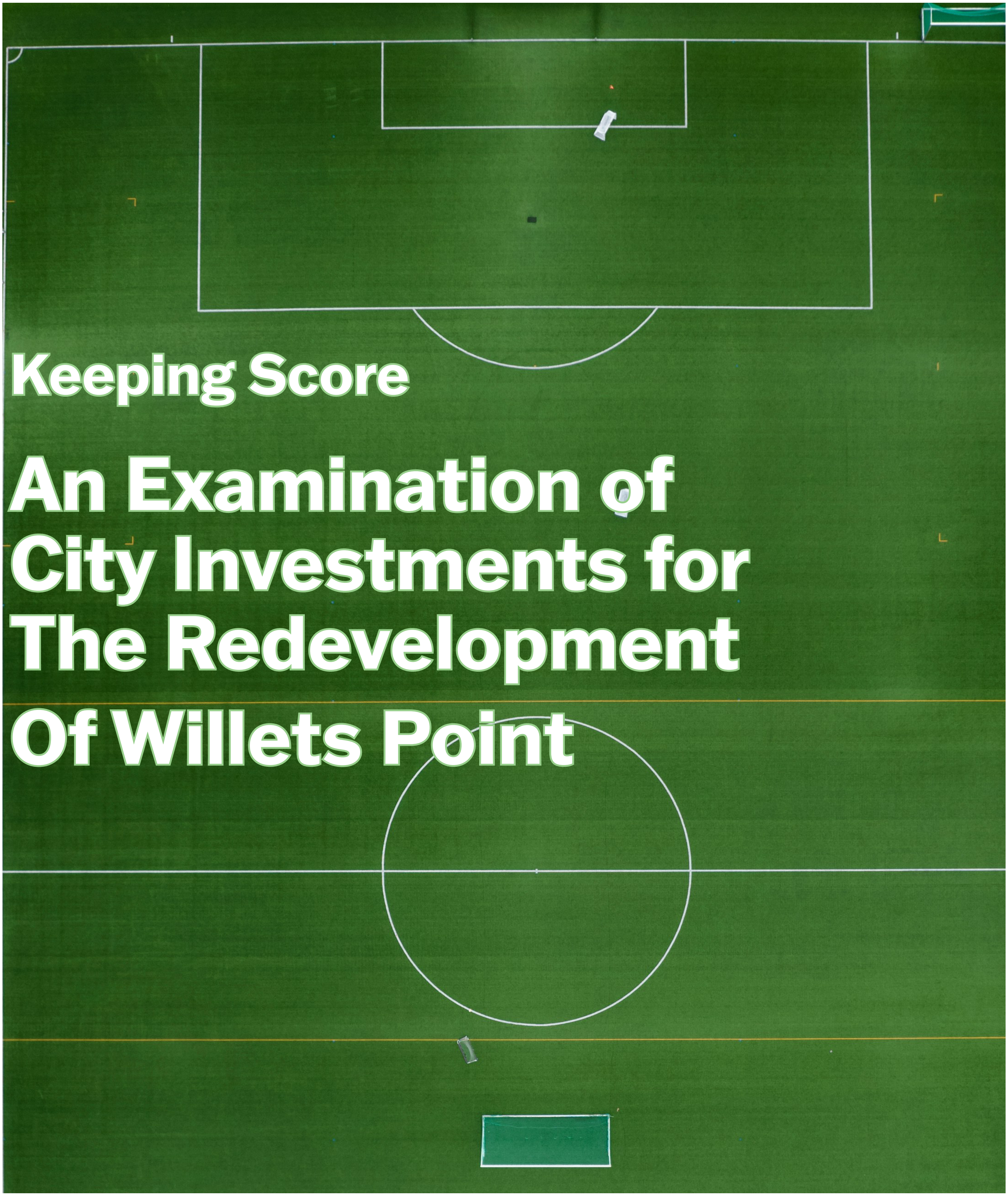
Keeping Score

An Examination of City Investments for The Redevelopment Of Willets Point



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Executive Summary

The neighborhood of Willets Point in northeastern Queens, New York City has long been a redevelopment priority for mayors and the City's Economic Development Corporation (EDC). After several prior redevelopment attempts, the final plan for Willets Point features a new soccer stadium for the New York City Football Club (NYCFC) as the centerpiece. Other elements include affordable housing, hotel and retail space, and a public school.

The Willets Point redevelopment plan consists of three phases. Phases 1 and 2 are under way, with expected completion in 2027 and 2028, respectively. The City, through EDC, has entered into a pre-development agreement with Queens Development Group (QDG) for the first two phases. The scope of Phase 3 remains tentative at this time, and a developer has not yet been selected. Phase 3 includes the largest tract of land of the three phases, with completion planned by 2039.

The Independent Budget Office (IBO) conducted an independent review of the public investments and incentives provided to the Willets Point redevelopment Phases 1 and 2. IBO examined direct operating and capital budget spending, as well as economic development tax breaks. Public subsidies have been given to all major components of the Willets Point redevelopment, including the stadium, hotel, housing, and retail. IBO's examination of City investments and subsidies for Phases 1 and 2 will be useful context for future discussions around Phase 3.

