square Garden is also unique in
7 the duck and block of the two crises that have faced
8 our region and country. MSG has joined its partners
9 in underwriting, producing, and hosting massive leap
10 efforts, including the Concert from New York City
11 following 911, the Concert for the Gulf Coast
12 following Hurricane Katrina, and 12-12-12 a Concert
13 for Sandy Relief following Super Storm Sandy.

14 Utilizing MSG's venue, its resources and
15 staff as its unparalleled position in the world of
16 music and entertainment, these concerts collectively
17 raised more than \$94 million to address short and
18 long-term issues resulting from these tragedies.
19 Whether the MSG's economic impact, commitment to job
20 creation, dedicated charitable work, or it's more
21 than one billion dollar investment to transform the
22 arena, MSG demonstrates its ongoing commitment to
23 fortify and invest in a city it calls home. Singling
24 out MSG when others receive similar or greater tax
25 benefits, and other public subsidies is unfair and

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2 inconsistent. That's the testimony as submitted into
3 the record by Madison Square Garden.

4 CHAIRPERSON FERRERAS: Thank you,
5 Tanisha. And we've been joined by Council Member
6 Vanessa Gibson, Council Member Cumbo, and Majority
7 Leader Jimmy Van Bramer. I'd also would like to
8 acknowledge that we've been joined -- he will be
9 testifying shortly -- by our colleague and Assembly
10 Member Weprin. Before we hear from -- before we open
11 up for testimony, I'd like to take questions from the
12 members on the Land Use item, if there are any more
13 questions on the Land Use item. Very good. And now
14 we will hear from the prime sponsor of the MSG
15 Resolution, Council Member Corey Johnson.

16 COUNCIL MEMBER JOHNSON: Thank you Chair
17 Ferreras. Thank you for holding this hearing today.
18 Much of this has already been said, but I think it's
19 important to repeat. Madison Square Garden has paid
20 no property taxes since the state exempted from
21 paying real property taxes in 1982. The MSG tax
22 giveaway has cost New York City over \$300 million
23 since its inception. According to the Independent
24 Budget Office, the City will lose \$17.3 million in
25 revenue in 2014 alone.

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2 The additional revenue from the unpaid
3 taxes would provide all New Yorkers with much needed
4 aid for public services like education, job creation,
5 healthcare, affordable housing, and tax relief for
6 New Yorkers, for New York's working families, people
7 that really need it. The MSG tax giveaway is the
8 only tax -- is the only state tax break that was
9 written into state law to benefit one individual
10 company. The MSG tax giveaway is the only state tax
11 break among roughly \$8 billion worth of state
12 programs that never expires.

13 The MSG tax giveaway appears to be the
14 only property tax break in New York City's Tax
15 Subsidy Programs that never expires. As was said
16 earlier, late Mayor Ed Koch thought he was only
17 authorizing a ten-year tax abatement. It is true
18 that many other entities that like MSG are very
19 profitable and offer outrageously high compensation
20 to their executives who receive unjustified tax
21 breaks at the city, state, and federal level. The
22 existence of other unjustified tax breaks does not
23 mean that MSG -- that the MSG tax giveaway should
24 continue.

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2 MSG is correct to claim that it has a
3 large positive economic impact on our city, but there
4 is not good evidence that suggests that repealing the
5 tax break would affect its impact in anyway. In
6 fact, the City could use the \$17.3 million in 2014
7 for many positive economic and social welfare
8 purposes. For too long MSG has profited at the
9 expense of New Yorkers. I am here today in support
10 of State Legislation to sunset the Garden's tax
11 break, and ensure MSG pay its taxes like other New
12 York City businesses. And contributes directly to
13 the maintenance and wellbeing of the City. I wanted
14 to thank Chair Ferreras for co-sponsoring this
15 Resolution, as well as Council Member Vinny Gentile,
16 and holding this hearing today.

17 Rather than reiterate the Chair's opening
18 statement, I would just like to highlight a couple
19 more points. \$4.4 billion that is the estimated
20 value of the corporation that owns Madison Square
21 Garden, the Knicks, the Rangers, Radio City Music
22 Hall, and the Beacon Theater. \$300 million is the
23 nominal value of the exemption from Fiscal Year 1983
24 through the current property tax year with the lost
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1 revenue to the City. With the Fiscal Year 2015 alone
2 again project \$17.3 million.

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4 Rather than treating this highly
5 profitable corporation like a non-profit institution
6 in perpetuity, a status afforded that no other tax
7 break in the state. In which Mayor Koch again has
8 indicated was never his intention to be in
9 perpetuity. We should be recapturing this revenue to
10 fund vulnerable services in our city. For too long
11 MSG has profited at the expense of New Yorkers. The
12 State Legislation endorsed by today's Resolution
13 would sunset the Garden's tax break and ensure MSG
14 pays taxes like New York City's other businesses, and
15 contributes directly to its maintenance and
16 wellbeing.

17 I want to conclude by thanking the
18 Finance Committee Counsel Tanisha Edwards for her
19 work on this, and Emory Edoff [sp?] for his work on
20 this, as well as my Legislative Director, Louis
21 Cholden Brown for their essence of appearing today.
22 And I just want to say the numbers don't lie. If you
23 look at the numbers across the board, if we appealed
24 this tax break it would not affect MSG's ability to
25 stay in this city to continue to contribute to our

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2 city. Then we should recapture this for the public
3 good. Thank you, Madam Chair.

4 CHAIRPERSON FERRERAS: Thank you Council
5 Member Johnson, and we will have our first speaker,
6 Assembly Member David Weprin former Finance and the
7 Assembly sponsor for the State Bill that our
8 resolution supports.

9 ASSEMBLY MEMBER WEPRIN: Chair and
10 Members of the City Council, it's nice to see so many
11 friendly and familiar faces, colleagues of mine who
12 I've worked with on so many issues, and it's great to
13 see my former Assembly colleague Vanessa Gibson here
14 in this capacity. I'm David Weprin, a member of the
15 New York State Assembly representing the 24th
16 Assembly District in Queens. As the Chair mentioned,
17 prior to my election to the Assembly, I served on the
18 New York City Council from 2002 through 2009, and
19 chaired the Finance Committee during all of those
20 eight years. It's kind of funny to be on this side
21 of the microphone having spent so many years and
22 hours through many, many budgets where you are, Madam
23 Chair. Thank you for allowing me to testify publicly
24 regarding Council Member Corey Johnson's Resolution
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2 to support legislation that I am sponsoring to repeal
3 Madison Square Garden's property tax exemption.

4 This exemption has been in place for far
5 too long at the expense of the people of New York
6 City and New York State. In 1982, as was previously
7 mentioned by the Chair and the sponsor, New York
8 granted the Garden this exemption to ensure that the
9 New York Rangers and the New York Knicks would
10 continue to play at home at the Garden. At the time,
11 this so-called temporary tax break made sense as
12 Madison Square Garden not only created many new jobs
13 for New Yorkers, but also gave fans an iconic and
14 lasting home for the Rangers and Knicks.

15 Over time, it has become abundantly clear
16 that this exemption would be permanent. In fact, as
17 Council Member Johnson mentioned, former Mayor Ed
18 Koch, who was Mayor at the time, expressed in an
19 interview several years ago that he believed the
20 exemption would only last ten years until 1992, as
21 other similar property tax exemptions all expired
22 with ten years. However, Section 429 of New York
23 State Law has been worded as to grant this privilege
24 solely to Madison Square Garden, as was pointed out,
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2 and it was amended to extend this exemption
3 indefinitely.

4 As a result, New York City has lost over
5 \$300 million in revenue over the past three decades.
6 And as was pointed out, according to the Independent
7 Budget Office, this tax exemption is now worth
8 approximately \$17.3 million. A very interesting
9 figure because the CEO of Madison Square Garden, Jim
10 Dolan's salary last year was approximately \$17
11 million. So actually, his property tax exemption is
12 paying Jim Dolan's salary. During my tenure on the
13 City Council, as Chair of this very committee, the
14 national economic downturn occurred in New York with
15 unemployment rates and budgeting pressures rising, my
16 colleagues and I worked toward the City's recovery.

17 In dire financial times, we absolutely
18 could not afford Madison Square Garden's multi-
19 million dollar tax break. In January of 2008, we
20 passed a similar resolution in the City Council to
21 revoke the Garden's tax exemption. Unfortunately,
22 Albany failed to approve the measure, and to this
23 day, Madison Square Garden has not paid a dime in
24 property taxes.

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2 Last year, as a member of the New York
3 State Assembly, I introduced a Bill 6597 that would
4 repeal Section 429 of the Real Property Tax Law so
5 that New York can finally compel the owners of
6 Madison Square Garden to pay their fair share of
7 taxes. My bill in the Assembly has over 40 co-
8 sponsors, and I expect -- and the State Senate
9 version has many, many sponsors as well. Therefore,
10 I urge you, as members of the New York City Council
11 to pass Council Member Johnson's Resolution because a
12 \$4 billion profitable company should not be tax-
13 exempt while hundreds of thousands of our fellow New
14 Yorkers pay their taxes, and are struggling to get
15 by. Thank you. I'll be happy to answer any
16 questions.

17 CHAIRPERSON FERRERAS: Thank you Assembly
18 Member Weprin. We have -- our first question is from
19 Council Member Levine followed by Council Member
20 Rosenthal.

21 COUNCIL MEMBER LEVINE: Thank you Madam
22 Chair, and thanks to the sponsors of this great
23 resolution including Council Member Johnson, and
24 thanks for testifying with us here, Assemblyman. This
25 is more of a statement wrapped in a question. But

1 I'd like you to weigh in on the implied threat that
2 MSG might actually move the Rangers or some other
3 component of this operation. I'd just say that every
4 time we grant a tax break for a corporation, it's a
5 dollar less that we have for schools, parks, and
6 police. We should probably do it in far fewer cases
7 than we traditionally do for that reason. But
8 certainly, in a case in which there is no realistic
9 threat that a company might move, it's simply
10 unjustifiable. For a sports franchise to leave the
11 biggest media market in America, to leave what I
12 think is the best sports fan base in America, to
13 leave a location this is on top of the biggest
14 transit hub in America simply would be an
15 inconceivable business decision. It's hard for me to
16 see why we would even entertain that as a reason to
17 continue this tax break. So I'll turn it over to you
18 for your thoughts and comments on this. Thank you.

