



NEW YORK STATE SENATOR

Velmanette Montgomery

## Esdc's Memorandum Of Understanding (mou) With Ratner

VELMANETTE MONTGOMERY

MEMO FROM SENATOR VELMANETTE MONTGOMERY AND COUNCILWOMAN LETITIA JAMES

Re: Memorandum of Understanding (MOU) between New York State, New York City and Forest City Ratner Companies (FCRC)

The Non-Binding Memorandum of Understanding (MOU) states that the Empire State Development Corporation's (ESDC) staff intends to seek the approval of the ESDC Board of Directors to have ESDC engage in the following activities:

EMINENT DOMAIN by State Takeover—The State, through ESDC, will:

- adopt a general project plan, conduct public hearings and take such other action under the NYC Urban Development Corporation Act, as may be necessary..;
- exercise... its power to override local zoning and other local regulations...;
- act as “lead agency” for the project for purposes of compliance with the State Environmental Quality Review Act (SEQR);
- approve acquisition and disposition of the Project site to Forest City Ratner Companies;
- take actions under the Eminent Domain Procedures Law to acquire private properties, including city streets, necessary to facilitate the project; and

- ask the City to provide funds for land acquisition to fund eminent domain procedures and convey these properties to ESDC for \$1, who will turn over the properties to Forest City Ratner Companies for \$1.

TAX BENEFITS FOR FCRC—FCRC’s Arena and Arena Garage will benefit from tax exemptions similar to churches and schools:

- FCRC will be exempt from real estate taxes and sales taxes on materials used to construct the improvements.
- The lease will grant full real property tax exemptions. Instead of paying taxes to the City, FCRC will pay off bonds with monies saved or PILOTS (Payments In Lieu Of Taxes).
- FCRC will also be entitled to “as of right tax exemptions.” These tax exemptions are not identified nor quantified.
- ESDC, using its “statutory powers,” can grant to FCRC exemptions from City and State mortgage recording taxes, and sales taxes.
- ESDC is asking the City to help obtain energy cost savings for the Arena from Con Edison through its Business Incentive Rate Program Financing Agreements.

ESDC WILL SEEK APPROPRIATE LEGISLATION AND OTHER STATE APPROVALS TO FACILITATE FINANCING AND IMPLEMENTATION OF THE PROJECT.

Specifically...

- ESDC and New York City will commit capital funding to the Project, subject to appropriation of \$100 million each. The ESDC funding is expressly contingent on a legislative appropriation (or bond authorization) agreed to by the Governor and Legislature.
- ESDC requires FCRC to pay for acquisition costs related to eminent domain. However, FCRC will be allowed to use the NYC capital funding for land acquisition.
- New York City will convey to ESDC, and ESDC in turn will lease City properties for residential and commercial development (taken by eminent domain) to FCRC, in addition to

City streets and land underlying the Arena for one dollar (\$1) for 99 years.

- ESDC and NYC through the EDC will consider making additional capital contributions for extraordinary infrastructure costs relating to the mixed use development on the project site (excluding the arena).
- ESDC will lease the proposed arena and arena garage site to the ESDC/LDC for a term of 99 years for one dollar (\$1). The lease shall be subject to termination by the LDC if the arena ceases to be used regularly by a professional major league team during the first 30 years.
- ESDC and FCRC intend that the LDC will issue tax exempt bonds to finance the cost of construction of the arena and garage. The arena and garage will be exempt from real estate taxes and sales taxes on construction materials. Debt service on these bonds will be paid through a PILOT (Payment In Lieu of Taxes) agreement wherein payments will be made to ESDC/LDC rather than paying taxes to New York City.

#### COMMUNITY BENEFITS:

- While there is a reference to “a reasonable number of units” of affordable housing, there is no indication of income guidelines, number of apartments nor what “as of right” affordable housing program will be utilized. There is also a vague reference to participation and hiring of minority and women-owned businesses and residents without mentioning goals or enforcement mechanism.
  - The MOU makes it clear that ESDC intends to take total control of the project and implies that there will be no involvement by local elected officials in any decisions relating to this project. ESDC, therefore, is usurping the legitimate powers of the local legislature by overriding City zoning laws, rules and regulations vis a vis the New York City Charter.
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