Among our key findings:

- The most notable City support for the soccer stadium is by waiving the collection of payments equivalent to property taxes for the soccer stadium. The stadium will be built on City-owned land and is therefore fully exempt from property tax liability. When public land is used for private purposes, however, the private entity is often required to make payments equivalent to their property tax liability as if the land was privately owned. These payments are known as "payments in lieu of taxes" (PILOTs). The agreement between QDG and EDC does not require the stadium to make any PILOTs for the duration of the stadium's 49-year lease. Other components of the development—hotel, housing, and retail—will be required to make PILOTs to the City.

- IBO estimates that if the soccer stadium were built on private land that was fully taxable, this would yield $538 million in property tax revenue over the stadium's 49-year lease period. (All dollars in this report have been inflation-adjusted to 2024 dollars.) If the stadium were built on private land, however, it would likely qualify for an existing City property tax break available to many types of commercial development: the Industrial and Commercial Abatement Program (ICAP). Under ICAP, IBO estimates the stadium on private land would pay only $74 million in property taxes to the City.

- Between past spending and budgeted future funding, the City will outlay nearly $1 billion to purchase the land for the Willets Poit redevelopment, infrastructure investments, and environmental remediation. The costs associated with environmental remediation and infrastructure investments would have likely been necessary for any redevelopment project in Willets Point.

- Other notable city investments and tax incentives include an estimated $550 million in City capital funds to finance the construction of 2,500 affordable housing units, $61 million in foregone sales tax on construction materials, and $26 million in foregone mortgage recording tax collections.

This spending is in line with general City practices to finance affordable housing and to incentivize economic development. As part of Phase 1, the City has also committed to constructing a 650-seat K-8 public school, but the project is not yet funded and construction has not yet begun.

- The Willets Point stadium is being built with private financing by the developers, and debt is secured through their own assets. This stands in contrast to Yankee Stadium, Citi Field, and Barclays Center which were financed through tax-exempt debt arranged by the City. It is important to note that since then, federal rules no longer allow the tax-exempt financing structure those stadiums were constructed under.

- There is consensus in the field of public economics that substantial government subsidies for sports facilities are typically not an efficient use of scarce public resources. While the Willets Point stadium construction is privately financed, the full waiver of PILOTs represents an ongoing public subsidy for the stadium. The Willets Point arrangement, however, is consistent with other professional sports stadiums in the City, none of which pay property taxes or PILOT equivalents to the City.

IBO's mission is to enhance understanding of New York City's budget, public policy, and economy through independent analysis. IBO's analysis is the first public reporting of the extent to which public dollars are spent and budgeted for the Willets Point Phase 1 and 2 development projects. This report focuses on describing and quantifying the City's public investment in the Willets Point redevelopment; it is not an environmental engineering review, investigation, or audit.

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Introduction

The City has long struggled to identify how to best reinvent the neighborhood of Willets Point in northeastern Queens. The area sits adjacent to the Citi Field baseball stadium and by Flushing Meadows Corona Park, near the end of the Number 7 subway line. The area was used as a dumping ground for large amounts of ash in the early 20th century, then transitioned to industrial and commercial purposes. In preparation for redevelopment, the land continues to undergo extensive environmental remediation.

For decades, prior attempts to solidify redevelopment plans for the area fell through. In November 2022, Mayor Adams announced the creation of a Major League Soccer stadium for the New York City Football Club (NYCFC) as the anchor site of the area's redevelopment plans. The project is a joint endeavor between the City (represented by the Economic Development Corporation, or EDC) and the Queens Development Group (QDG). EDC is a nominally private, not-for-profit entity controlled by the mayor, which assists private entities pursuing economic development projects with the City. QDG is a joint venture between the private developers Related Companies and Sterling Equities, and was selected to oversee the first two phases of the Willets Point project. Mayor Adams and other elected officials have praised the project for its affordable housing components, the economic impact stemming from construction, as well as the project's other development components. The Adams administration has also lauded the "fully privately financed" soccer stadium and claimed "we're not spending a dime of taxpayers' dollars" for the stadium.[1] The stadium is not being constructed with tax-exempt financing arranged through the City, as previous stadiums used. (Federal rules no longer allow the financing structure those stadiums used.) Nevertheless, the Independent Budget Office's (IBO) research indicates that the City is using many common economic development incentives to benefit the stadium and other project components such as housing, hotel, and retail. These subsidies are primarily in the form of land preparation, foregone tax revenues, and direct subsidies, all of which come at a cost to the City's coffers.

IBO examined the terms and implications of the economic development plan for the Willets Point area of Flushing, Queens. IBO reviewed the pre-development agreement, the Final Environmental Impact Statement, Phase 1 term sheet, and City budget and property tax records for this analysis. IBO's mission is to enhance understanding of New York City's budget, public policy, and economy through independent analysis. This report focuses on describing and quantifying the City's public investment in the Willets Point redevelopment; it is not an environmental engineering review, investigation, or audit.