20 ASSEMBLY MEMBER WEPRIN: Absolutely. In
21 1982, I think it was a real threat that the Rangers
22 and Knicks might abandon New York. At the time, New
23 York was -- had a higher crime rate. Crime has
24 significantly gone down since then. The economy has
25 turned around. They were not as profitable in 1982,

1 both the Knicks and the Rangers as they are today.
2 They're probably either the number one or two most
3 valuable franchises in the country, both the Knicks
4 and the Rangers, and as you all know, the Rangers
5 just came back from a three-to-one behind to win to
6 go onto next stage of the playoffs. So they
7 certainly are doing very well right here in New York,
8 being very profitable. As was pointed out, making
9 over \$4 billion, Madison Square Garden between the
10 Rangers, Knicks and other events. And certainly \$17
11 million would not be -- would be a drop in the bucket
12 for them.
13

14 COUNCIL MEMBER LEVINE: Thank you.

15 CHAIRPERSON FERRERAS: Thank you and I
16 know Council Member Rosenthal will her questions in
17 the next round. I actually have a question for you.
18 As we pass this Resolution, I know that our body is a
19 little different from the body that you currently sit
20 on. So, how will this Resolution assist you in
21 helping usher that or shepherd that through the State
22 level?

23 ASSEMBLY MEMBER WEPRIN: A very good
24 question. I had a conversation just yesterday with
25 the Chair of the Real Property Tax Exemption

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2 Committee, Sandy Galef from Westchester County, and
3 she did not want to put this on the Real Property Tax
4 Exemption -- Property Tax Committee until she heard
5 from the City of New York. And I indicated to her
6 that the City Council was considering a resolution
7 today. And she indicated that if the City Council
8 overwhelmingly passed this resolution that she would
9 not only put it on the Property Tax Committee Agenda
10 in two weeks, which would be the next meeting, but
11 she would support it as well.

12 CHAIRPERSON FERRERAS: Thank you very
13 much Council Member -- or Assembly Member Weprin, and
14 now we will hear from Council Members Cumbo followed
15 by Council Member Cornegy.

16 COUNCIL MEMBER CUMBO: Good morning.

17 ASSEMBLY MEMBER WEPRIN: Good morning.

18 COUNCIL MEMBER CUMBO: So happy to see
19 you here. I have a question in terms of basically
20 understanding is this a precedent that you want to
21 see carried out because this decision in many ways in
22 terms of other conversations that others have had
23 also talks about the tax exemption that other major
24 arenas or similar entities also benefit from. This
25 will obviously create a precedent in some ways, and

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how do you feel about that? And do you feel that that's the direction that we should go in?

ASSEMBLY MEMBER WEPRIN: Well, I think there is a very unusual precedent already, as Council Member Johnson pointed out in his opening statement. There is no other for-profit entity in the State of New York that has an indefinite property tax exemption anywhere in the state. Every other property tax exemption generally lasts for ten years or a similar amount of period. There is none -- no similar situation in the entire state, and that's what makes this -- revoking this exemption so important. Because in setting a bad precedent that this is the only company of its kind in the entire state, and I'm sure there are plenty of other for-profit companies in New York State that would love to have an exemption from property taxes.

COUNCIL MEMBER CUMBO: Just another question as well. When you talk about the \$4 billion in profits, are you talking about what they net or what they gross?

ASSEMBLY MEMBER WEPRIN: It's in the billions. The net? I couldn't tell you whether it's gross, but it's certainly net in the billions.

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COUNCIL MEMBER CUMBO: And the profitability that you speak of is that profitability something that has been consistent from 1982 where they talked about some of the challenges that were faced during that time? But since that time, they've become a consistently profit-generating entity that is financially sound and secure, even after their renovations and beyond.

ASSEMBLY MEMBER WEPRIN: It's gone up significantly in profitability since 1982 as the CEO's salary has as well.

COUNCIL MEMBER CUMBO: Okay, and then my final question is if this tax exemption -- and I know it's a misstatement by I just have to ask again -- if this tax exemption were removed, how much would be -- what would be the amount on average that they would be then required to pay each year?

ASSEMBLY MEMBER WEPRIN: Well, it would be \$17.3 million by today's standards, but that number has gone up. When I was in the City Council, I think we were using the figure of about \$11 million a year. So obviously, the value of that real estate based on the assessed value has gone up significantly. Just from a few years ago, when I was

2 in the Council it went up from \$11 million to \$17
3 million. I would think it's only going to go up.

4 COUNCIL MEMBER CUMBO: Thank you.

5 CHAIRPERSON FERRERAS: Thank you, Council
6 Member Cumbo, and also to kind of piggyback, as we
7 have in other issues here when exemptions come, they
8 come to this committee. We discuss them and they
9 have a sunset, and they rightfully are handled by our
10 committee here in the city. This is the one that is
11 in the State with no end date. So it's also I think
12 a purview of the Council to be able to -- be able to
13 have the influence on our exemptions, and especially
14 to be able to change them when the environment
15 changes. So thank you, Council Member Cumbo, for
16 your questions, and we will now hear from Council
17 Member Cornegy followed by Council Member Rosenthal
18 who is back on the cue, and then Council Member
19 Rodriguez.

20 ASSEMBLY MEMBER WEPRIN: And I know
21 Council Member Cornegy knows something about
22 basketball as well.

23 COUNCIL MEMBER CORNEGY: I wasn't even
24 going to bring that up, Assembly member. But
25 actually, I did want to thank the Chairs for this

1 Resolution in support of this law. But I did want to
2 say in jest that some of us who are long-term sports
3 fans have wondered how there was no incentive to win
4 games at the Garden and now we see. So we're hoping
5 that his will incentivize to field some winning
6 teams. Because with that tax break really there was
7 no incentive to actually win any games. So we
8 couldn't understand, you know, those of us who are
9 long-term sports -- We had no idea why they could
10 continue to field teams. So thank you.

12 ASSEMBLY MEMBER WEPRIN: Thank you,
13 Council Member.

14 CHAIRPERSON FERRERAS: I don't think I've
15 ever heard it but that way, but thank you. And we
16 will have Council Member Rosenthal followed by
17 Council Member Rodriguez.

18 COUNCIL MEMBER ROSENTHAL: As usual,
19 Cornegy, tough act to follow. You know, I actually
20 just want to thank you for introducing this
21 legislation in this state and for tackling this for
22 such a long time. And I also want to thank the
23 Chairs for bringing it up today. I wish I had
24 thought of it, and wish my name were -- as a lead
25 sponsor here. But I'm certainly going to sign onto

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it and vote for it. You know, eliminating this tax break was actually part of my platform when I ran for the City Council.

There are so many loopholes in the City Tax Code for what we call in shorthand monied interest. And I think that this is one that's been glaring as one of the most egregious. I'm looking over at James Parrott right now. Next, we go after the LLCs, fingers crossed. So, I'll just say in all seriousness this is incredibly important that we're doing this. I'm glad to hear that the Chair of the Real Estate Committee would be interested now in putting her on -- putting this issue on her agenda. This is just incredibly important for New York City. It's an incredibly important message to send to other businesses, and individuals who their taxes dutifully. So thank you very much.

ASSEMBLY MEMBER WEPRIN: Council Member Rodriguez.

COUNCIL MEMBER RODRIGUEZ: First of all, I would like to see the same standard that we are using on Madison Square Garden to be applied to the other institutions that we have in the city. I believe that the contribution that Yankee Stadium,

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2 the Met, and also the basketball ones are making to
3 the city is not big enough. Their contribution is
4 only 2% of their money to build that stadium. After
5 the stadium has been built, they only do a slight
6 property tax contribution that return back for them
7 to pay for their Garden for the investment that we
8 did in the construction.

9 So I would just like to see the same
10 standard. I hope that our resolution that we will be
11 passing today, and I will be voting on that
12 resolution today. Clearly, the message that everyone
13 should be treated equal. There are not property
14 taxes coming from this investment that we have made
15 in this stadium going to a school, going to
16 education. They only do a small contribution, and
17 that goes back for their bond to pay for the
18 construction. So I just want us to go back use the
19 same standard that we have in the Madison Square
20 Garden. And I hope that they will come to the table,
21 and we make sure for them to increase their level of
22 contribution. But I want us to go back and go after
23 those institutions and say you need to increase the
24 property taxes. This is unfair that we treat one on
25 one level, and other one are paying property taxes.

2 ASSEMBLY MEMBER WEPRIN: Yeah, well one
3 distinction between Madison Square Garden is that
4 it's privately owned land. The Yankee Stadium and
5 City Field are actually on city owned land, but there
6 are -- part of the agreement was that they make PILOT
7 payments in lieu of taxes because they're technically
8 city land so they could be tax-exempt, but as part of
9 all the agreements, they do pay PILOT payments
10 instead of taxes, but it's possible they're
11 underpaying.

12 COUNCIL MEMBER RODRIGUEZ: All of them
13 got a good deal. All of them got to sit on a good
14 deal, and I hope that they -- As a resident of the
15 Yankee Stadium, as a resident I own the Met Stadium,
16 they're small business and ask if they're happy.
17 They believe that they have complied with the
18 agreement, and you'll a lot of these agreements. So
19 again, I'm for working all events already. I just
20 want to be sure, and I said I will be voting on this
21 resolution, but I want to see the same standard that
22 we applied to the Madison with all institutions, too.

23 ASSEMBLY MEMBER WEPRIN: Okay.

24 CHAIRPERSON FERRERAS: Thank you. Thank
25 you Assembly Member Weprin. We will be calling up

1
2 the next testimony. Thank you so much for coming
3 this morning.

