

Empire State Development

FORESTCITYRATNER
C O M P A N I E S



June 17, 2003

Mission Statement

To relocate, in Downtown Brooklyn, two first class sports franchises to New York State, thereby stimulating economic growth through the sports teams, other entertainment, and the construction of a new arena and 6.5 million square feet of mixed use development

Project Goals

- Take advantage of singular moment in time for this type of transaction
- Acquire the Nets & the Devils
- Relocate the teams to Brooklyn
- Construct the arena primarily with new tax revenues generated by the arena and sports franchises
- Develop 7.5 million square feet of mixed-use projects (including arena). This is necessary for project feasibility, and also stimulates economic growth.

The Current State of Sports Franchises

- Economics of Sports Teams Must Make Financial Sense
 - IRR driven (few vanity purchases)
 - New attractive arena with improved revenue opportunities (e.g. suites, advertising, etc).
 - Cost effective financing for arena and arena revenue goes to the teams
- Major Economic Obstacles in Moving to a New State
 - Loss of existing fan base and building a new fan base
 - Loss of attendance during arena development
 - Development risk and economic consequences

Project Summary

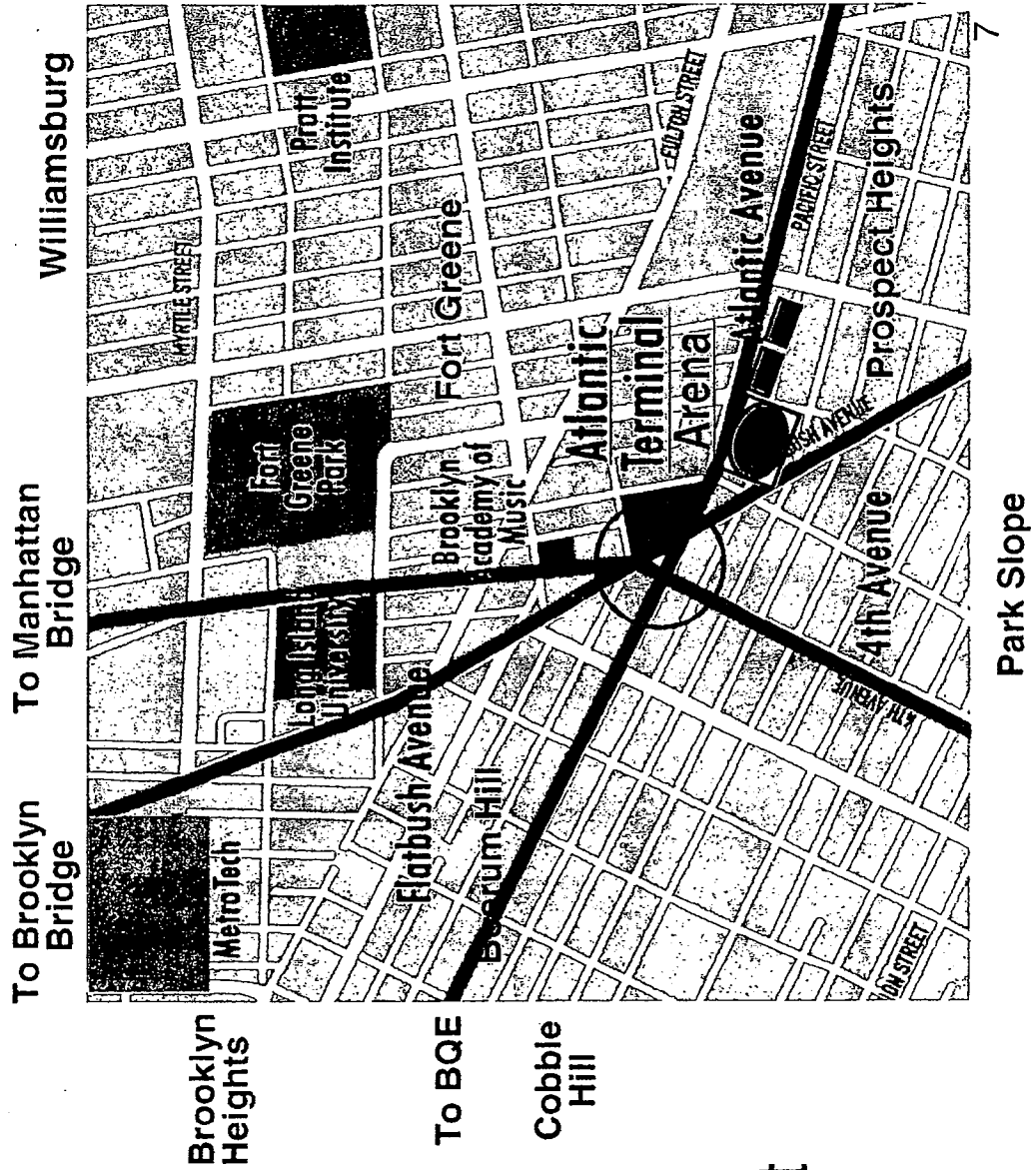
1. Site area (Arena and Other Development):
 - 1.18 million SF, including streets
 - Blocks 1118, 1119, 1120, 1121, 1127, 1128, 1129
2. Arena:
 - 18,000 to 20,000 seats
 - 750,000 SF
 - Will provide much needed second venue in down state region for entertainment events
3. Requires State Action/ESDC as lead agency
4. Condemnation:
 - 1+ blocks containing approximately 91 housing units
 - Estimated cost = \$50 million
5. Timing
 - MOU with State and City in 60 days
 - Approvals completed by August 2004
 - Two year construction period
 - New season in Brooklyn starts in October 2006