Three Willets Point Development Phases

The project is divided into three phases, each with unique project elements and timelines. Currently only Phases 1 and 2 have been approved by City Council. Phase 1 completed the City's Uniform Land Use Review Procedure (ULURP) process in November 2008. ULURP is a standardized procedure through which applications for changes to City land use are publicly reviewed. At that point, the central feature of the development plan was a shopping mall, rather than a soccer stadium. Due to a successful lawsuit against the plan, Phase 1 did not begin construction until November 2023. The land use review for Phase 2 was approved by a near-unanimous vote by the entire City Council on April 11, 2024. Council Member Shekar Krishnan was the only dissenting vote. In his dissent, he cited the project's reduction in promised affordable housing units, concerns surrounding NYCFC's ownership group, and the quality of jobs created in association with the project.

Phase 1 of the Willets Point project includes three affordable housing developments—one for older adults and two which are 100% affordable—a public school serving grades K-8, a parking garage, and public space. Phase 2 of the project includes the NYCFC stadium, a hotel, retail space, as well as additional affordable housing. The stadium will be a 25,000-seat Major League Soccer stadium located directly east of Citi Field.

Beyond hosting NYCFC games and limited obligations NYCFC made to the City pertaining to stadium use, the stadium can be used for hosting private events at NYCFC's discretion. Project timelines by phase and component are provided in Figure 1.

Phase 3 development would commence by 2029 at the earliest. The majority of the land for Phase 3 is still privately owned and a site plan and developer have yet to be selected. The City will need to purchase the land and identify a developer before ULURP can commence. Phase 3 is tentatively planned to include an additional residential development with 35% of units reserved for affordable housing, another hotel, and office, retail, community, and public open spaces. This preliminary scope of development for Phase 3 is subject to change as it proceeds through necessary planning processes. Given the longer-term and somewhat uncertain nature of Phase 3, IBO limits its analysis to Phases 1 and 2 of the project. IBO's analysis may help inform planning and negotiations around Phase 3 when those discussions begin in earnest. Figures 2 and 3 are map renderings of the development plan from the Willets Point Final Scope of Work, created by the developer: Figure 2 shows Phases 1 and 2, while Figure 3 shows tentative Phase 3 plans.

IBO reviewed official project documents, including environmental impact statements, and documents detailing the agreements between the developers, soccer team owners, EDC, and the City. IBO also utilized City budget data from the Office of Management and Budget to understand City actions and spending on Willets Point.

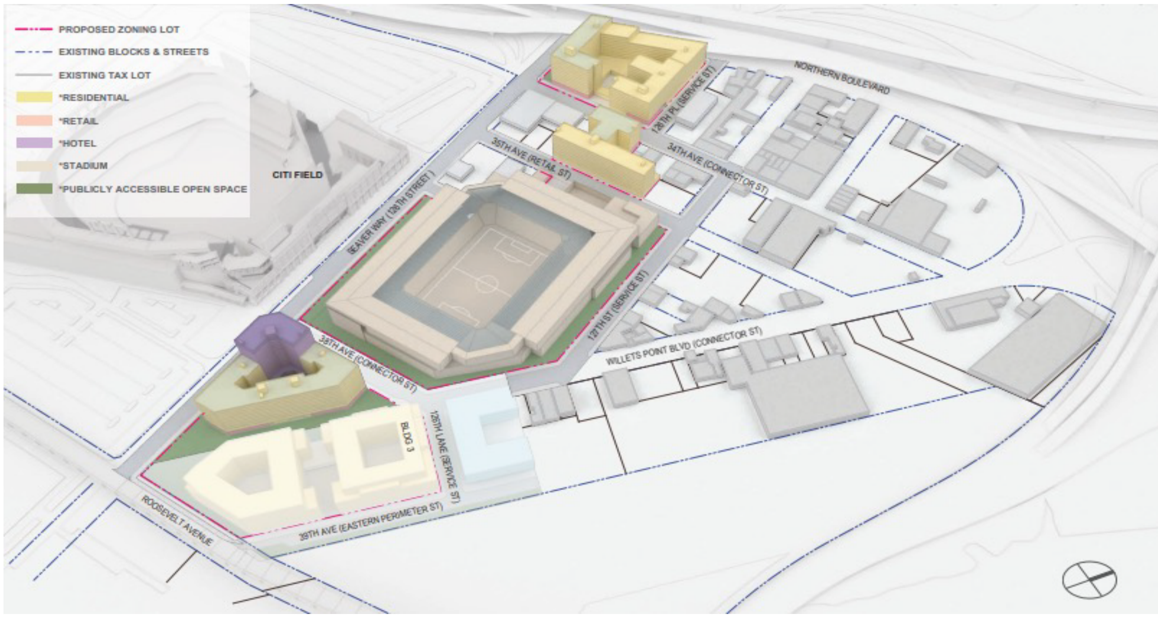
This analysis is separated into three parts. First, IBO quantified City spending to purchase and prepare the land for development, including environmental remediation costs. Next, IBO estimated the City's foregone property taxes from granting a full payment in lieu of taxes (PILOT) waiver to the soccer stadium. Even without the specific terms of this deal, if the stadium had been built on private land, it would have qualified for a less-generous property tax break through the City's Industrial and Commercial Abatement Program.