4 ASSEMBLY MEMBER WEPRIN: Thank you for
5 allowing me to come back into a room where I spent
6 probably eight of the best years of my life, and I
7 have very, very fond memories of being in your
8 position. And I know you already have, and will
9 continue to do an outstanding job as well as all of
10 my -- this great City Council.

11 CHAIRPERSON FERRERAS: Well, thank you
12 and welcome home. We will now hear from George
13 Sweeting from the Independent Budget Office. And
14 following this, just to kind of give you guys a sense
15 of where the hearing is going, we have three other
16 panels following this panel.

17 [Pause]

18 GEORGE SWEETING: Good morning. Before I
19 begin, I'd like to just note that there's a certain
20 inconvenience in the schedule of this meeting. I
21 would be right now trying to buy tickets to the
22 Rangers' next playoff round. [laughter] But hey
23 went on sale at 10 o'clock this morning, and I'm
24 probably missing out, but anyway I don't hold it
25 against you. Good morning, Chair Ferreras, and

1
2 members of the committee. I am George Sweeting,
3 Deputy Director of the New York City Independent
4 Budget Office. I want to thank you for inviting IBO
5 to testify at today's hearing on Madison Square
6 Garden Property Tax Exemption.

7 As you know, since 1982 the Garden has
8 been fully exempt from real property tax under a
9 provision of New York State Law that effectively only
10 applies to that property. In the current fiscal
11 year, this results in a savings of the owners of the
12 Garden of \$17 million. On the Department of
13 Finance's Tenet of Assessment Roll for Fiscal Year
14 2015, the estimated market value of the Garden has
15 been increased by nearly \$800 million, and is now
16 shown as \$1.2 billion, presumably as a result of the
17 major renovation over the past three years. With a
18 higher market value, the value of the exemption will
19 also grow. Although the values have not -- will not
20 be final for a few more weeks, at the moment it
21 appears that the amount of the tax expenditure in
22 2015 will be roughly \$54 million.

23 I note that the resolution under
24 consideration today draws heavily upon one of the
25 revenue options included in IBO's annual volume of

1 budget options. Just to make it clear, the options
2 in that volume are not recommendations or proposals.
3 IBO does not take a position on whether Madison
4 Square Garden's exemption should be repealed or
5 continued. What I will do is discuss the exemption
6 from the perspective of broadly accepted standards of
7 tax policy and equity. My purpose is to help inform
8 legislators and other policymakers who will determine
9 the fate of the exemption.
10

11 There is broad consensus within the
12 economics field that government subsidies for sports
13 facilities are not an effective use of scarce public
14 resources. There is little evidence that substantial
15 subsidies to sports facilities generates sufficient
16 economic activity that would not have occurred in the
17 absence of the subsidy to return a net fiscal benefit
18 to the locality. Of course, this observation applies
19 to all forms of public subsidy for sports facilities,
20 not just the Madison Square Garden exemption.

21 Now, let me turn to more specific
22 observations about the Garden's exemption. One basic
23 premise of good tax policy is that to the extent that
24 Economic Development Incentives are granted, it is
25 preferable that they generally be available to all

1
2 qualifying firms. The Garden's exemption is the only
3 significant property tax exemption in state law that
4 benefits a single private for-profit firm in the
5 city. Because it is enshrined in state law, it is
6 outside the City's control of economic development
7 policy and is therefore, increasingly inconsistent
8 with the City's other benefits programs. Most
9 glaring is the open-ended nature of the benefit.

10 Under the City's Industrial and
11 Commercial Abatement Program, or ICPA, for example,
12 tax abatements are granted for a limited time with
13 the duration depending on the location and type of
14 investment. With an open-ended benefit, the City
15 continues to face an annual cost even if the
16 conditions that prompted the initial deal have
17 changed. In 1982, the owners of the Garden argued
18 that their costs, including taxes and energy were
19 threatening their ability to keep the basketball and
20 hockey teams playing their games in the arena.
21 Today, it is unlikely that those conditions remain.
22 With the advent of its own cable television network
23 more intensive use of the facility to generate
24 advertising revenue, and construction of new luxury
25 boxes and club seating areas with higher ticket

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2 prices, the Garden is now by all accounts a highly
3 profitable enterprise.

4 An Economic Development Incentive

5 provided through a permanent tax exemption offers
6 little chance to withdraw the tax benefit when the
7 city is not getting the full economic benefit
8 envisioned. Consider what happened 18 months ago
9 when the National Hockey League owners locked out the
10 players forcing the cancellation of 34 of the 82
11 games originally scheduled for the 2012-2013 season.
12 The City lost the fiscal benefit from the spending by
13 teams and fans for 17 regular season home games.
14 This marked the third prolonged shutdown of either
15 the National Basketball Association or the National
16 Hockey League since the exemption was granted. Under
17 current law the exemption remained in effect. It
18 would only lapse if one or both of the teams were to
19 play their home games in another venue.

20 Another premise of good tax policy is to
21 avoid favoring one entity over its competitors. The
22 Garden's exemption helps lower its overall cost of
23 operations. But these operations include many events
24 besides basketball and hockey games such as the
25 circus, ice shows, concerts, and trade shows. In

1 many cases, there are competing venues in the City
2 for such events, particularly the small trade shows
3 and the concerts held in the theater under the
4 Garden's Main Hall. Venues competing with the Garden
5 for such events are placed at a competitive
6 disadvantage if they are subject to the property tax
7 and the garden is not.
8

9 Of course, the Garden also competes
10 against other major sports venues for fans and
11 revenue. In recent years the City has subsidized new
12 facilities for the Mets, the Nets and the Yankees.
13 IBO's most recent estimates of the present value of
14 these city subsidies, and this is just the City
15 subsidy, not the total subsidy. \$138 million for
16 City Field; \$350 million for the Barclay's Arena; and
17 \$362 million for Yankee Stadium.

18 These deals also include additional state
19 subsidies and federal tax-exempt financing. Measured
20 on a comparable basis, which involves estimating the
21 future revenues that would have been generated if the
22 projects had received the standard incentive benefits
23 available to all developers, the Garden's exemption
24 represents a City subsidy -- the present value of the
25 future City subsidy -- of about \$541 million. The

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Garden subsidy is larger because of the As-of-Right benefits that IBO assumes would have been used are less generous than those that would have been available to the other venues when they were constructed. Because City tax policy has changed since the 2000s. Again, thank you for the invitation to testify, and I'd be happy to answer any questions.

CHAIRPERSON FERRERAS: Thank you very much. One of the arguments for keeping the exemption for MSG is that the City and State have provided subsidies and exemption for the larger stadiums. And you just very specifically spoke of the amount, and it was kind of shocking when you hear the real value to date. Can you just for our -- for testimony purpose if you can just speak -- Would MSG be at a serious disadvantage if this exemption is waived?

[Pause]

GEORGE SWEETING: First of all, there's a good argument for not having granted any of these exemptions --

CHAIRPERSON FERRERAS: Right.

GEORGE SWEETING: -- or benefits. And in the case of some of the other facilities it's less about the property tax exemption, and more about the

1 access to tax-exempt financing. In the case of the
2 Garden, measured against the standard of whether
3 there should be any benefits, the City grants under
4 the Property Tax and ICAP Benefit for Industrial and
5 Commercial Abatement Program. Our estimate of the
6 future -- what's the foregone revenue of \$541
7 million, we're assuming that the Garden would have
8 gone ahead with their development as they've done,
9 and take advantage of ICAP. So that's -- we're
10 giving them credit for that -- the savings that
11 would have come there. And it's still a -- there's
12 still a net cost to the City from doing this
13 additional exemption on top of what would have been
14 available.

16 CHAIRPERSON FERRERAS: And in an MSG
17 statement -- we actually did our own research on this
18 -- but the Garden was in a billion dollar, very
19 public renovation, and I would think that that would
20 prove that the Garden is doing financially well, and
21 very strong, and very profitable. And if that's the
22 case, it would seem that the City should no longer
23 support, or that this exemption is no longer
24 necessary. So just for very specifics, why should
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COMMITTEE ON FINANCE

the City continue to provide this very large subsidy if MSG is doing so well?

GEORGE SWEETING: Well, first of all, the argument doesn't have to turn on whether they're doing well or not. The argument really is about whether it's an appropriate use of scarce public resources to be subsidizing sports facilities. When there's pretty strong literature that indicates that the return that a locality gets on those kind -- on often those subsidies is not -- It's not a good investment of City resources into trying to induce the development. Sports are generally very profitable businesses, and the assumption is that just like anybody else putting up an office building or putting up a retail complex, the City offers a standard set of packages -- a standard package of incentives. I think there's an appropriate question about why you need to go beyond those standard set of exemptions for the Garden for any of these facilities.

CHAIRPERSON FERRERAS: Thank you, and I appreciate your clarity on the difference between industry and the other sports arenas. I would like

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2 to have Council Member Van Bramer followed by Council
3 Rodriguez for questions.

4 COUNCIL MEMBER VAN BRAMER: Thank you
5 very much, Madam Chair and Council Member Johnson for
6 introducing this resolution. I wanted to mention
7 that since the Rangers' Playoff tickets went on sales
8 in this hour, it just goes to show that MSG is
9 actually raking in significant dollars as this
10 hearing is going on. They have an maximum of three
11 homes in the next division. Council Member Cornegy,
12 the Rangers are the only winning team now at Madison
13 Square Garden, but I'm Islanders fan. That's not why
14 I'm supporting the Resolution.

15 I did want to point out a few things,
16 which I thought were really important in your
17 testimony, and why it makes no sense to have an
18 ongoing, never-ending subsidy here. The truth is
19 that ownership changes and the lucrative nature of
20 the business has since 1982. You point to the MSG
21 Network, and the incredible value of those sports
22 networks, which have arrived. And it is unfathomable
23 that the Rangers or the Knicks would leave New York.
24 In fact, they are as profitable as they are because
25

1 they are in New York City. And the Rangers are 90
2 years old really are not going away.
3

4 They are here. They are a New York team,
5 but the Dolan Family and the MSG company is worth so
6 much more today than it ever has been. And that's
7 great for them, but it just goes to show that with
8 all of these circumstances changing, profitability
9 increasing, having a never-ending tax break makes no
10 sense. Clearly, we should support this resolution.
11 So I just wanted to say that, and thank you for
12 spelling it out so clearly. Also, with respect to
13 the lockout, as a hockey fan, those shortages and
14 outages of service really to the fans, which do
15 deprive the city of tax revenue, happen fairly
16 regularly, as you know?

