Testimony to the NYC Council Subcommittee on Zoning and Franchises

MSG's Tax Subsidy Should End, Its Permit Only Be Renewed 3 Years, and Taxiway and 31st and 33rd St/8th Ave Entrances Given to Railroads at No Cost

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Reinvent Albany is providing written testimony for the New York City Council Subcommittee on Zoning and Franchises hearing as it considers the Madison Square Garden Special Permit and Arena Text Amendment.

We advocate for a more transparent and accountable New York government. We also fight to reduce New York's $10 billion/year in taxpayer subsidies to corporations and ensure that subsidies are transparent and justified by facts and careful analysis.

The City can and should ask for much more from MSG as part of any permit renewal.

According to the Independent Budget Office, since 1982, state law has exempted Madison Square Garden (MSG) from paying close to a billion dollars. In return for being forced to give MSG a billion dollars in foregone tax revenue, the people of New York City have gotten little to nothing in return.

Let's not forget that MSG also receives an enormous benefit by virtue of its location on top of Penn Station – the busiest train station in the country. MSG and James Dolan are reaping the benefits of a huge amount of public investment in Penn Station, and will continue to as upgrades are made. We urge the Council to:

1. Extend MSG's permit for only 3 years, as recommended by Community Board Five, to encourage MSG to be a help, not a hindrance to improvements at Penn Station.
2. Require MSG to give the Railroads the taxiway and any property needed to build new 31st and 33rd Street/8th Avenue entrances at no cost, given the $1 billion in tax breaks MSG has received with the public getting little to nothing in return.
3. Pass a resolution supporting A846 (Weprin) / S1632-A (Kavanagh), state legislation that would repeal the MSG tax abatement.
4. Require MSG to report data regarding employment and job creation data to the City and Independent Budget Office.

Extend MSG's Permit for 3 Years, Not 10

We support Community Board Five's Resolution and Recommendation calling for MSG's permit to be extended only three years, rather than 10. We understand that the City Planning Commission's report would create a mechanism to require MSG to come back to CPC with proposed property improvements to facilitate Penn Station improvements, when the project reaches a threshold of 30 percent design development. Given the complexity of the redesign, this may take years and be subject to different interpretations over when this threshold is met.

A three-year extension is a cleaner and more effective mechanism than the 30 percent design threshold for reevaluating whether MSG is truly facilitating improvements at Penn Station

Require MSG to Give the Railroads the Taxiway and Property Needed for 31st & 33rd St/8 Ave Entrances at No Cost

The compatibility report produced by the Railroads clearly shows that, as it is now, Madison Square Garden will make it impossible for renovations to take place at Penn Station.

We ask the City Council to ensure that MSG gives the Railroads the taxiway and any property needed to build out new 31st and 33rd Street/8th Avenue entrances at no cost, given the $1 billion in tax breaks MSG has received with the public getting little to nothing in return.

Pass a Resolution in Support of Ending MSG's Tax Abatement

MSG's owner also owns the NBA New York Knicks, which are worth $5.8 billion and NHL Rangers, valued at $2 billion. There is zero public policy, fiscal, or economic reason for New York City to subsidize the billionaire owner of Madison Square Garden, while depriving city schools and other basic services of millions a year in revenue and creating an unfair burden on other businesses and taxpayers.

Roughly 21% of NYC revenue goes to NYC public schools (see Chart 7, Table 9 of the NYC Comptroller's Comments on the FY23 Adopted Budget). This means that Madison Square Garden's tax break has starved NYC schools of $185 million in operating support, and continues to cost NYC schools $9 million every year.

We urge you to pass a resolution supporting A846 (Weprin) / S1632-A (Kavanagh), state legislation that would repeal the MSG tax abatement.

Add Reporting Requirements

MSG is not required to report any employment data, including the number of jobs created and retained by the entity, as a condition of its property tax exemption. Because there are no reporting requirements, the Independent Budget Office (IBO) and other experts have been unable to evaluate the impact of a nearly $1 billion tax abatement on MSG as an employer, nor is it able to analyze the quality of jobs offered by the entity. As the IBO notes in its latest report on MSG: “There is no means-testing or financial proof required from MSG to demonstrate the need for the property tax exemption, neither at the time the exemption was granted nor at present.”

Data reporting requirements are standard for businesses receiving subsidies. For example, the IBO is able to review detailed employment data for other firms receiving subsidies in order to evaluate the effectiveness of those subsidies. Before watchdog groups, the press, and other interested parties can make sense of what the government funding has been used for and compare it to democratic expectations, data is needed to identify what public benefits have followed that public spending.

We urge the City Council to require MSG to report the number of jobs it creates and retains on an annual basis, as well as other necessary data, to the IBO as a condition for receiving a special permit. The IBO already evaluates tax expenditures per New York City Administrative Code 11-2901, and it should be empowered to evaluate MSG tax expenditures.

Thank you for your consideration.