



NEW YORK STATE SENATOR

Bill Perkins

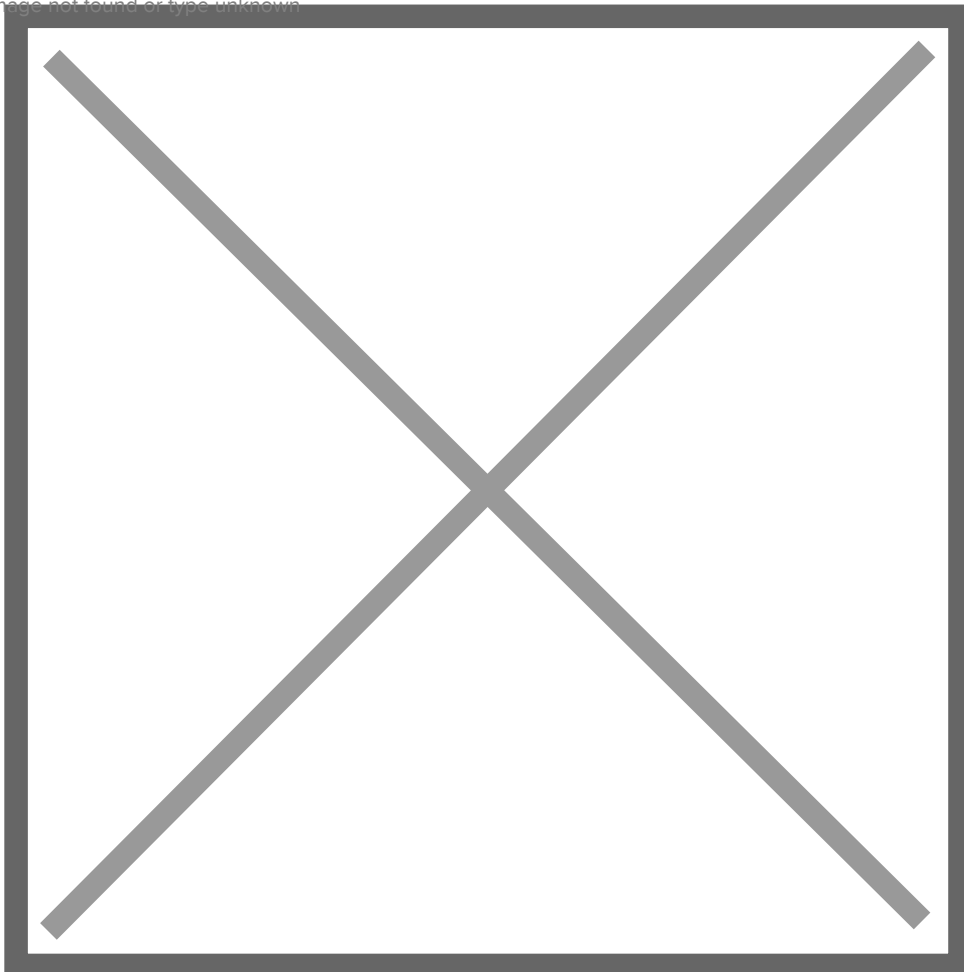
Senator Perkins Raises Question of Potential Wrongdoing in \$511 Million Bond Issuance by Brooklyn Arena Local Development Corporation for Nets Arena

BILL PERKINS December 22, 2009

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For Information Contact:

Cordell Cleare, Senator Perkins (646) 326-6601 cordellcleare@gmail.com

Curtis Ellis (917) 861-2233 curtiswellis@gmail.com

Senator Perkins Raises Question of Potential Wrongdoing in \$511 Million Bond Issuance by Brooklyn Arena Local Development Corporation for Nets Arena

Senator Bill Perkins, chair of the Corporations, Authorities and Commissions Committee, is urging Governor Paterson to investigate the \$511 million dollar bond issuance by the Brooklyn Arena Local Development Corporation (BALDC) for possible wrongdoing and to halt the sale.

On December 15, 2009, the BALDC a not-for-profit corporation created by the Job Development Authority (JDA), held a bond auction to fund the construction of the arena component of the Atlantic Yards project.

However, the bond issuance is not valid on at least two grounds, outlined in a letter Senator Perkins sent to the governor.

By issuing the bonds through the BALDC, the JDA (which is a unit of the Empire State Development Corporation) avoided its statutory obligation to receive approval from the Public Authorities Control Board and the State

Comptroller.

Additionally, according to a recent Court of Appeals decision, the BALDC does not have the authority to grant a property tax exemption for land leased for the proposed Nets arena. “Consequently, payments-in-lieu of taxes cannot be used to secure the bonds, and they are effectively worthless. If ESDC knowingly misrepresented the legitimacy of these bonds, this raises the specter of fraud,” Sen. Perkins writes.

“It is unacceptable that these entities would violate the public trust and subject taxpayers to hundreds of millions in debt obligations and issue debt outside the statutorily mandated review, especially during our current financial crisis” argues Sen. Perkins. “I am equally concerned by the fiction engaged in by the ESDC. Their purpose is to promote economic development in the best interest of the people of New York, not seek murky loopholes costing New Yorkers millions in property tax revenues from wealthy private developers like Forest City Ratner.”

Furthermore, it appears the ESDC was in part motivated to issue the bonds before the IRS tax exempt stadium deadline of December 31, 2009.

“Earlier this month Governor Paterson signed landmark public authority reform legislation into law. However, it is clear that some have not received the message. My committee will review these actions and continue to seek transparency and accountability on behalf of the people of New York,” Senator Perkins says.