17 And yet, the tax exemption continues as
18 if nothing has changed in the business model or with
19 the organization. That's patently unfair. If
20 they're locking out the players, the games aren't
21 happening, people aren't working, and money isn't
22 being spent. Yet, they're continuing to get the tax
23 break. That's incredibly unfair, and there were
24 several stoppages in both the NBA and the NHL since
25 they've been receiving this tax break. So I just

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2 wanted to say thank you for pointing that out. I
3 think those are really important points. Thank you.

4 CHAIRPERSON FERRERAS: Thank you, and now
5 we will hear from Council Member Rodriguez followed
6 by Council Member Miller.

7 COUNCIL MEMBER RODRIGUEZ: Thank you. In
8 December 2013, with the option you noted that there
9 were probably other stadiums were simply and other
10 cities pay property taxes such as the Fleet Center in
11 Boston and a United Center in Chicago. Can you
12 elaborate on this payment, and all other governmental
13 subsidies? This is what they received, and how they
14 compare to the Madison Square Garden.[sic]

15 GEORGE SWEETING: I don't actually have
16 the exact figures with me here. I'd be happy to send
17 them to you. While it should be noted that although
18 they are paying property tax, we located arenas that
19 were paying property tax. They also were receiving
20 other subsidies from their locality, the city or the
21 state. So it's not that they're doing it entirely on
22 their own. They were able to take advantage of other
23 subsidies, but they were paying property tax. But I
24 can get you the exact details on that.

25 COUNCIL MEMBER RODRIGUEZ: [off mic]

2 [Pause]

3 GEORGE SWEETING: I mean I think the --
4 if you measure it just by what is the property tax,
5 New York City property taxes on commercial property
6 are high, and particularly in Manhattan where land is
7 incredibly valuable. And the cost of construction
8 and everything else make property taxes high in New
9 York particularly on commercial property. So,
10 therefore, when you give an exemption, the dollar
11 amount of that exemption looks very, very high
12 relative to other parts of the country. So even if
13 you do the dollar comparison on the property tax, it
14 may not really reveal the full story. But I'd be
15 happy to -- I don't have the exact figures with me,
16 but I'd be happy to get that to you.

17 COUNCIL MEMBER RODRIGUEZ: [off mic]

18 GEORGE SWEETING: Well, I would argue
19 that in the case of Yankee Stadium and City Field and
20 also in Barclays Arena that the City is also not
21 getting property tax there. We're technically
22 getting -- there's technically a PILOT payment made
23 by the stadium owners to the -- I guess in most cases
24 it's the Economic Development Corporation. And that
25 PILOT payment does not flow to the City as general

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2 tax revenue. It flows -- it's used to pay the debt
3 service on the bonds that were issued for those
4 facilities.

5 COUNCIL MEMBER RODRIGUEZ: [off mic] --
6 pay back for their investment in building those
7 access that they already have. So this doesn't count
8 for the City. It's not a benefit that it translates
9 into a school, a firehouse, or education. That's
10 basically they are paying -- that money go back to
11 help them pay the debt that they got into, right?

12 GEORGE SWEETING: That is correct. The
13 PILOT payments coming off of those other stadiums are
14 not flowing to the City as revenue -- as general
15 revenue for the City.

16 COUNCIL MEMBER RODRIGUEZ: So how can
17 this -- and I hope at the end contribution that we
18 expect from Madison Square Garden will be sitting at
19 the table, and getting to everyone, and making it to
20 the City. We also set a standard, though, in
21 increasing the other investment that we have made
22 providing land, providing other major incentive to
23 both new institutions, sports institutions that we
24 have built in the last couple of years. [sic]

2 GEORGE SWEETING: I think that if -- it's
3 important to remember that these are structured very
4 differently. Those three deals are structured very
5 different from the benefit that is available to
6 Madison Square Garden here. And at this point it may
7 because there are bonds that have been sold, and
8 those come with covenants and agreements about how
9 revenues will be generated, and how revenues will be
10 used. It may be since it's too late to really make
11 significant changes there.

12 I mean one could always I suppose and try
13 to negotiate with the owners of the teams for them to
14 make payments, genuine contributions to the City
15 revenue as a separate deal. But I think given the
16 way those financing arrangements were done, my
17 assumption is that it would be pretty difficult to
18 unwind those at this point. And they're very --
19 they're much more complicated than a Madison Square
20 Garden where you simply have, you know, you have this
21 one exemption that can be dealt with.

22 COUNCIL MEMBER RODRIGUEZ: But I see the
23 City, the working class, the middle-class in New York
24 City they are not too concerned until I did the deal
25 it was different. What the people in New York City

1
2 like to know is what is the contribution that they
3 have made, was it a good deal. And whatever new
4 legislation that that Madison Square Garden in the
5 city would translate into the newer standard. Now it
6 should also go onto the table, and used for the
7 education to also increase the level of contribution.
8 [sic]

9 GEORGE SWEETING: I think certainly going
10 forward setting a standard that the City would be --
11 would make choices that are more informed by what's
12 known about the return, the potential return on
13 investing city -- sports facilities. That would be a
14 good thing for the City to do.

15 CHAIRPERSON FERRERAS: Thank you Council
16 Member Rodriguez, Council Member Miller.

17 COUNCIL MEMBER MILLER: Good morning,
18 Madam Chair, and thank you for conducting for this
19 hearing, and thank you to Council Member Johnson for
20 his leadership and for introducing this resolution.
21 My question piggybacks on Council Member Rodriguez's.
22 During your testimony, you indicated that you didn't
23 believe that the subsidies were necessarily a good
24 investment return for the City of New York. Could
25 you elaborate on that?

2 GEORGE SWEETING: The assumption is that
3 much of the activity that occurs at a sports facility
4 certainly could. Consider Yankee Stadium for
5 example. You had an existing Yankee Stadium. You
6 incurred significant new costs to the public sector
7 to incentivize, or to facilitate the construction of
8 the new stadium. But you weren't actually generating
9 any new or very little new additional economic
10 activity for the City. Because many of us who go to
11 Yankee Stadium, we're going to see Yankee games.

12 We're going before the stadium, and we're
13 going after the stadium. The ticket prices might
14 have gotten a little bit higher, but there isn't that
15 much new economic activity generated as a result of
16 constructing particularly a facility that's just a
17 replacement for an existing one. Barclays is a
18 little different because there you've got a new
19 facility bringing in a team that's new to the City
20 and, therefore, there is some new -- It's easier to
21 see someone new economic activity. But even there,
22 studies have shown that in many cases that's just a -
23 - it's a tradeoff.

24 So some of the business that's going to
25 Barclays, might have been going to Madison Square

1 Garden. And so, you're shifting it within the City,
2 but not actually increasing the overall level of
3 economic activity in the City. Barclays probably
4 increased it some because you've brought in some
5 previous Nets fans, and people from Ohio are more
6 inclined, are more likely to come into the city.
7

8 COUNCIL MEMBER MILLER: Okay, and to kind
9 of speak to what Council Member Van Bramer spoke
10 about with some of these work stoppages that have
11 occurred in the sports franchises. But in general
12 not just the net, as we talk about city subsidies.
13 Should there be some type of -- should there or are
14 there some type of oversight because the provisions
15 in these subsidies that allow for the city to step in
16 and take actions where they are not consistent with
17 the original agreement. I know sometimes buildings
18 are required to pay prevailing wage and do certain
19 things like that. Then the Council and City agencies
20 have oversight. Is there any oversight in the
21 subsidies that are given to sports franchises?

22 GEORGE SWEETING: At least in some cases
23 there have been. In the case of Madison Square
24 Garden, there aren't. I mean that's in the sense
25 that the point of this resolution is that you've got

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2 one particular entity receiving an exemption in
3 perpetuity with no -- other than their obligation to
4 play their home games in New York. There is no
5 accountability written into the current law -- the
6 current state tax law on this.

7 COUNCIL MEMBER MILLER: Does that apply
8 only to Madison Square Garden? And I want you to be
9 general as we do a lot of the building throughout the
10 City of New York. And I know that there are from
11 time to time there are provisions, specifically the
12 sports franchises, Yankee and Barclays Center as
13 well.

14 GEORGE SWEETING: Certainly there have
15 been requirements, have been put into some of the
16 standard language about deals being done by the
17 Industrial Development Agency, and Economic
18 Development Corporation. It's really up to the City
19 leadership at the time that the deals are -- These
20 are usually done as one-off deals taking advantage of
21 broad rights that are granted to the City, but
22 they're negotiated. And so --

23 COUNCIL MEMBER MILLER: [interposing] I
24 get that --

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2 GEORGE SWEETING: -- the mobility comes
3 from what you put into those agreements

4 COUNCIL MEMBER MILLER: Right, I get that
5 MOU part, but specifically as in, for example, the
6 work stoppages that occur, should we continue to --
7 should they continue to benefit during the time that
8 there is no benefit to the City? When there's no
9 income and revenue being generated, should they
10 continue to receive those exemptions?

11 GEORGE SWEETING: I mean, if the
12 justification for the exemption is that the City
13 benefit from having home games played in the city and
14 that generates tax revenue, and at least in theory
15 that might offset the loss to the property tax
16 exemption. That's the rationale behind this. But
17 there was nothing put into the legislation -- put
18 into the law when they passed it that requires, you
19 know, that deals with potential stoppages. I believe
20 that certainly in one of the earlier stoppages, there
21 was at least research done within the City government
22 to look and see if there was any possibility of
23 cutting off the exemption temporarily. And they
24 decided there was no -- there's no room in the
25 language for that.