Project Summary

- 6. **Economics**
 - Acquisition costs of Devils = \$140 million + \$40 million in operating losses
 - Acquisition costs of Nets = \$275 million + \$50 million in operating losses
 - Development costs of arena and parking (excluding costs for condemnation) = \$500 - \$600 million
 - Tax increment financing, minimal outlay of government funds
 - Possible government backing of a portion of bonds
 - Total annual revenue from new taxes and ground rent/Pilot = \$47.6 million
 - Sales tax from tickets = \$18.6 million
 - Income taxes on player and executives = \$10.0 million
 - Arena ground rent/Pilot = \$10.0 million
 - Mixed use ground rent/ Pilot = \$9.0 million
- 7. **Transportation**
 - 65% of visitors to the arena will arrive by mass transit or walking
 - 1,500 to 1,800 cars will arrive off peak
- 8. **Backup Plan**

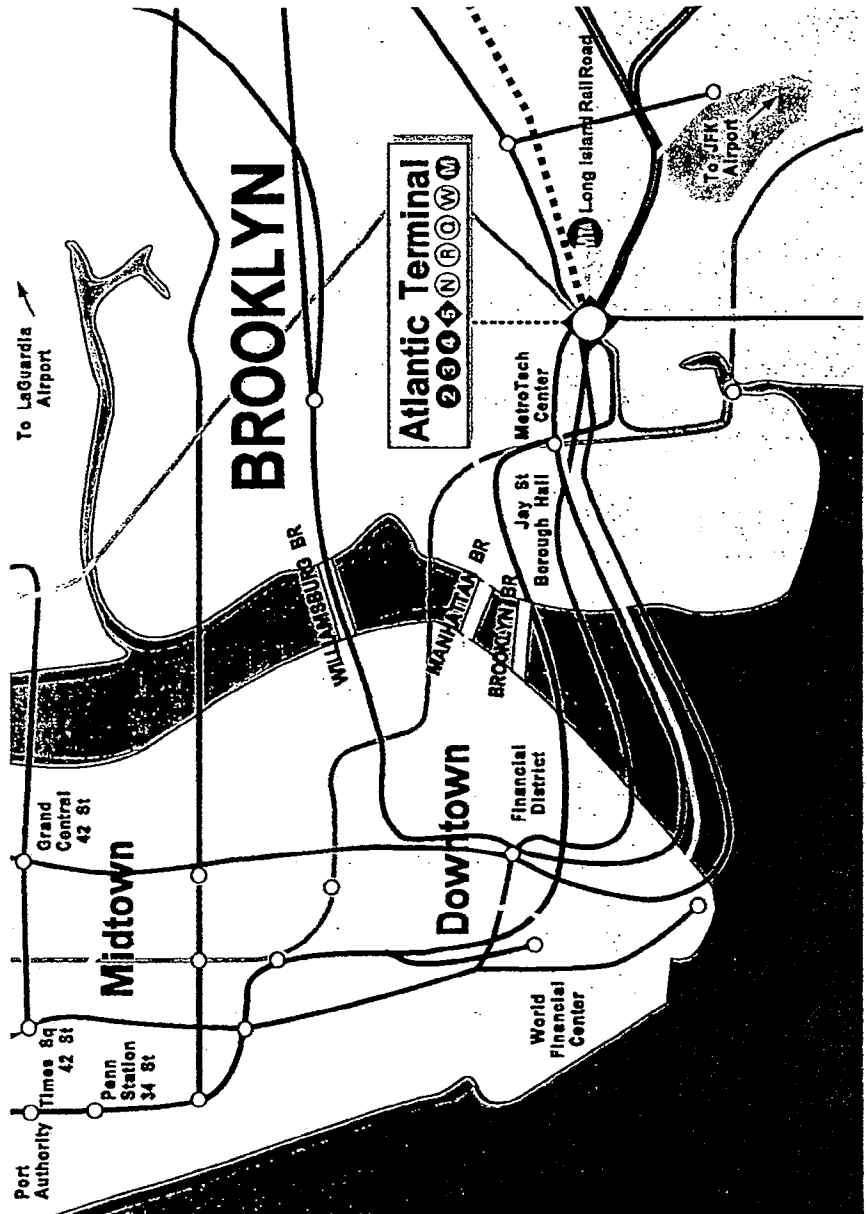
Site – Located at the Crossroad of Brooklyn