Figure 1
Willets Point Development Plan Phases, Components, and Timeline

Component	Description	Estimated Completion Date
Phase 1		
Residential	880 Affordable Housing Units	2027
Residential	220 Affordable Senior Housing Units	2027
Public School	650 seats, K-8	2027
Parking Garage	323 spaces	2027
Public Space	1 acre	2027
Phase 2		
Soccer Stadium	25,000 seats	2027
Hotel	250 rooms	2027
Retail	180,000 sq ft	2028
Residential	1,400 Mix and Match affordable units	2028
Phase 3		
Residential	3,785 units (approx. 35% affordable)	2039
Hotel	450 rooms	2039
Office	50,000 sq ft	2039
Retail	211,000 sq ft	2039
Community Space	114,000 sq ft	2039
Public Open Space	5.8 acres	2039

SOURCES: Willets Point Phase 2 Development Enivronmental Impact Statement and Willets Point Phase 2 pre-development agreement
New York City Independent Budget Office

Figure 2
Willets Point Development Plan Map – Phases 1 and 2



SOURCE: Willets Point Phase 1 & 2 Development Final Scope of Work, Figure 4
NOTE: This rendering was generated by the developer.

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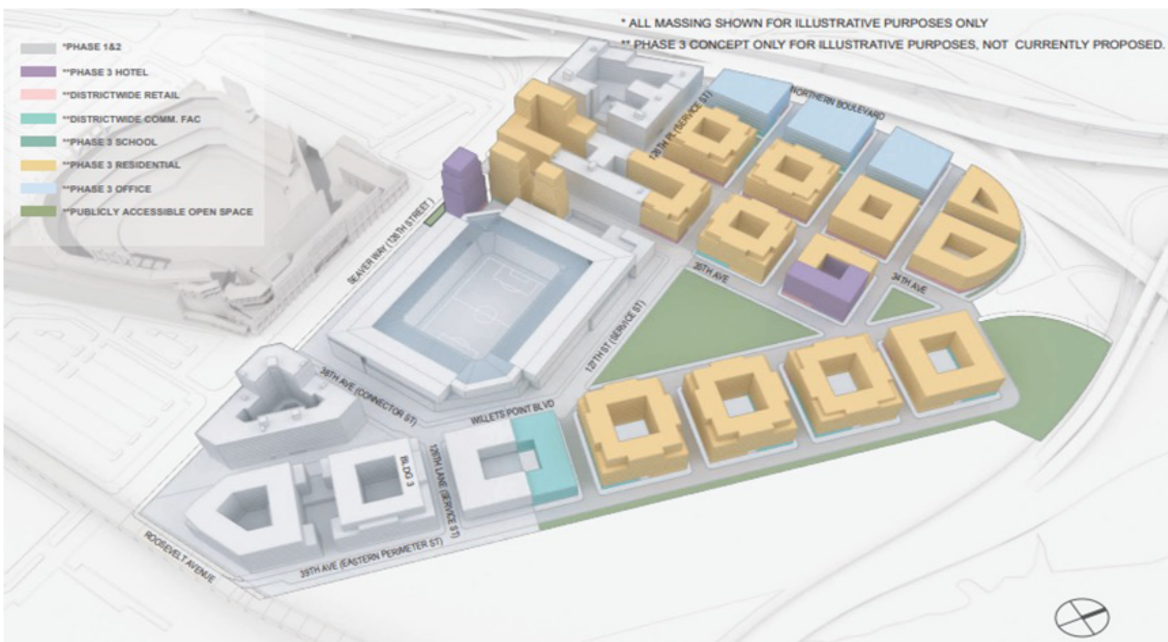
Figure 3
Willets Point Development Plan Map – Phase 3 *(For Illustrative Purposes Only)*



SOURCE: Willets Point Phase 1 & 2 Development Final Scope of Work, Figure 6.
NOTE: This rendering was generated by the developer and is purely for illustrative purposes to show what could be part of Phase 3. As of the date of this publication, there are no official details for Phase 3.

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This means that under nearly all scenarios, the soccer stadium would not have been charged property taxes on its full assessed value. Through the specifics of the Willets Point development deal, the stadium gets a larger tax break than it otherwise would have seen. IBO then discusses other City subsidies for the Willets Point development area more broadly—subsidies for housing, hotel, and retail construction. These analyses include both direct spending and foregone tax revenues due to tax exemptions. The final section of the report identifies how the involvement of public funds for the Willets Point stadium is both similar and different to past stadium construction projects in New York City.

History of Willets Point

Willets Point has long been known as an environmentally hazardous area of the City. The neighborhood has experienced numerous attempts at remediation and redevelopment. Beginning in 1900, the City leased much of the land in Willets Point, previously swampland, to an ash removal company. From the granting of this contract to its termination by the City in 1934, the ash removal company dumped 50 million cubic yards of ash onto the area, burying it under a 30-foot-thick layer of ash. The area served as the inspiration for the "valley of ashes" in the American novel *The Great Gatsby*.

Beginning in the late 1940s, auto-shops flocked to the area and remain the dominant industry today, giving it the nickname the "Iron Triangle." Since the 1940s, there have been several attempts to redevelop the Willets Point area. Some of these abandoned attempts included the 1964 World's Fair site, an American football stadium, and a shopping mall.