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CHAIRPERSON FERRERAS: Thank you Council Member Miller. Now it will be followed by Council Member Cumbo. If I could just ask my colleagues. We have a lot of members coming in and out because there's a lot of other committees happening. And we'd like to wrap this hearing before the Stated starts.

COUNCIL MEMBER CUMBO: Very brief.

CHAIRPERSON FERRERAS: Okay, very good.

COUNCIL MEMBER CUMBO: Thank you, Madam Chair. The first question I just want to make sure of is understanding the dynamics of why the tax exemption was created in the first place. Just very briefly, was it more so job creation? Was it -- what was the impetus behind getting it started?

GEORGE SWEETING: I'm not that familiar with it. I don't believe the argument would be -- would have been much around job creation since you already had the arena here. The team, it was operating. You had the teams. It was more about retaining, keeping them, reducing their costs so that you would increase the chance that they would stay in the city and not relocate teams outside. So I

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presume it was more about retention than about creation.

COUNCIL MEMBER CUMBO: Okay. And then finally. I'm sure my colleagues have a much firmer understanding of this, but I need to have this understanding. When you talk about the present value of these subsidies or \$138 million for City field, \$350 for Barclays, which is in my district; and \$362 million for Yankee Stadium. I want to understand when you're talking about the present value these were the initial subsidies that were offered to these specific entities in order to realize their projects.

GEORGE SWEETING: It's -- .

COUNCIL MEMBER CUMBO: Yes?

GEORGE SWEETING: It's a way of calculating the long-term value because most of these subsidies involve recurring transactions over a 30 or even 40-year period.

COUNCIL MEMBER CUMBO: Okay.

GEORGE SWEETING: And so using present value it's a way of looking at the flows that are expected to occur over the next 30 or 40 years. And converting those future flows, and taking into account the effect of time on the value of dollars.

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COMMITTEE ON FINANCE

COUNCIL MEMBER CUMBO: So it's understanding what the investment has materialized into --

GEORGE SWEETING: [interposing] Well, it's what the --

COUNCIL MEMBER CUMBO: -- is what this is reflecting?

GEORGE SWEETING: No, this is just looking at the subsidies. It's not net. This is what the City is putting out.

COUNCIL MEMBER CUMBO: Okay.

GEORGE SWEETING: And it's attempting by using a present value, it creates -- it's a way of looking not just at what are you spending today, but are you going to be spending over time? But converting it back analytically to a -- so you can compare all of the dollars at the same time.

COUNCIL MEMBER CUMBO: I see what you're saying. Thank you.

CHAIRPERSON FERRERAS: Thank you very much. Sorry, if you hear a lot talking back here. We're all trying to see who's going to go vote and back and forth, and where everyone is. So I do want

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2 to have this vote, but we're going to have the
3 Minority Leader.

4 MINORITY MEMBER VAN BRAMER: [off mic]

5 CHAIRPERSON FERRERAS: Why don't you go,
6 and then we're going to open the floor.

7 MINORITY LEADER VAN BRMAER: Thank you
8 Madam Chair. You know, very briefly, I pride myself
9 on being an object man both in this body and in my
10 life. And the one thing I think was not said, and
11 should be said is we appreciate the impact that
12 Madison Square Garden in terms of its employees has
13 given to the city. And, we also appreciate the
14 billion dollars they just spent in their renovation.
15 But continuing on, and I think that should be said,
16 and that should adopted by this Council that it's a
17 good thing that we have Madison Square Garden and the
18 sports teams here.

19 I think it doesn't have a huge impact on
20 the economy until they leave. Then it will have a --
21 then its impact is not -- if it's not replaced in
22 kind, is what I'm saying, is there is the impact of
23 having them go. My concern, though, is having a tax
24 benefit in perpetuity. It sounds to me that a more -
25 - a better timeline is really, should be debated with

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2 this Council. You get 30 years, you get 20 years,
3 and you get 25 years.

4 I don't think anybody in this body or
5 throughout envisioned a taxpayer-funded stadium, for
6 lack of a better word, in perpetuity. I think that's
7 the rub that I have when I'm trying to come to terms
8 with how I'm going to vote with regards to this.
9 This bill in fairness here is dead on arrival. [sic]
10 It's not happening in Albany. I was a former State
11 Legislator. It's not passing the Senate. The
12 Governor is opposed, and my understanding is that the
13 Speaker is opposed.

14 I mean talk about the three-man meeting.
15 I absolutely oppose it. It's not going anywhere.
16 But I think this gives birth to a broader discussion
17 that this Council wants to have, which where are we
18 investing our taxpayer's dollars into spawn economic
19 development, but should only be subject to a
20 timeline. I think that's the problem. I think
21 that's what my colleagues want to see. But the one
22 point I want to make clear to those who are
23 representing or are part of Madison Square Garden,
24 members of the City are grateful that you're here,
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2 grateful for the investment, and grateful for the
3 jobs created by the organization.

4 That being said, we're not convinced that
5 it needs to be a tax benefit in perpetuity, and any
6 that broader discussion should take place. So I just
7 wanted to put that on the record for my colleagues to
8 hear what I have to say, and I'm going to be voting
9 here, and I'm going to voting next door as well. So
10 thank you very much.

11 CHAIRPERSON FERRERAS: Thank you,
12 Minority Leader. I also wanted to just highlight
13 that this kind of brings in and raps on after a
14 comment in our budget response why it was included
15 and legislation submitted on the -- Sorry, to the
16 Commission to review tax expenditures on a citywide
17 and start that conversation. And also make
18 recommendations. So I thank you for pointing that
19 out, and helping me --and reminding me that is very
20 important to this body. Thank you very much for your
21 testimony this morning. I don't know if I should
22 urge you to go buy Ranger tickets now, but definitely
23 we'll be calling up the next panel. Daniel Gallian
24 [sp?] of Local 1; Stephanie Nillish -- Nalish, sorry,

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District Council 9; and Jessica Walker of One Battery
-- of the Partnership for the City of New York.

COUNCIL MEMBER: [off mic]

CHAIRPERSON FERRERAS: We can hear him
anywhere.

[Pause]

CHAIRPERSON FERRERAS: Again, please
excuse the members. This is a very important topic
to them. They're just trying to get their votes in
before Stated. So they'll be coming in and out, and
you may begin your testimony whenever you're ready.

[Pause]

DANIEL GILLOON: [off mic] Good morning,
Chairwoman Ferreras and members --

[Pause]

DANIEL GILLOON: I know how that works.
Good morning, Chairwoman Ferreras and Members of the
Finance Committee. My name is Daniel Gilloon [sp?],
and I'm here representing James Claffey, Jr.,
President of Local 1 of the International Alliance of
Theatrical Stage Employees. Local 1 of the IATSE is
the world's premier stage craft union representing
more than 3,200 stage, television studio workers in
Manhattan, the Bronx, Staten Island, Westchester, and

1
2 Putnam Counties. I am here today to support the
3 thousands of working men and women employed by
4 Madison Square Garden, and to urge you to vote no on
5 the resolution before you.

6 In today's unstable economy, steady, good
7 paying jobs are hard to come by. I'm pleased to say
8 that all the employees who work at the Garden's
9 events are union members, and Local 1 represents
10 hundreds of them. Like our union, MSG has a long and
11 storied history in New York City. Both organizations
12 share a mutual dedication to the city that is our
13 home. Madison Square Garden employs thousands,
14 entertains millions, and generates half a billion
15 dollars for the city's economies. There are few
16 stages bigger than Madison Square Garden, and just as
17 musicians, athletes, and artists dream about
18 performing at the world renown venue, we take pride
19 in working at the world's most famous arena.

20 Their shows, concerns, and events, over
21 400 a year, with some say having multiple events,
22 attract the world to Madison Square Garden. These
23 shows mean steady work for union members, and revenue
24 for New York City. Throughout each of our
25 negotiations with Madison Square Garden, the

1 company's management has been fair and reasonable.

2 We have always come to an agreement on issues
3 concerning fair wages and good benefits, and we
4 expect to continue to do so for many years to come.

5 Just as we have found Madison Square Garden to be
6 respectful and appreciative of its workforce at labor
7 negotiations, we hope that the Council will be fair,
8 and acknowledge the important role Madison Square
9 Garden plays in New York City.

10
11 Madison Square Garden employs
12 approximately 6,000 people, injects have a billion
13 dollars into the local economy, and drives more than
14 \$200 million in off-site spending from people
15 visiting New York to attend events at the Garden.
16 And now, with the competition -- with the completion
17 of the transformation, Madison Square Garden has
18 ensured that it will remain the City's premier venue
19 for generations to come, providing much needed job
20 security and peace of mind for the Local 1 members
21 and their families.

22 Singling out Madison Square Garden is
23 unfair and unwarranted. In a competitive environment
24 where businesses are often forced to cut wages, and
25 limit benefits, Madison Square Garden has been

1
2 steadfast in its commitment to the working men and
3 women of New York City. [bell] Thank you for the
4 opportunity to testify today.

5 CHAIRPERSON FERRERAS: Thank you very
6 much, and you may begin your testimony.

7 JESSICA WALKER: Good morning. My name
8 is Jessica Walker with the Partnership for New York
9 City. The Partnership for New York City represents
10 the city's business leadership, and it's largest
11 private sector employers. We believe MSG's
12 substantial contributions to the city and state
13 revenues both directly through their facilities and
14 indirectly through the economic activity generated by
15 their events far outweigh the cost of the tax
16 expenditure that is the focus of this hearing.

17 Last week, the Mayor unveiled a financial
18 plan for the City that made aggressive commitments to
19 housing, education, and labor contracts. That plan
20 is only achievable if the City continues to realize
21 at least 3% of annual growth and economic output.
22 Anything less, will mean a gap in revenues that will
23 render the City unable to support the services and
24 public investments that New Yorkers want and need.
25 The Budget Office and the Partnership are in full

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2 agreement that 3% is the targeted growth number that
3 is required to support the proposed plan.