- Office
- Residential
- Retail
- Cultural
- Academic
- Entertainment



Public Transportation

- 9 Subway Lines and the LIRR at Atlantic Terminal Station
- 3 Other Subway Lines adjacent to the Site
- 10 Minutes from Downtown Manhattan and 20 Minutes from Midtown Manhattan
- 18 minutes from Queens Plaza, G-Train
- LIRR – 20 minutes from Jamaica Station
- Potential underground connection from transit hub to arena

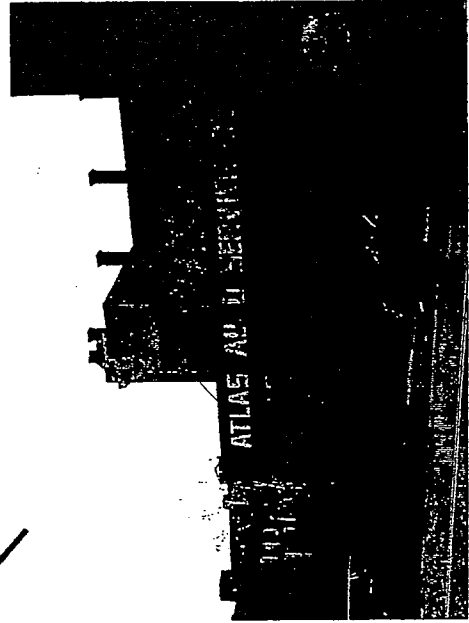
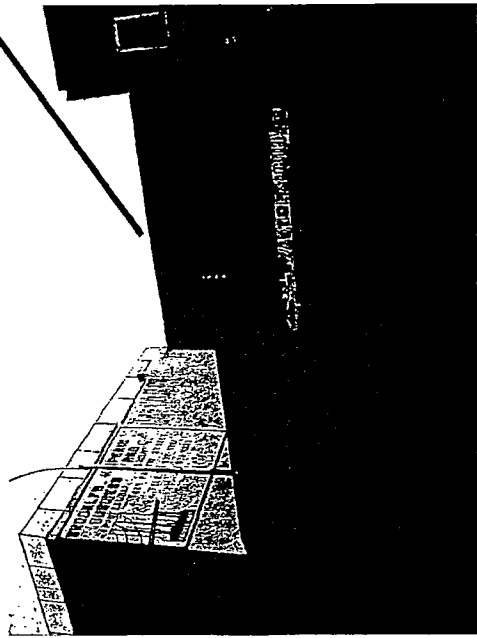
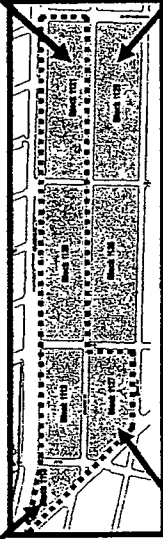
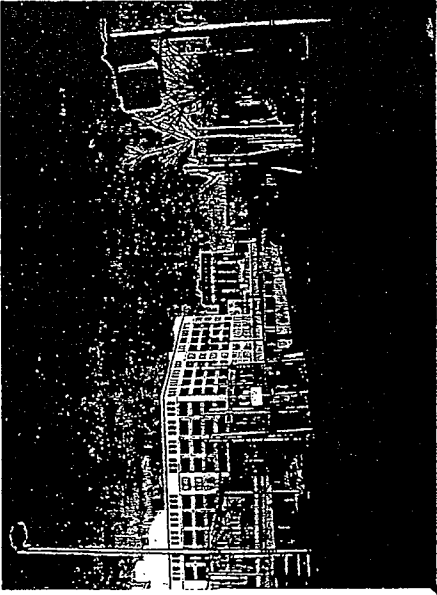
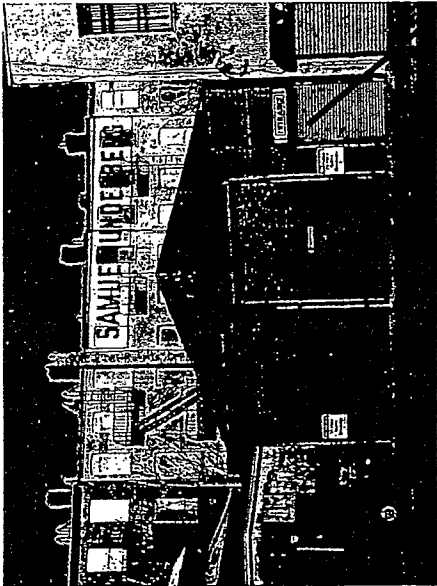