Current plans to redevelop the area began in earnest in the early 2000s. In 2001, the Department of Housing Preservation and Development (HPD) began designing workshops for the project site. Notably, the original plans for Willets Point under the Bloomberg administration included 5,500 units of housing, over double what has been approved under the current plan for Willets Point. In 2002, the City created the Downtown Flushing Task Force; in 2004 the task force released a framework that set forth the land use and economic planning strategy for growth in the area.

In 2008, the City announced the Willets Point Development Plan, which aligned with the task force's framework. The centerpiece of the development was the Willets West Mall, but the project also included all the non-stadium components of the current Willets Point project. In 2013, QDG was selected as the developer for the project, which at the time still featured the Willets West Mall as the anchor establishment. In 2014, State Senator Tony Avella, the City Club of New York, Queens Civic Congress, members of Willets Point United, and nearby residents and business owners filed a lawsuit against the project. The *Avella v. City of New York* lawsuit successfully blocked the project arguing that it planned to build on parkland without proper authorization. The area in question was legally classified as parkland although it is used as a parking lot for Citi Field. Property classified as parkland must receive State legislative approval to be converted to other uses and the same amount of parkland must be created elsewhere.

Following their defeat in court, EDC and QDG narrowed the project into phases, announcing plans in 2018 to go ahead with a portion of the development that was not planned on the parkland, and changed the central element from the mall to the soccer stadium. They avoided the parkland issue which previously had halted the project plan. Phase 1 had been approved in 2008 (prior to the lawsuit) and development began in 2023; City Council approved Phase 2 of the project in April 2024.

City Investments Preparing Willets Point Land for Development

In order to prepare the Willets Point land for development, the City needed to acquire the land, remediate the environmental hazards from the decades of pollution, and build out general infrastructure such as roads and water and sewer lines for the area. The costs associated with environmental remediation and infrastructure investments would have been necessary for any redevelopment project in Willets Point. IBO used the City's Financial Management System to identify past spending and planned future investments for the environmental remediation of the Willets Point land. Figure 4 details the funds spent on acquiring and preparing land for the development plan

Figure 4
Past and Planned City Spending to Prepare Land for Development Summary
Dollars in millions, adjusted for inflation to 2024 values

Spending Category	Period of Spending	Amount
Land Acquisition	2009-2018	$309
Infrastructure Improvement	2010-2033	$647
Expense Budget Costs	2011-2025	$9
Total City Spending to Prepare Land		**$965**

SOURCE: New York City Financial Management System
New York City Independent Budget Office

Land Acquisition. IBO identified approximately $309 million in City capital commitments related to land acquisition from 2009 to 2018, with the bulk of this spending ($250 million) taking place between 2009 and 2011. All dollars in this report have been inflation-adjusted to 2024 dollars using the Engineering News-Record Construction Cost Index unless otherwise noted. Previous development plans considered the use of eminent domain, but this power was not reported as part of the final arrangement. According to the most recent version of the Environmental Impact Statement (EIS), "All private property acquisitions by the City to facilitate redevelopment of the District were the result of voluntary sales by the then property owners, and in no case was eminent domain used."

Infrastructure Improvements and Environmental Remediation. Past and planned City spending totals $647 million to remediate the land and improve or replace the existing infrastructure—$366 million was spent from 2010 through 2024 and the remaining $281 million is expected to be spent through 2033. City spending on general infrastructure improvements and environmental remediation are budgeted together in a way that does not break out the investments more granularly. The scope of infrastructure improvements includes, but is not limited to, the general redevelopment of the land, such as the implementation of ramps, subgrade improvements, roadwork, and the demolition of existing structures. Environmental remediation work includes removal of contaminated soil and replacement with clean fill.

As of June 2024, remediation activities are complete for the Phase 1 affordable housing, older adult housing, school, and stadium components of the development. Remediation costs associated with the Phase 1 affordable housing site totaled $9.6 million, per engineering reports.[2] The land has been graded as appropriate for restricted residential and industrial use by the New York State Department of Environmental Conservation (DEC). This grade is sufficient for the planned development but would not permit the land to be used for single-family housing and food gardens. The City did not pursue further remediation citing the added cost, timeline delays, and technical challenges associated with more intensive remediation.

Going forward, QDG as the developer is financially responsible for environmental remediation in compliance with the regulations and guidelines of DEC. The pre-development agreement indicates that the City has apportioned some amount of preliminary funding to assist QDG's future remediation efforts. The pre-development agreement further agreed to assist QDG by facilitating applications to tap the State's Brownfield Cleanup Program (BCP) tax credit, which can help finance remediation efforts. Currently, the Phase 1 affordable housing is the only development component eligible for BCP credits.[3] Per EDC's pre-development agreement, the stadium component remediation is ineligible for BCP credits and is estimated in to cost $8.7 million. In the event DEC approves BCP credits for any future component of the project, QDG is to refund these credits to the City.

Additional City Spending on Pre-Development Costs. IBO has identified $9 million in City Expense Budget spending related to additional pre-development costs for Willets Point. This includes expenses such as relocation compensation for pre-existing businesses in the neighborhood, consultant contracts, and the purchase of construction materials. These expenses date back to 2010, with the largest portion of operating spending expected to occur in 2024 and 2025.

