

EXHIBIT

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DRAFT Memorandum December 14, 2006

Atlantic Yards Redevelopment: Comparison of Economic and Fiscal Impacts, Original and Revised GPP Plan (8% reduction in project scale)

The following tables summarize the results of ESDC's economic and fiscal impact analyses performed on the Atlantic Yards Redevelopment Project for both the original GPP Residential Mixed-Use Plan and the revised GPP Plan (8% reduction in project scale). The reported impact results reflect the project at full build-out (2016).

Economic and fiscal benefits are estimated for New York City and New York State. These reflect both the one-time construction impacts and the permanent impacts from operations at the arena and from the mixed-use development included in the plans.

Table 1 Atlantic Yards GPP Plan: Original and Revised at Full Build-Out (2016)

Uses	Original GPP Plan (Residential Mixed-Use)	Revised GPP Plan (8% reduction)
Residential*	6,790,000 gsf (6,860 units)	6,363,000 gsf (6,430 units)
Hotel (180 rooms)	165,000 gsf	165,000 gsf
Retail	247,000 gsf	247,000 gsf
Commercial	606,000 gsf	336,000 gsf
Arena	850,000 gsf	850,000 gsf
Parking (spaces)	3,800	3,670
Private Open Space	≤1 acre	±1 acre
Public Open Space	7+ acres	8 acres

Space allocations are as shown in the Draft and Final EIS. Of the total residential units in either version, 4,500 will be rental units, 50% of which will be low and moderate income housing. The rest of the residential units will be market rate rental and condominiums.

Comments on Table 1: The key modifications to the original GPP plan that affect the economic and fiscal impact of the project are the reductions in the residential component (by 427,000 gsf or 430 units, all condominium), and the reductions in commercial office space (by 270,000 gsf).

Table 2 One-Time Construction Economic and Fiscal Benefits

	Original GPP		Revised GPP	
	NYC	NYS	NYC	NYS
Employment				
Direct	15,344	15,344	12,568	12,568
Indirect & Induced	8,132	11,459	6,661	9,408
Total	23,476	26,803	19,229	21,976
Personal Income (billions 2006\$)				
Direct		0.721		0.590
Indirect & Induced		0.780		0.640
Total	1.103	1.501	0.903	1.231
Tax Revenues (millions 2006\$)	322.694	203.451	291.931	169.374

*Dollar values are expressed as net present value in 2006\$ using a 3% real discount rate over the 10-year construction period. (Price index used is derived from the results of REMI projections.) Construction employment is the total number of construction job-years over 2006-2016. NYS employment and personal income are inclusive of NYC. The NYC tax revenue total from construction activity is inclusive of the MTA portion of tax revenues.

Comments on Table 2: The number of direct construction job years, (i.e., the number of full-time equivalent construction workers working full- or part-time or on contract in one year) is 12,568 for the revised GPP Plan and 15,344 in the original GPP Plan. In NYS under the revised GPP Plan, the total number of construction-related employment (including direct, indirect, and induced), inclusive of NYC, is 21,976, down from 26,803 in the original Plan. In NYC, total construction-related employment is estimated to be 19,229 in the revised Plan, down from 23,476 in the original Plan.

Total personal income generated by the revised GPP construction activity is estimated to be \$1.2 billion (inclusive of \$903 million earned in NYC). In the original GPP Plan, total personal income earned through construction-related employment is estimated to be \$1.5 billion (inclusive of \$1.1 billion earned in NYC).

Similar reductions appear in tax revenue collections. The revised GPP project Plan is expected to generate \$169.4 million for NYS and \$291.9 million for NYC. By comparison, the original GPP Plan was expected to generate \$203.4 million and \$322.7 million for NYS and NYC, respectively.

Table 3 Permanent Economic and Fiscal Benefits of Overall Project at Full Build-Out (2016)*

	Original GPP		Revised GPP	
	NYC	NYS	NYC	NYS
Employment				
Direct	3,639	3,639	3,047	3,047
Indirect & Induced	2,934	3,739	1,491	2,018
Total	6,573	7,378	4,538	5,065
Personal Income (bil. 2006\$)	9.705	12.715	6.268	8.217
Tax Revenues (mil. 2006\$)	523.573	862.279	360.406	575.959

*Dollar values are expressed as net present value in 2006\$ using a 3% real discount rate over 30 years. (The price index used is derived from the results of REMI model projections.)

Permanent employment is the annual average over the 30-year period. NYS employment and personal income are inclusive of NYC.

The NYC tax revenue total is inclusive of the MTA portion of tax revenues.

Comments on Table 3: Project permanent economic and fiscal impacts result from the operations of the arena, residential development, hotel, retail, parking and commercial offices. The substantial reduction in the total number of permanent jobs related to the revised GPP Plan reflects the effect of concentrating a substantial portion of the reduced scale of the project in commercial office space (a reduction of 270,000 gross square feet). Direct job estimates were obtained by assuming that approximately 250 gross square feet of office space would support one job. It was also assumed that commercial space would be rented by a variety of businesses, including financial services, business and professional services, headquarters or administrative support functions, and media. These industries have relatively high multipliers (producing strong indirect and induced impacts) and relatively high average salaries. Consequently, such a reduction in commercial employment would be reflected in significant reductions in overall personal income and tax revenues generated by the revised GPP Plan and that this reduction would be significantly greater than the 8% reduction in project scale.

