



**Statement from Regional Plan Association on the Proposed Financing Agreement between the Metropolitan Transportation Authority and Forest City Ratner over the Atlantic Yards Site**

June 24, 2009

The Metropolitan Transportation Authority board of directors meets today, Wednesday, June 24<sup>th</sup>, to discuss a revised finance agreement over the Atlantic Yards site between the agency and developer Forest City Ratner (FCR). At issue is whether the MTA should give FCR greater flexibility in making payments owed to the MTA for the right to develop the MTA's portion of the rail yards. Under terms made public yesterday, FCR would pay the MTA \$20 million this year and pay the remaining amount off at 6.5% interest over the twenty years starting in 2012. Previously FCR agreed to pay the MTA \$100 million up front for the same rights.

**While there has been little time to digest the proposal, several considerations are clear:**

- The redesigned project is a far cry from the one that was approved by the Empire State Development Corporation in 2006 following extensive public debate. The benefits to the MTA and public have been greatly diminished, including less cash up front for the MTA, a scaled-back rail yard that would accommodate fewer rail cars with less efficiency, a replacement of Frank Gehry's signature architecture, and an indefinite delay in the affordable housing, office space and open space that were to provide most of the economic and community benefits.
- If the deal falls through, it is likely to be years before the market recovers enough to attract new developers. The same weak market and credit conditions that led to FCR's new proposal would also put off any reasonable chance of selling the rights and developing the site for several more years, at least.
- If project moves forward, it is almost inevitable that it will need to be redesigned and renegotiated more than once before it's complete. As RPA stated in its recommendations for the project in August 2006, a city-building initiative of this magnitude will evolve over multiple business cycles, changes in architects and changes in market conditions. The degree to which this project has changed in less than three years only underscores our previous recommendations that the project requires a public oversight authority with the ability to approve or disapprove major changes in project composition and design.

**The question is, does this new agreement retain enough benefits for the MTA and the city to proceed with a scaled-back plan? Based on the information available, the answer is no.** Atlantic Yards is a major asset for the MTA and one of the most important transit-oriented development sites in the region. Even given the state of the economy and the MTA's need for revenues to support its capital program, the benefits of

this revised agreement appear simply too meager to sacrifice the long-term potential of the site.

**Is there any potential for a revised agreement that would realize the public value of the site?** It may be difficult to forge a satisfactory agreement under current economic conditions, but given the momentum of the project, the need for it to move forward before the end of the year to secure financing, the MTA's need for immediate revenue and the time that would be required to start over, every reasonable effort should be made to salvage the initiative. However, any new agreement should meet several conditions:

- The MTA should either receive a larger upfront settlement or an opportunity to realize much greater long-term revenue, possibly by negotiating a share of future revenues from the project that could exceed annual payments for development rights;
- ESDC should establish a subsidiary much like the successful 42nd Street Development Corporation to guide future phases of development. This authority, should include city, state and community representation and have both the authority and professional capacity to evaluate and approve proposed changes in project design;
- ESDC should conduct or request an independent analysis to show that the economic and fiscal benefits outweigh the public subsidies being provided;
- One of the responsibilities of the subsidiary should be to review design elements of the project. In the rush to secure the project before the end of the year, this element should not be overlooked.

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