Estimating the Value of the Stadium's PILOT Waiver

Beyond the City's direct spending, described above, there are other ways in which the City is supporting the development of Willets Point. The most notable City support is by not requiring the collection of payments equivalent to property taxes for the soccer stadium, a benefit granted as part of the development deal between EDC and QDG. IBO refers to this as the PILOT waiver.

Estimate of Total Property Tax Liability If Stadium Were to Be Fully Taxable. NYCFC's stadium will be built on publicly owned land, and public land is fully exempt from property tax liability. When public land is used for private purposes, however, the private entity is often required to make payments to the City equivalent to their property tax liability if the land was privately owned. These payments are known as "payments in lieu of taxes" (PILOTs). Other components of the Willets Point development—the hotel, housing, and retail for example—are also located on publicly owned land and will pay PILOTs equivalent to what the property tax liability would have been if it was on private land. The soccer stadium, however, will not pay PILOTs to the City starting from the beginning of the stadium's construction through the end of the 49-year lease term. IBO estimates the stadium, if subject to property taxes without any tax breaks, would pay $538 million in property tax revenue for the City over the lease period, as estimated in today's dollars.[4] (See Appendix for more discussion on PILOT payments and details on IBO's methodology.)

Estimating a Counterfactual Scenario: If the Stadium Was Built on Private, Fully Taxable Land. Under a scenario where the soccer stadium was built on private, fully-taxable land—the counterfactual to the scenario that did happen—the stadium would not have been subject to its full tax liability anyway. The stadium would receive as-of-right property tax benefits that are available widely to commercial development in boroughs outside of Manhattan.[5] A project or business can qualify for as-of-right benefits automatically if it meets a set of program criteria. This is in contrast with discretionary benefits, where the City's decision to award the benefits is optional and often competitively allocated. Were the Willets Point stadium built on private land, it would likely be entitled to receive a property tax break through the Industrial and Commercial Abatement Program (ICAP). No stadium, however, has sought the ICAP tax break to date.[6] With this as-of-right program considered, the stadium would have received City property tax breaks totaling $464 million in today's dollars even if the stadium was built on privately owned land.

Comparing IBO's 2022 and 2024 Estimates of Property Tax Revenue if Willets Point Stadium Was Fully Taxable

In 2022, IBO completed a preliminary estimate of the full tax liability (assuming no tax breaks) for the Willets Point stadium over the 49-year lease period, by request of the New York Times. IBO's estimate at the time was $516 million adjusted for inflation over the course of the 49-year lease, known as net present value. This would total about $1.7 billion over the lease period in unadjusted nominal dollars. Differences between IBO's 2022 and 2024 estimates can be attributed to newly available data on construction costs for the stadium, as well as adjustment into 2024 dollars. The underlying methodology and assumptions remained the same and are detailed in the Appendix of this report.

Other parts of the Willets Point development deal follow this model. The hotel, housing, and retail spaces will all pay PILOTs equivalent to what their property tax liability would have been taking into consideration as-of-right tax breaks that would otherwise have applied if the development had been on private land (ICAP for the commercial spaces and 485-x for the housing). See the Appendix for further details on the as-of-right property tax programs and how they would interact with the stadium and other Willets Point development components.

Figure 5
PILOT Scenarios for Willets Point Stadium Over 49-year Lease Period
Dollars in millions, adjusted for inflation to 2024 values

PILOT Revenue Scenarios	
Scenario 1: Full Property Tax Equivalent, No Tax Breaks	$538
Estimated ICAP Tax Break	(464)
Scenario 2: Property Tax Equivalent with ICAP	$74
Actual: PILOT Waived	$0

SOURCE: IBO Analysis of Department of Finance Data
New York City Independent Budget Office

Estimating the Foregone Stadium PILOT Revenue to the City. If charged with full property taxes, the stadium's liability over the 49-year lease period would be $538 million, but this scenario was never likely. On private land, the stadium would receive as-of-right ICAP benefits, lowering its property tax liability by $464 million, so that it would only pay the net $74 million to the City. But to further complicate this, the stadium is not built on private land, and the City can choose which private property tax breaks to factor in when setting PILOT amounts. Instead, the stadium pays $0 under the terms of the Willets Point deal between QDG and EDC. These scenarios are presented in Figure 5. In short, the foregone property tax revenue to the City could be as low as $74 million over the 49-year lease period or as high as $538 million if the City did not discount PILOTs in keeping with tax breaks available to private developers paying property taxes.

Stadium Rental Payment Terms. NYCFC will pay rent to the City beginning at $500,000 in 2025 and reaching up to $4 million by the end of the 49-year lease in 2073, in nominal dollars. According to IBO analysis of the lease agreement terms, NYCFC is expected to pay an estimated $27 million in 2024 dollars for rent over the initial lease. After the initial 49-year lease, there is an option for an additional 25-year lease extension, during which the stadium would continue to be fully exempt from property tax. Rent terms for a potential extension have yet to be negotiated. IBO focused on the 49-year lease period and did not estimate the value of the exemption in the extension period. Predicting the value of the stadium far into the future—including the value of any needed capital improvements by that time—is highly uncertain.