4 New York City has had a 3% annual rate of
5 growth over the past five years, outpacing the
6 country. But maintaining this growth depends heavily
7 on three key sectors: Technology, tourism, and the
8 creative industries, which include media, fashion,
9 and the arts. MSG is an anchor institution in both
10 the tourism and creative sectors contributing more
11 than \$500 million a year to the city's economy each
12 year, and employing 6,000 people in mostly middle-
13 income jobs.

14 The success of MSG as a global spots and
15 entertainment destination has contributed to NYC
16 status as the nation's number one tourist
17 destination. MSG events attract more than four
18 million people a year, including many visitors from
19 outside the five boroughs and the United States. As
20 a result of the billion dollar investment to renovate
21 the Garden, MSG's economic contribution has
22 accelerated in the past year. And is expected to
23 gross further in NYC if allowed to proceed with its
24 business plan.

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2 Sustained economic growth also depends on
3 the confidence that employers and investors have in
4 state and local government. Employers make decisions
5 about job creation and capital investments for the
6 long term. And these decisions depend on consistent
7 and reliable public policy and regulation. Clearly,
8 MSG relied on longstanding public policy with respect
9 to their tax obligations in their decision to
10 modernize their facility. And MSG employees rely
11 upon the same for their future job security. For the
12 City Council to arbitrarily reverse a longstanding
13 contract with a solid employer that is playing an
14 important role in the City's economic growth would
15 send a terrible message to the broader business
16 community, and would undermine business confidence in
17 city government. We urge the Council to hold this
18 resolution. Thank you. [bell]

19 STEVEN NALLISH: Good morning, Chairmen.
20 Good morning Chairwoman Ferreras and members of the
21 Finance Committee. My name Steven Nallish [sp?]. I
22 am a business representative for District Council 9
23 of the International Union of Painters and Allied
24 Trades, an affiliate of the Building and Construction
25 Trades Council of Greater New York. I am here

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2 testifying on behalf of Council President Gary
3 LaBarbera, and urging you to vote no on the
4 resolution before you.

5 Madison Square Garden has been, and
6 continues to be, an economic anchor and creator of
7 good union jobs in New York City. The Arena alone
8 employs approximately 6,000 people, and generates
9 over half a billion dollars for New York City's
10 economy. When MSG embarked on a three-year
11 transformation of the Arena in 2010, New York was in
12 the midst of an economic recession. Construction and
13 large-scale renovation projects were virtually non-
14 existent. The hard working men and women in the
15 construction trades industry were in crisis.

16 MSG's decision to invest over \$1 billion
17 to renovate the Arena was an investment in
18 resiliency, both of its iconic Arena and in the local
19 economy. The transformation created 3,700 good
20 paying Union construction jobs that were desperately
21 needed. Simply put, in tough times, MSG remained
22 committed to the working men and women of New York
23 City. In addition to the thousands of construction
24 jobs that have been created by the renovation,
25 thousands of others are supported each year through

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2 the operation of this premier sports and
3 entertainment facility.

4 In fact, the majority of the employees at
5 Madison Square Garden are union employees from
6 painters, electricians, to carpenters and engineers.
7 MSG has over 27 collective bargaining agreements, and
8 positive working relationships with 14 different
9 unions. In closing, as a long-time contributor to
10 the city's economic growth and civic life, MSG should
11 be commended, not targeted by a resolution that seeks
12 to single it out in a way that other similarly
13 situated entities are not. Thank you again for the
14 opportunity to speak on behalf of my Union and
15 District Council 9 and its 10,000 members, and the
16 Building Construction Trades Council of Greater New
17 York.

18 CHAIRPERSON FERRERAS: Okay. So we have
19 several members that would like to speak, and I will
20 speak after they all speak. So we have Council
21 Member Johnson followed by Majority Leader Van Bramer
22 followed by -- Oh, I'm sorry, followed by Council
23 Member Cumbo.

24 COUNCIL MEMBER JOHNSON: Thank you all
25 for coming to testify today. I want to particularly

1 say to you unions that are here I stand with you on
2 many of the issues. I'm supportive of Local 1's
3 Collective Bargaining at Carnegie Hall as well what's
4 going on at the Met right in making sure this is a
5 fair resolution. And I stand with the trades in
6 making sure that our buildings in New York City are
7 done with Union labor.

8
9 I just want to point out, and I
10 understand, of course, that MSG has had a benefit to
11 your individual unions. But I just wanted to say
12 that I don't believe this is singling anyone out or
13 unwarranted in anyway. I mean I don't think the
14 numbers lie, and MSG is going to continue to have the
15 jobs, and continue to operate, and continue to make
16 their investments as they've done. As you pointed
17 out, a billion dollars in investment. \$17 million a
18 year is not going to affect their bottom line. And
19 for me it just seems patently unfair that only one
20 for-profit entity in the entire State of New York has
21 a section of tax code written to benefit them in
22 perpetuity. Why shouldn't other entities get the
23 same exact treatment moving forward?

24 So I just wanted to say, I mean I stand
25 with you in many, many battles and I look forward to

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2 working together in the many fights ahead on behalf
3 of your members, and behalf of working men and women
4 in New York City. But on this, I don't look at this
5 as us targeting them unfairly. I look at this as us
6 asking them to be a good corporate citizen, and to do
7 what other corporations are required to do in New
8 York City. Thank you.

9 CHAIRPERSON FERRERAS: Thank you.

10 Council Member Cumbo.

11 COUNCIL MEMBER CUMBO: Thank you. Very
12 briefly I just wanted to ask you because if this is a
13 multi-billion dollar I guess conglomerate you could
14 say in many ways, have you gotten indications that
15 potentially of that, as Assemblyman Weprin spoke
16 about the \$4 billion in profits that MSG generates
17 each year. Have you gotten indications that they had
18 to pay that -- that specifically labor jobs versus
19 let's say executive salaries would be that which
20 would be targeted?

21 Are you giving indications that your
22 division specifically and the labor jobs that are
23 part of MSG's portfolio would be those that are
24 targeted? Because if that is the case, then that
25 speaks to a larger issue versus them being required

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to pay property taxes. It is that when we make those types of decisions who gets targeted especially is part of the challenge. And I want to know have you gotten indications that should this measure go through that specifically labor jobs would be targeted?

STEVEN NALLISH: I would say this: My crystal ball broke yesterday. I really haven't heard of anything of what you're speaking of. But if I was the Dolan Family and I had an agreement that we signed by Mayor Koch so it's my understanding, and there is no sunset agreement. And all of a sudden, New York City Housing Authority -- I'm sorry. The New York City's Mayor -- the New York City's Council wants to go ahead and go after them with other people getting similar type subsidies, I would go ahead and think about doing something of what you mentioned. I mean obviously there was a written agreement. The agreement was broken, and now they're going after one of their largest union employers in New York City.

CHAIRPERSON FERRERAS: Just for clarity and we can continue questioning. I just want to clarify that they're being singled out because they are not like all the other groups. And they're --

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2 it's very unique in the fact that there isn't a
3 sunset. And usually these exemptions as they come to
4 our -- to this body, have an end date or sunset. But
5 also give us an opportunity to have a discussion if
6 we want to continue the exemption at which we would
7 continue that? We have no opportunity from the -- as
8 the Council Members that represent New York City
9 residents to even engage in that conversation. So
10 that is why. I just want to have clarity that it's
11 more on not why it was needed then, and why it made
12 sense then, but more so on the sunset question.

13 STEVEN NALLISH: Yes, you are correct.
14 They are not like the others, because the others
15 don't have a written agreement with an open-ended
16 where they do not have to pay property taxes. The
17 last I knew Mayor Koch and his staff, who was a
18 competent mayor. And if they wanted to go ahead and
19 have a sunset in the tax -- in the property taxes, he
20 would have put it in that document. But it's not in
21 that document, and other things that have been said
22 here today is, Oh, well Madison Square Garden won't
23 leave New York City. Well, you know what we're
24 already we already have two football teams playing in
25 another state. How many times are we going to push

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employers that do the right thing, employ union members, and push them out of New York City?

CHAIRPERSON FERRERAS: Thank you very much for your testimony. Council Member Rodriguez.

COUNCIL MEMBER RODRIGUEZ: I just want to say also that, you know, it would be much better if Madison Square Garden instead of sending their testimony they would be sitting there would be sitting there also. I think that in that way we would be able to ask and get answers for all those questions. So I'd say that the union leaders that you are, we are going to be working together in many areas, too. And as I said before, we -- I believe that Madison Square Garden is very important as an institution, but it is also a lack of respect that we're having a hearing, and so here we have been supporting Madison Square Garden. We want for them to get a good deal, but they send their testimony, and they didn't come and sit there to all those questions by themselves.

STEVEN NALLISH: I am not here to defend Madison Square Garden. I am here representing labor, and I know that if it wasn't for companies like Madison Square Garden that created middle-income jobs

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that would go ahead and give the New Yorkers of this city the money to go and spend money out on our city streets and in our small businesses, we wouldn't improve the economy. MSG is improving the economy because they have good union paying jobs, and we need to support and promote the bosses that promote good union paying jobs.

CHAIRPERSON FERRERAS: Thank you very much for your testimony. I think it's important that we hear from you and all that you do for our great city. Thank you for coming today, and we are actually going to call the vote, and then we will bring up the next panel just because of the time. Billy, you can the Roll Call.

CLERK RAY MARTIN: Ray Martin, Committee Clerk. Rollcall vote Committee on Finance. Preconsidered Resolution, Preconsidered Land Use Items. Items are coupled.

CLERK: Council Member Ferreras.

COUNCIL MEMBER FERRERAS: I vote aye, and I urge my colleagues to vote aye.

CLERK: Rodriguez.

COUNCIL MEMBER RODRIGUEZ: Aye.

CLERK: Van Bramer.