Source: Philip Habib & Associates

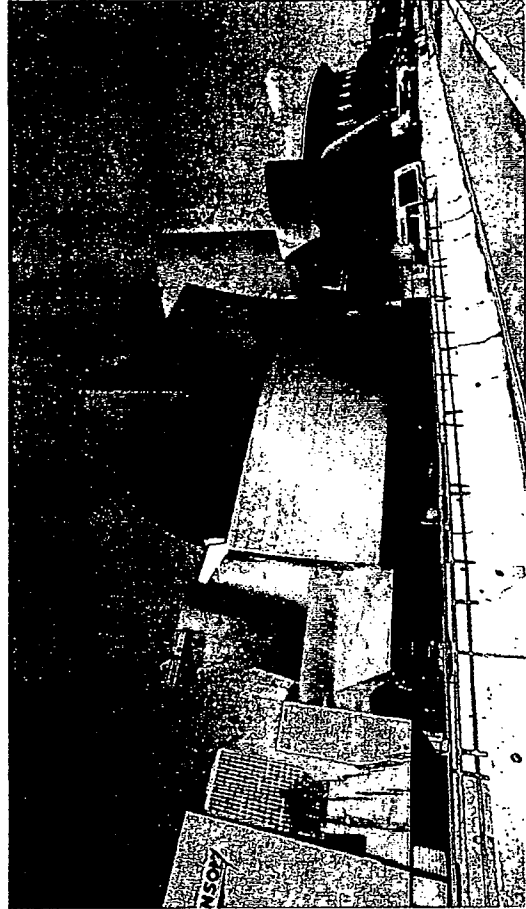
The Site



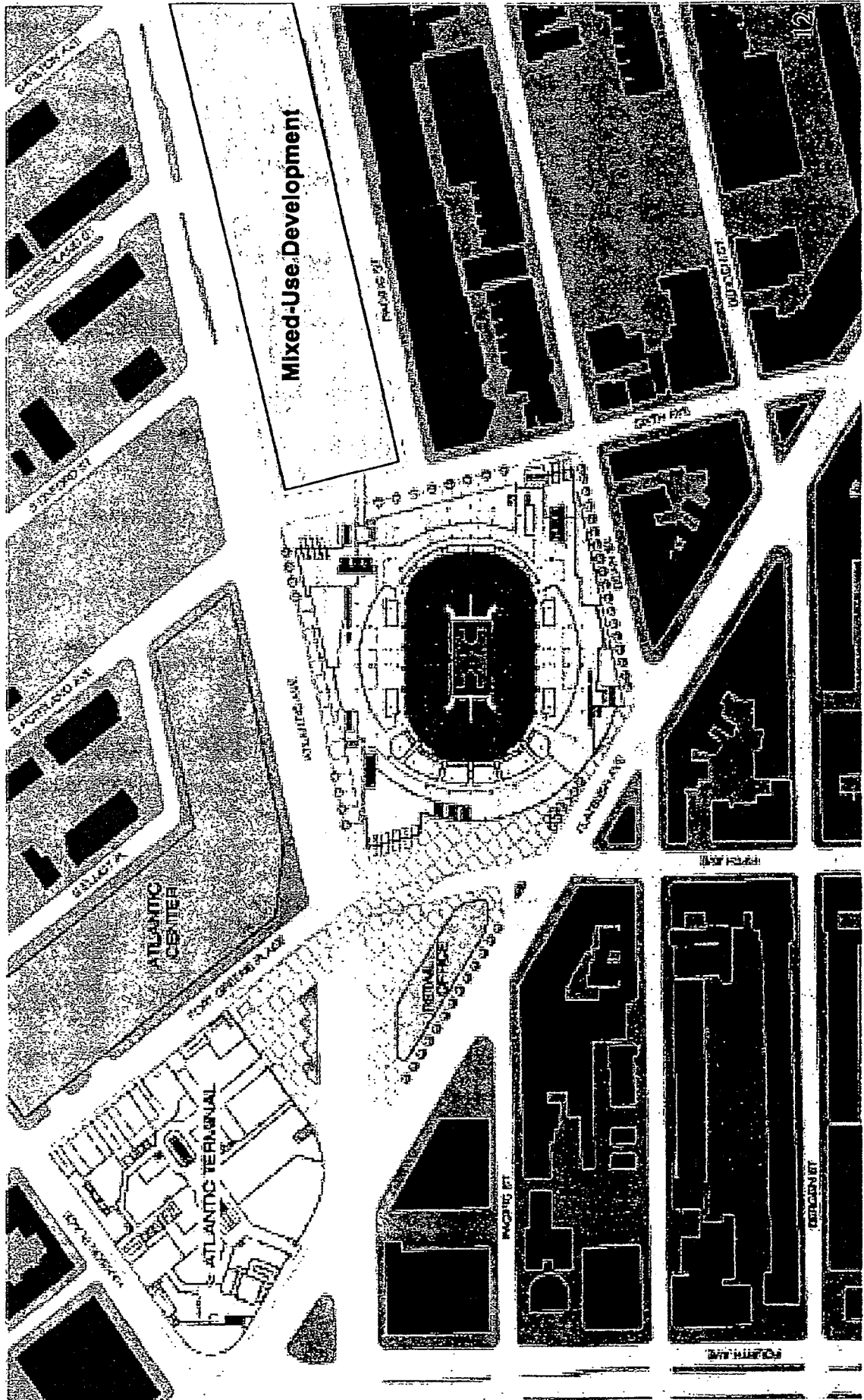
Existing Conditions



Iconic Architecture by Frank Gehry



Arena Site Plan



Economic Impact

Construction		(Dollars in Millions)	
Total Effect on the Local Economy	Total Direct	Total Direct/ Indirect	
Arena	\$450.0	\$863.0	
Mixed-Use Development	\$1,136.2	\$2,104.6	
Infrastructure	\$100.0	\$188.7	
TOTAL	\$1,686.2	\$3,156.3	
Operations			
Annual Effect on the Local Economy			
Arena	\$231.9	\$533.2	
Mixed-Use Development	\$2.3	\$3.5	
TOTAL	\$234.2	\$536.7	

Tentative Schedule

Item	2003												2004	2005	2006	
	May	June	July	August	Sept	Oct	Nov	Dec								
1. Complete Devil/Nets Termsheet		█														
2. Complete Contract Documents		█														
3. Negotiate MOU with Public Sector		█														
4. Complete All Public Approvals Including EIS, Emin. Domain and Zoning Override																
5. Complete Arena Design																
6. Construct Arena																
7. Construct First Residential Building																

Government Actions

- Dispose of Land and Air Rights
- Negotiate Payments in lieu of Taxes
- Override and Create Zoning
- Use of Eminent Domain
- Act as Lead Environmental Agency
- Act as Lead Agency for Arena/Housing Tax Exempt Bond Financing
- Lead Government Agency for Infrastructure Coordination

Next Steps

1. Assign team to negotiate & complete MOU with ESDC, MTA, NYC, and FCRC
2. Begin immediately on EIS & other approvals
 - Zoning
 - Design Issues
 - EDPL
 - Infrastructure Analysis
3. Begin working on legislation and other processes related to tax increment financing

Detail of Government Actions

- ESDC to enter into agreements to dispose of the land and air rights owned by the MTA, City and Others.
- Negotiate payment in lieu of taxes (PILOT), PILOST and Mortgage Recording Tax waiver on the Arena and the Mixed Use Development.
- Override the existing zoning resolution and create a single large scale zoning plan with necessary FAR, including waiver of height and setback requirements, and parking requirements related to the Housing and Mixed Use Development.
- Use eminent domain, if necessary, to acquire parcels which might not otherwise be obtainable on a market basis. Such condemnation powers may also be used to condemn and de-map and close certain city streets and utilities therein needed to accommodate the project's design.
- ESDC to act as lead agency for the development's environmental review process.
- ESDC to act as the lead government agency responsible for tax exempt bond issuance for the Arena and housing, including possible backing of some portion of bonds, (including any required legislation).
- ESDC to lead the coordination and implementation of required infrastructure and/or open space improvements.