Estimating Other City Investments and Construction Incentives for Willets Point Development

While the stadium is privately financed, it will not pay PILOTs the way other development components will under the terms of the agreement between QDG and EDC. Apart from property taxes, there are other ways in which the City is directly investing in the broader development area, through a mix of financing, sales and mortgage recording tax breaks, and the construction of public facilities such as the planned public school.

This section reflects IBO's estimates of such investments, using information from agreement

Figure 6
City Investment and Tax Incentives Separate from Stadium PILOT Benefit
Dollars in millions, adjusted for inflation to 2024 values

IBO Estimates of City Costs and Foregone Revenue	
Affordable Housing Investment	$550
Sales Tax Exemption	
Housing	$36
Stadium	21
Hotel	4
Mortgage Recording Tax Exemption	
Housing	$17
Stadium	7
Hotel	2
Total	**$637**

SOURCES: IBO Analysis of the Willets Point pre-development agreement, term sheet, and Final Environmental Impact Statement
NOTES: Foregone city revenue in the form of tax exemptions was discounted to present value. Totals may not add up due to rounding.
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documents including environmental impact statements, the Phase 1 term sheet, and the Phase 2 pre-development agreement, as well as historical cost data for similar projects. IBO focused specifically on City subsidies and does not analyze any potential additional support from state or federal sources. Figure 6 presents the estimated City investments and tax incentives for elements other than the stadium's PILOT benefit.

City Financing Support for Affordable Housing. The Willets Point project will result in 2,500 units of affordable housing on City-owned land. To finance the affordable housing development, the City will apply existing affordable housing programs that are granted on a discretionary basis to the housing components of Willets Point. Phase 1 includes 880 units of affordable housing through the Mix-and-Match program. Within this development, there will be 352 units affordable at 60% of Area Median Income (AMI), 109 units affordable at 80% AMI, and 420 units affordable at 120% AMI.[7] (The additional unit is for the building superintendent.) AMI is calculated for New York City by the Federal Department of Housing and Urban Development and is a common measure of income used to set income restrictions for affordable housing. Phase 1 also includes 220 units of older adult affordable housing, likely through the Department of Housing Preservation and Development (HPD)'s Senior Affordable Rental Apartments program, which would result in units reserved for adults ages 62 and older and affordable to incomes at 60% AMI or less.

Phase 2 will include 1,400 more affordable units through the Mix-and-Match program. No specific financing has been identified yet, but the EIS says it is "currently anticipated to be financed through [joint HPD and HDC multi-family affordable housing subsidy], tax-exempt bonds, privately-raised capital sources, and developer equity." The Mix-and-Match program requires 40-60% of units to be affordable up to 80% AMI, and the remaining 40-60% of the units to be affordable up to 120% AMI. It is possible that the Phase 2 development will have a similar mix of affordability to Phase 1's Mix-and-Match.

The City generally provides subsidies to finance affordable housing—this is not unique to the Willets Point development agreement. Specific subsidy programs were identified for Phase 1, but additional City subsidies will be used for Phase 1 older adult housing and Phase 2 Mix-and-Match. To estimate how much City subsidy the project will receive in total, IBO used 2023 HPD data on the financing of affordable housing to find the average City dollars spent per unit for all 100%-affordable projects, around $220,000 per unit. (This amount reflects City dollars and does not include State or Federal funding that comes to the City for the financing of affordable housing.) Although not specific to the Willets Point housing developments, this allows for a proxy of how much the City spends on average for fully affordable housing developments. IBO then multiplied that average by the planned 2,500 units in the Willets Point Phases 1 and 2. Assuming the Willets Point housing developments receive the average City funding per unit, IBO estimates that these developments will receive $550 million in City subsidies. The actual amount of subsidy could be higher or lower based on the specific terms that are negotiated between the developer and HPD such as how deep to set affordability levels.

Sales Tax Exemptions on Materials for Stadium, Hotel, and Housing. QDG is expected to pursue partial or full exemptions on state, City, and Metropolitan Transportation Authority (MTA) sales tax obligations for the stadium, housing, and hotel construction materials. IBO estimates these exemptions to be worth $60 million in foregone sales tax revenue for the City. EDC has agreed to assist the developer in pursuing the sales tax exemption granted by the New York City Industrial Development Agency (NYCIDA) and the Housing Finance Corporation. IBO's analysis assumes that these benefits will be granted. See the Appendix for IBO's methodology when estimating these sales tax exemptions. See Figure 6 for the breakdown between stadium, hotel, and housing components.

Mortgage Recording Tax Exemption. According to the pre-development agreement, NYCIDA will consider using its authority to grant exemptions from City and state mortgage recording tax related to the stadium and hotel financing. The State's economic development law gives local industrial development agencies discretionary authority to grant mortgage recording tax exemptions, among other benefits for projects it sponsors.[8] IBO's analysis assumes that these benefits will be granted. The mortgage recording tax exemption is worth about $42 million in combined City, state, and MTA mortgage recording tax revenues. The City portion of the mortgage recording tax exemption makes up an estimated $26 million. See the Appendix for IBO's methodology when estimating these mortgage recording tax exemptions. See Figure 6 for the breakdown between stadium, hotel, and housing components.