2 COUNCIL MEMBER VAN BRAMER: Aye.

3 CLERK: Gibson

4 COUNCIL MEMBER GIBSON: I vote aye.

5 CLERK: Cornegy.

6 COUNCIL MEMBER CORNEGY: [off mic]

7 CLERK: Cumbo.

8 COUNCIL MEMBER CUMBO: I proudly vote
9 aye.

10 CLERK: Johnson.

11 COUNCIL MEMBER JOHNSON: Aye.

12 CLERK: Levine.

13 COUNCIL MEMBER LEVINE: Aye.

14 CLERK: Miller.

15 COUNCIL MEMBER MILLER: Aye.

16 CLERK: Ignizio.

17 COUNCIL MEMBER IGNIZIO: Aye.

18 CLERK: By a vote of nine in the
19 affirmative, zero in the negative, and no
20 abstentions, the item has been adopted. Members
21 please sign the Committee Report. Thank you.

22 CHAIRPERSON FERRERAS: If we can keep the
23 vote open for the next 20 minutes I would appreciate
24 it. We have other colleagues and we'll have --

25 CLERK: Council Member Rosenthal.

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COUNCIL MEMBER ROSENTHAL: Aye.

CLERK: The vote now stands at ten.

CHAIRPERSON FERRERAS: And now we will call up our final panel, Bob Master, CWA District 1; Austin Shafran, Working Families Organization; Brigid Flaherty, ALIGN; Elizabeth Bird, Good Jobs for New York; and James Parrott, Fiscal Policy Institute.

CHAIRPERSON FERRERAS: And, of course, no respect to this -- disrespect to this panel I have to go vote, and I will be back, okay. Council Member Johnson will be here to call the cue.

[background discussion]

COUNCIL MEMBER JOHNSON: Okay, you may --

CLERK: Quiet, please.

COUNCIL MEMBER JOHNSON: -- start whenever you'd like.

BRIGID FLAHERTY: Good morning, thank you very much for the opportunity to provide testimony today. My name is Brigid Flaherty, and I'm the Organizing Director at ALIGN, the Alliance for a Greater New York. We're permanent [sic] coalition of community and labor organizations united for a just and sustainable New York. For the last seven years ALIGN has coordinated the Getting Our Money's Worth

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2 Coalition, a broad coalition of over 50 labor, faith,
3 community, environmental, and good government groups
4 fighting to make New York's economic development
5 system work for all New Yorkers.

6 During this time we released numerous
7 reports on the issue. Our report: The \$7 Billion
8 Waiter was the first of its kind to document in
9 detail all forms of local and state subsidies in New
10 York, and whether they delivered benefits to New York
11 communities. The report analyzed over a dozen of the
12 largest corporate subsidy programs, and showed that
13 among several poorly designed and wasteful programs,
14 one stands head and shoulders above the rest, known
15 as major league sports facilities, Madison Square
16 Garden Property Tax Exemption.

17 This perpetual property tax exemption is
18 perhaps the most outrageous tax break program in New
19 York. There is no other business in New York with a
20 perpetual tax break that applies only to that
21 business to the exclusion of all others. Tax
22 exemptions typically face phase out over time and
23 require some job creation and other community
24 benefits. The MSG exemption is permanent, benefits
25 only a single business, and provides no direct

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2 community benefit in return for this investment in
3 taxpayer dollars.

4 MSG has received approximately \$350
5 million through this tax exemption since 1982, around
6 \$16 million per year. In addition, MSG's tax
7 exemption is written into the State Tax Code making
8 it exceedingly difficult for New York City taxpayers
9 to have a voice in this deal. Such tax exemptions
10 serve to deepen the inequality by shifting the tax
11 burden from those most able to pay, to those least
12 able to pay. This lost tax revenue could instead be
13 used to address inequality in New York by investing
14 in essential infrastructure and creating jobs for the
15 unemployed. With nearly one out of every two New
16 Yorkers struggling to make ends meet, this money
17 could also be used to address the shortage of
18 affordable housing in New York City. I urge the City
19 Council to pass a resolution requesting that the
20 State pass and the Governor sign the legislation to
21 repeal the MSG Property Tax Exemption. Thank you for
22 your time.

23 COUNCIL MEMBER JOHNSON: Thank you, Ms.
24 Flaherty. Mr. Parrott.

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2 JAMES PARROTT: James Parrott, Fiscal
3 Policy Institute. Thank you very much for having
4 this hearing this morning. I applaud the Committee's
5 vote in favor of this resolution. Hopefully, it will
6 meet a similar fate when it goes to the floor.

7 There's a lot of new that needs to be said in this
8 regard. We are, after all, talking about an
9 exemption that dates from 1982, a period when the
10 City's economy was much different than it is today.

11 There, for too long, has been a culture
12 of entitlement among large corporations, and real
13 estate developers when it comes to local tax breaks
14 supposedly granted to spur the local economy. For
15 nearly decades, New York City has boasted one of the
16 most vibrant local economies anywhere in the world.
17 Our highly valued real estate reflects that economic
18 vibrancy. We should keep in mind that the total
19 value of business tax breaks that New York City and
20 State award in the City of New York has tripled in
21 value over the past dozen years.

22 It's well past time when New York City
23 needs to re-examine each and every one of these tax
24 breaks. Many speakers have noted the uniqueness of
25 the Madison Square Garden Property Tax Exemption, and

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2 the fact that it's embodied in state law. I was a
3 member of Governor Cuomo's Tax Reform Affairs
4 Commission. One of the things that we did was to
5 examine the use and abuse of business tax incentives
6 in New York State. We retained a couple of expert
7 economic development officials to examine those.

8 And found that there's a critical need
9 both at the State level, and in New York City and
10 other local levels around the State to re-examine
11 this wide array of business tax breaks. So Madison
12 Square Garden tax breaks should be number one on that
13 list. I came here this morning thinking that we were
14 talking about a \$17 million annual tax break. We
15 were enlightened by George Sweeting of the
16 Independent Budget Office, that given the recent
17 reassessment by the City's Finance Department that
18 the current value of that Property Tax Exemption is
19 more like \$50 million a year.

20 It would be much smarter for New York
21 City to take that \$50 million and allocate that
22 toward investments that truly benefit the City's
23 economic wellbeing. I'm sure the City Council has
24 lots of examples in how it could better utilize such
25 an investment. Let me suggest a few that I think

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would help strengthen the economic opportunities in the city. Equipping hard to employ workers with the skills and demand in today's job market. Helping mid-career workers pursue a college education or a new vocational skills training so they can qualify for higher pay.

Connecting local college graduates with some of the City's flourishing tech companies. Funding subsidized childcare slots that enable parents to get a foothold in the job market. Encouraging employers to [bell] develop career lateral opportunities, or support more business incubators that help fledgling entrepreneurs get established, and scale up their home grown businesses. Thank you very much for the opportunity to testify.

COUNCIL MEMBER JOHNSON: Thank you for your testimony. We have Mr. Shafran and before he testifies, I want to acknowledge the fact that he was Assembly Member Weprin's Communications Director when Senator Weprin was a Council Member and Finance Chair in this committee, and when this resolution passed in 2008. I'm glad we have institutional knowledge of

1 the City Council that is able to flag these things.
2
3 Austin, you may proceed.

4 AUSTIN SHAFRAN: Thank you. It is a
5 little different being on this side of the table, but
6 I'll present an unabashedly biased opinion in this
7 matter. Yes, I'm here representing the Working
8 Families' Party, the State's Legislative Director.
9 There's been a tremendous amount of testimony already
10 given. I don't want to be incredibly duplicative,
11 but I will say that we strongly believe that public
12 money should yield the public benefit. And this is a
13 tax giveaway that has ceased to present a significant
14 bubble benefit. So, it should cease to exist. There
15 was a time and a place where it met certain needs.
16 Late Mayor Koch had said that this was a ten-year tax
17 exemption, but I don't think that he ever intended it
18 for a tenured tax exemption.

19 And what we're really seeing is that we
20 have an institutionalized separate and equal
21 treatment of a particular for-profit industry that
22 comes at the expense of the city, at the expense of
23 taxpayers. One of our fundamental beliefs that in
24 the eyes of the law if everybody doesn't count the
25 same then nobody counts at all. And this kind of

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giveaway, this kind of separate and unequal treatment is not beneficial to the taxpayers. It's not beneficial to the City. And it's certainly something that we commend the Council for pushing hard for its repeal. And, of course, you mentioned Assemblyman Weprin, and wish him a lot of luck with the passage of the legislation in Albany. Thank you.

COUNCIL MEMBER JOHNSON: Thank you, Austin.

BOB MASTER: Good afternoon yet? Almost. Bob Master, Political Director for the Communications Workers. I want to extend my thanks to Council Member Johnson for his sponsorship of the resolution, to all the Council Members for their persistence in lasting through this hearing, to the Chair for convening this committee hearing. I have very little to add. I mean I think all of the arguments have been very rehearsed. I would only say -- offer for consideration two things. I mean I think it's worth thinking back to what New York City was like in 1982.

There were 1,668 murders in 1982, but the physical infrastructure of the city was crumbling. We were reeling from the after effects of the mid-70's Fiscal Crisis. Setting aside the testimony that

1 IBO about the general inadvisability of tax breaks
2 for sports teams, you could understand in that
3 context a fear that the Knicks and the Rangers might
4 relocate. But now we see a completely different
5 situation. The Knicks are the most valuable
6 franchise in the NBA. They're worth \$1.4 billion.
7 The Rangers the second most valuable after the Maple
8 Leafs in the NHO worth \$850 million.

10 Whatever justification existed for
11 initiating this tax exemption 32 years ago, has long
12 since evaporated. The second thing I would say is I
13 listened with great interest to the written testimony
14 that the Council read from MSG, and I got really
15 confused. I thought that we were listening to
16 testimony from some kind of charitable non-profit,
17 job creating entity, something like a cross between
18 the Metropolitan Museum of Art, the Salvation Army,
19 and the Works Progress Administration.

20 And there was no mention of the fact that
21 this was actually a profit-making entity, which is
22 doing really, really well. They made \$140 million in
23 profits. Their top five executives made \$17 million
24 last year. The CEO James Dolan \$4 million, another
25 \$16 million from his other entities in the city. At

1
2 some point the justification for the city sacrificing
3 vitally needed tax revenue in order to subsidize a
4 company, which it's been subsidizing for 32 years is
5 no longer justifiable.

