Senator Brad Hoylman	Reinvent Albany
Councilmember Ben Kallos	BetaNYC
Community Board 4	Common Cause NY
Community Board 5	Tri-State Transportation Campaign

Ronnie Lowenstein
Director, Independent Budget Office of the City of New York

August 27, 2021

Re: Please issue IBO report on costs to NYC for NYS Empire Station Complex Project

Dear Director Lowenstein,

We write to ask that the Independent Budget Office (IBO) of the City of New York conduct an analysis of the Empire Station Complex Project to determine how the state's proposal will impact New York City's finances.

The project is currently undergoing an environmental impact statement and community advisory process run by NYS Empire State Development (ESD), and is not going through the city's Uniform Land Use Review Process (ULURP). Yet, the project's General Project Plan[1] (GPP) states that there will be potential impacts to the city's budget through an undetermined "value-capture framework that could include Payments In Lieu of Taxes ("PILOT"), Payments in Lieu of Sales Taxes ("PILOST"), Payments in Lieu of Mortgage Recording Taxes ("PILOMRT") and other revenues generated by the new development would help fund the reconstruction and potential expansion of Penn Station and other transit or public realm improvements."

Given this potential financing structure, we believe it is crucial to have an independent assessment analyzing the potential impact of the project on the city's finances. IBO is uniquely positioned to do this type of review, given its mission to serve New York City's public officials and the greater public with independent, nonpartisan analysis. Additionally, IBO's continued review of the tax increment financing mechanism used for the Hudson Yards development is potentially instructive for an analysis of the Empire Station Complex proposal.

Potential areas for this assessment of the impact of the Empire Station Complex proposal on New York City's finances could include:

[1] ESD General Project Plan documents available at:
https://esd.ny.gov/empire-station-complex-gpp-and-related-documents

1. How much tax revenue will New York City lose as the result of any tax diversions or PILOTs on an annual basis for the lifetime of the project and/or the PILOTs?
    a. What would the potential impacts be if a Tax Increment Financing (TIF)/a value capture zone is used? How would a fair assessment be conducted for the baseline for the area/potential tax revenue growth absent this plan? How would an assessment measure the need for additional city services to serve the project area?
    b. Are there other rezoning mechanisms that could have been used to generate economic growth in the area that would no longer be possible?
    c. What is the bonding capacity/risks for this type of financing mechanism to the state and the city, and taxpayers at large?
2. Given the proximity of Hudson Yards, what is the capacity of the area to absorb another major redevelopment plan?
3. Will the project provide a return on investment for transit riders in terms of investment/transit improvements at Penn Station?
    a. Are there sufficient reporting/accountability mechanisms built into the project to allow for this type of analysis? If not, what additional information should the state/ESD disclose?
4. What other additional information should ESD/the state of New York provide to the public and stakeholders to allow for a more complete analysis and understanding of the risks and potential benefits of the project's funding mechanisms?
5. If this project were to be approved as proposed, ESD would issue bonds in 2022, with the understanding that development would occur by 2028 for phase 1 and 2038 for phase 2. There is no guarantee nor compeling mechanism in the project modalities, that development would occur. Which entity (ESD, NY State, NY City) would be financially responsible for bonds interests and principal payments? Could this funding scheme become a liability to taxpayers in the eventuality that development does not occur, or if the PILOTs are negotiated at too steep a discount?
6. What is the potential impact of continuing Madison Square Garden's tax exemption? In 2020 MSG paid no taxes, receiving an abatement of $43 million (see page 47 of the 2020 NYC tax expenditure report). There have been calls for decades for this exemption to be eliminated. MSG's operating permit expires in 2023.

Thank you for your consideration. Should you have any questions or wish to discuss this matter further, please do not hesitate to contact Rachael Fauss, Senior Research Analyst at Reinvent Albany, rachael@reinventalbany.org.

Sincerely,

Senator Brad Hoylman
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Councilmember Ben Kallos
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