Table 4 Total Fiscal Cost*

Sales Tax Exemption	Original GPP	Revised GPP
NYS	20.0	18.7
NYC	20.0	18.7
MTA	1.9	1.8
Total STE	41.9	39.2
Mortgage Recording Tax Exemption	Original GPP	Revised GPP
NYS	17.8	17.3
NYC	181.4	177.0
Total MRTE	199.2	194.3
Bond Financing	Original GPP	Revised GPP
NYS	138.3	122.3
NYC	113.5	97.7
Total Bond Financing Cost	251.8	220.0
Overall Plan Total	Original GPP	Revised GPP
NYS	176.1	158.3
NYC	316.7	295.2
Overall Total Fiscal Cost	492.9	453.5

*Dollar values are millions of dollars expressed as net present value in 2006\$ using a 6% discount rate over 30 years.

Comments on Table 4: Total project fiscal cost for the revised GPP Plan is comprised of sales tax exemptions on construction materials used in construction of the arena/arena parking and infrastructure (excluding the \$200 million public direct contribution). Also included are mortgage recording tax exemptions on the arena and mixed-use development, and bond financing costs to NYC and NYS related to the \$679.2 million in taxable and tax-exempt arena/arena parking bonds, \$200 million in infrastructure bonds, and \$102 million in subordinate debt. For the revised GPP Plan, the net present value of total fiscal cost to the State and City (including the MTA) is estimated to be \$453.5 million over 30 years, using a 6% discount rate. By comparison, the estimated net present value of total fiscal costs for the original GPP Plan was \$492.9 million.

Table 5 Overall Project Fiscal Benefits and Costs*

	Original GPP			Revised GPP		
	NYC	NYS	Total	NYC	NYS	Total
Overall Total Fiscal Benefits	846.267	1,065.730	1,911.996	652.337	745.333	1,397.670
Overall Fiscal Costs	316.746	176.119	492.865	295.171	158.337	453.507
Fiscal B/C Ratio	2.67	6.05	3.88	2.21	4.71	3.08

*Dollar values are millions of dollars expressed as net present value in 2006\$ using an approximately 6% discount rate over 30 years.

Comments on Table 5: Table 5 presents the overall fiscal impact (from one-time construction plus permanent operations) of the revised GPP Plan in net present value terms over the 30-year project period of analysis. The revised GPP Plan is expected to result in an estimated total fiscal benefit of \$1.4 billion, net present value. By comparison, the estimated net present value of total fiscal benefits for the original GPP Plan was \$1.9 billion. The reduction in fiscal benefits and costs is consistent with the reduced scale of the project and the concentration of that space reduction in the commercial component of the project.

The overall fiscal cost of the revised GPP Plan is estimated to be \$453.5 million, net present value over the 30-year period. The fiscal benefit to cost ratio is 3.08:1, meaning that for one dollar in public cost, the State and City expect to receive \$3.08. This is down from the 3.88:1 benefit to cost ratio for the original GPP Plan.

It is important to note that the estimated project fiscal costs do not include all potential costs to the City and State. Not included are the increased costs associated with the provision of public services, schools, and other expenses incurred as a result of public support for this project.

Summary of Assumptions and Methodology

The economic and fiscal impact of the Atlantic Yards project was estimated using the REMI model (Regional Economic Models, Inc.) of the New York City region. The REMI model is widely regarded as one of the more sophisticated regional economic and demographic models used for economic impact analysis. It is a dynamic model that forecasts project impacts on a regional economy. The model takes into account the adjustments that a regional economy makes over time in response to the project. Such dynamic models are considered an improvement over input-output models such as RIMS II and Implan, which provide estimates of impact for a single year with no adjustments. These differences make a comparison of estimated impact results using the different models difficult.

REMI tax revenue estimates reported here reflect a broad set of state and local tax collections including personal income tax, corporate and business income tax, sales tax, property tax, and miscellaneous other taxes.

Construction Impacts:

The estimated hard and soft costs of construction for the arena, arena parking, urban room, residential components (including ground floor retail and community facility space), infrastructure (including the LIRR platform and transit connections), commercial office space, hotel, and masterplanning were provided by FCRC in the GPP Sources and Uses (November 21, 2006). The estimated total Project cost is \$3.966 billion (including \$386.1 million in land acquisition). Construction economic and fiscal impacts were estimated over the ten-year period of construction 2006-2016 (full build-out).

Arena Operations and Mixed-Use Development Impacts:

The analysis uses projected estimates of taxable ticket, concessions, and novelties sales at the arena provided by NYC EDC. FCRC provided information on current Nets players' salaries, visiting team player salaries, basketball administration and Nets staff salaries, and arena workers' payroll. Estimated personal income tax and sales tax on consumption spending were added to the REMI estimated tax revenues. The model's estimates would not have captured the initial effects of the players' earnings and consumption spending. The following assumptions are used in estimating impacts from Nets and arena operations:

- The average annual salary for an NBA player is approximately \$4.5 million, based on information obtained from the NBA by FCRC. The analysis assumes that 30% of Nets players live in New York City and pay both City and State personal income tax. The other 70% live outside of New York City and pay New York State personal income tax only.
- A portion of the visiting team players' salaries is earned in Brooklyn and only New York State personal income tax is paid on such amount. All spending from income earned in New York City by visiting team players happens outside of the City and State.
- Both economic and fiscal benefits from arena operations are based on non-basketball event ticket revenues and surcharges, sale of novelties and concessions, sponsorship, and advertising. Sales tax revenues are based on both basketball and non-basketball event taxable items.
- Taxable consumption expenditures are assumed to be 40% of disposable income. Sales tax rate is 8.375% (both State and City Sales Tax is 4% and an additional 0.375% collected for the MTA).
- Direct commercial office jobs were adjusted by 75% to account for New York City residency and displacement effects. Direct jobs in all other categories of direct employment were considered 100% New York City resident.
- This analysis does not include any economic or fiscal benefit generated by net new households that are related to this project