6 So I welcome the vote that you've taken
7 this morning. Obviously, we hope for a similar
8 result in the full Council, and notwithstanding
9 Council Member Ignizio's negative prognosis on our
10 prospects in Albany. Especially with the new news
11 that James reiterated that we've now learned that
12 this is a \$50 million a year tax exemption. I think
13 that the necessity of Albany acting and giving back
14 to the City its authority to deal with these kinds of
15 things becomes more and more pressing. So we
16 appreciate your support today.

17 COUNCIL MEMBER JOHNSON: Thank you very
18 much, Bob. Council Member Rosenthal has a comment.

19 COUNCIL MEMBER ROSENTHAL: Yes, I just
20 want to follow up to what you just said. It was
21 definitely on my mind as I was lobbied heavily by MSG
22 yesterday. [bell] Wouldn't it be nice to be able to
23 add up all of the charitable good things that they've
24 done, right? And how much money would that come to?
25 So maybe a couple million, right. Maybe. But not

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only that, it's almost disrespectful to bring up those things to the City to say, Well, we're doing so much with our -- with a good philanthropic organization.

That's pretty disrespectful given the fact that other people who pay their, and institutions who pay their property taxes like the Lincoln Center, for example, who I'm pretty sure pay property taxes, also does philanthropic work. The point of property taxes is not for philanthropy. The point of property taxes is to provide much needed city services: police, fire, sanitation, all of which I'm sure Madison Square Garden uses. And then beyond that, if you want to get to addressing the safety net, really it's in the hands of City government to determine where the greatest need is.

So I find that argument not only disrespectful that they're a great philanthropic institution, but specious, as well. So, anyway, just to say I really appreciate your bringing up that point, and may the force be with you in arguing this in Albany. If there's anything that -- Obviously, Council Member Johnson has already. He did your request, but if there is anything that I can do, that

1 we can do as a body to help you argue this point, I'm
2 with you 100%. Thank you.

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4 BOB MASTER: I have some thoughts about
5 that, and I'll share them with you at another time.

6 COUNCIL MEMBER JOHNSON: Council Member
7 Cumbo has a comment before we hear our last piece of
8 testimony.

9 COUNCIL MEMBER CUMBO: Thank you. I just
10 want to say that I think that the testimonies that we
11 heard here have provided new clarity on the issue in
12 terms of there needing to be a reassessment of the
13 value of the property, and those sorts of issues.
14 Understanding what the key top executives are making,
15 what the entire financial portfolio on MSG looks
16 like. Because it empowers us as a Council, and I
17 think that those resources, or understanding of the
18 clarity of the new numbers would be very helpful on
19 the state level as well when our colleagues are there
20 presenting this.

21 Because early on in earlier testimonies,
22 we heard the numbers that are presented here. And so
23 if they're going to take that same information to
24 Albany, it won't be as accurate of an account of
25 what's actually happening, and what we're doing. I

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think it is also very important that as far as labor, I think it's very important -- I think it speaks to a much bigger issue when the labor organizations feel that they are going to be targeted as a result of this. And I think that's where the danger comes in, in terms of that being fed in that way.

COUNCIL MEMBER JOHNSON: Thank you Council Member Cumbo. Do we want to hear testimony before, or Council Member Cornegy would you like to vote now?

COUNCIL MEMBER CORNEGY: Yes.

COUNCIL MEMBER JOHNSON: Okay, we're going to go to Council Member Cornegy.

CLERK: Council Member Cornegy.

COUNCIL MEMBER CORNEGY: Aye on all.

CLERK: The final vote in the Committee of Finance is 11 in the affirmative, zero in the negative, and no abstentions.

[Pause]

COUNCIL MEMBER JOHNSON: Elizabeth Bird.

ELIZABETH BIRD: Thank you. Good morning, members of the committee. Thank you for the opportunity to testify today. My name is Elizabeth Bird. I'm with Good Jobs New York. As it's been

1 said, I don't have much to add. I have submitted my
2 testimony. Many of the points have already been
3 covered, but I do just want to point out that Good
4 Jobs New York promotes accountability to taxpayers in
5 the use of economic development subsidies.
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7 We have been carefully watching subsidies
8 to corporations in the name of job development that
9 have been taking place in the city since 2000. And
10 we've been making these available on our public
11 database, on our website. And I do really want to
12 make the point that there have been tremendous
13 improvements in the transparency of citywide
14 subsidies in part due to the efforts of this Council
15 and the passage of Local Law 62, which opened up and
16 expanded information that is available, that the IDA
17 is required to make available to the public.

18 Obviously, the MSG tax -- property tax
19 abatement is separate, and that has been the subject
20 of this hearing. But we very much believe that this
21 -- that MSG should be proud to pay their taxes
22 because this is a city that has made the successful.
23 And we are now a city that is struggling to rebuild
24 after Sandy, and we have numerous needs to invest in
25 education, and support infrastructure. These are the

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kind of investments that benefit all, the one percent and the 99. And we really applaud the Council's vote today.

COUNCIL MEMBER JOHNSON: Thank you. I like the way that you put it: They should be proud to pay their property taxes. And we have one final individual who signed up to testify today, Andrew Hollweck from the Building Congress. So thank you and we are fine with this testimony.

[Pause]

ANDREW HOLLWECK: First of all, I want to apologize. I know you were expecting to be done with that group. I forgot to put in my slip. My name is Andrew Hollweck. I'm with the New York Building Congress. I'm here -- I was going to encourage you to not support this resolution primarily for the reasons that some of the other organizations like the Partnership enumerated, in particular their massive one billion dollar investment in their -- in Madison Square Garden at a time when we had lost 30,000 construction jobs. They were one of the single most important construction employers in the City at time when we were literally hemorrhaging jobs.

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2 And I think that's the -- we really need
3 to take that into consideration in the future, and
4 how important our construction industry is to
5 economic development. I'd also point out that last
6 year the New York City Council voted to create a ten-
7 year special permit for Madison Square Garden. And
8 it sounded like the stated intention was to move the
9 Garden entirely off its current location to return it
10 to a station edifice, which would not generate any
11 tax revenue. The cost for moving Madison Square
12 Garden would probably accrue in part to the City.

13 I would also observe that a new station
14 would not create any additional capacity for rail,
15 and it would also come at great expense. So as you
16 pursue that effort, I would take those thoughts into
17 consideration. But since this is already done, I
18 would also point out that the Finance Committee has
19 undertaken in its recommendations to review the
20 City's entire property tax structure. It is
21 obviously an essential source of revenue full of
22 efficiencies and inefficiencies. And I hope instead
23 of singling out individual property owners that we
24 come up with a coherent and progressive policy that
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encourages investment in the City and increases investment in infrastructure. Thank you.

COUNCIL MEMBER JOHNSON: Thank you. I know we are finishing, but may I ask, how does the Building Congress justify legitimately between \$17 million and \$50 million being given away to one individual corporation annually? I just want to understand what the justification is for that. The Garden has been rebuilt. The construction jobs are over. We're happy they were union. I really want to understand a good well respected organization like the Building Congress, who is smart, and I know you are smart, Andrew, how does that get justified?

ANDREW HOLLWECK: I think that's a great question, which requires obviously a lengthy analysis of the City's tax policy. I haven't looked at the pro forma for Madison Square Garden's reconstruction, how they structure their business. Nor have I looked at the pro formas of any other sports institutions for the City's Economic Development Corporation, how they consider incenting businesses, large and small, not-for-profit, you know, industrial. These are all -- these are complex business decisions and --

2 COUNCIL MEMBER JOHNSON: [interposing]

3 And you don't believe that MSG is getting
4 preferential treatment given that they have a single
5 spot in the State Tax Code that is specifically
6 written for them in perpetuity? I would think that
7 it doesn't benefit some of the other people that you
8 work with that they don't get the same treatment.

9 ANDREW HOLLWECK: Council Member, I
10 certainly encourage the Council to look at the City's
11 property tax structure. I think it's full of
12 inefficiencies. I do think it's unfair to single out
13 a single institution that does so much for this city.
14 I'm not saying -- I'm not passing judgment on the
15 fairness or unfairness of this particular tax
16 abatement. I just -- I don't think we've done a firm
17 enough analysis generally to make that assertion.

18 COUNCIL MEMBER JOHNSON: I appreciate
19 your testimony. And the IBO was here earlier. They
20 did some in-depth analysis on this. Again, I think
21 they're a well respected organization that looks at
22 these issues, and --

23 ANDREW HOLLWECK: [interposing] No, I
24 agree.

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COUNCIL MEMBER JOHNSON: -- are now considered sort of a left of center organization that is making recommendations. So I think that a lot of analysis needs done by the Finance Committee staff, by the Finance Committee itself, and it will happen. And I appreciate your testimony. I just -- it's interesting to me when you have very well respected organizations that do good work in the City that --

ANDREW HOLLWECK: [interposing] That do care about the city.

COUNCIL MEMBER JOHNSON: No, who are. No, exactly. When I say "do good work" that means you care about the city. But to come and ask for preferential treatment for one corporation is just -- it's hard for me to understand.

ANDREW HOLLWECK: Again, you know, another example is Met Stadium. I mean the City is near completing a business deal that will align 126th across from City Field hopefully leveraging the untapped economic potential of the people who drive in and drive out of City Field every year. At long last there will be restaurants that will be available to them, other amenities that will create tax benefits, spending and jobs in the city. You can

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2 evaluate whether that's worth it to the city or not,
3 but I think we need to understand that these things
4 bring opportunity, vibrancy, and possibly things that
5 are not calculable that make this city the wonderful
6 place it is to live in.

7 COUNCIL MEMBER JOHNSON: MSG made over
8 \$140 million in profit last year. If they had paid
9 their property taxes, it would have been \$17 million.
10 I think the numbers don't lie. I appreciate you
11 coming and testifying. I look forward to working
12 together in the future, and I once again want to
13 thank the Finance Committee staff, my Legislative
14 Director, Louis Cholden Brown, and this committee is
15 adjourned. [gavel]

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C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.



Date May 17, 2014