In correspondence with IBO, EDC has claimed that they do not see the sales tax or mortgage recording tax waivers as foregone tax revenue, arguing that with no construction to this area, there would be no spending on construction or financing to then be taxed.[9] Given the City's long-term investment in environmental remediation of the land and strong desire to redevelop the area, it is unlikely that the counterfactual to the current plan would be no development at all. Therefore, IBO considers the tax waivers specified in the pre-development agreement as tax revenue the City chose to forego to incentivize development.

NYC Public School Construction. The 650 seat K-8 public school is the only element of Phase 1 for which construction has yet to begin. IBO has not been able to identify budgeted amounts in the School Construction Authority (SCA) Capital Plan for the proposed new school in Willets Point. Per the SCA, details for the project are still being finalized, so the capital budget does not contain detailed information or funds for the school. SCA did not provide the estimated date the school will break ground nor any preliminary cost estimate for the facility.

Other Terms of the Development Agreement. In addition to the main terms of the contract, NYCFC made several concessions to the City in the pre-development agreement. These concessions include Public School Athletic League and workforce development events. The Athletic League will be entitled to host three non-revenue producing events annually on the stadium's grounds, provided these events do not conflict with scheduled NYCFC or Citi Field events.[10] Workforce development events, including internship educational trainings, will be hosted in collaboration with the City University of New York and local schools. These events will be hosted periodically within the stadium's suites and administrative offices.[11]

Beyond event hosting, NYCFC also agreed to be responsible for the stadium's maintenance such that its quality must be up to par with other MLS stadiums. NYCFC will be responsible for providing parking and all other attendee transportation services that may be required for stadium-related events. Additionally, NYCFC must schedule events to be held at the stadium following the release of the Mets and US Open preliminary schedules and on dates which do not conflict with Citi Field or Arthur Ashe stadium events. Per the pre-development agreement, the Mets, United States Tennis Association, and NYCFC have agreed to cooperate in good faith during events such as the US Open to provide all necessary parking and other attendee transportation services.

Economic Development Impacts

IBO has not conducted a formal economic impact evaluation of the Willets Point redevelopment deal. EDC has approximated $6.1 billion to be generated over the next three decades as a result of the three phases. It estimates that 14,000 construction jobs and 1,500 permanent jobs will be generated through this development. IBO is unable to verify the EDC estimates; EDC has not publicly, nor upon request, provided details of their economic impact estimate methodology. While the QDG-EDC agreement will certainly bring construction work to the area, it is difficult to pinpoint how much of this is substituted for construction that would have happened elsewhere in the City. Additionally, the NYCFC currently plays games at Yankee Stadium, so it is challenging to identify which jobs associated with the team will simply be relocated to the new stadium. The largest drivers of permanent new employment would be expected from the hotel, housing, retail, and school components of the area's development.

Comparing Willets Point to Past New York City Stadium Deals

The Adams administration touts Willets Point as the "first privately financed stadium in New York City in generations."[12] While the construction financing of the stadium is entirely private, the City is still incentivizing the stadium development through granting a $0 PILOT payment and other tax exemptions. Additionally, the stadium and broader development all benefit from direct City spending on land acquisition, environmental remediation, and infrastructure such as water and sewer lines. Also, the Willets Point stadium is not the first privately financed stadium in New York City—the original Yankee Stadium and Madison Square Garden are both major stadiums that were privately financed.

The private financing of the Willets Point stadium does stand in contrast to the three most recent stadiums built in the City—Yankee Stadium, Citi Field, and Barclays Center—which all used tax-exempt bond financing via the City.[13] The mechanism by which these three stadiums used tax-exempt bonds to finance their construction is not allowed under Federal Internal Revenue Service rules and any past workarounds to these rules (which benefitted the three most recent stadiums) are no longer granted in practice.[14] Under current rules, the City would not be allowed to finance the construction of the Willets Point stadium the same way it had financed past stadiums, taking this option for stadium financing out of policymaking discussions.

Both the City and State have contributed substantial amounts of public funds into past stadium developments. All major league sports stadiums in New York City—Madison Square Garden, Barclays Center, Yankee Stadium, and Citi Field—have received substantial government subsidies, despite ample scholarly evidence suggesting that this is not an effective use of public funds to encourage economic development. For more details on the subsidies for these four stadiums, see IBO's 2023 report. Other IBO publications on City support for stadiums include: Madison Square Garden Property Tax Exemption, Double Play, and New Stadium for Mets and Yankees.

Figure 7
New York City Major League Stadium Subsidies

	Madison Square Garden	Yankee Stadium	Citi Field	Barclays Center	NYC Football Club (Planned)
Year Opened	1968	2009	2009	2012	2027
Current Sport(s)	Basketball, Hockey	Baseball	Baseball	Basketball	Soccer
Borough	Manhattan	Bronx	Queens	Brooklyn	Queens
Seating	19,800	46,500	42,000	17,700	25,000
Land Ownership	Private	Public	Public	Public	Public
Construction Financing	Private Financing	Tax-Exempt Bonds through City Authority	Tax-Exempt Bonds through City Authority	Tax-Exempt Bonds through State Authority	Private Financing
Property Tax/ PILOT Payments	Full property tax exemption by State law	PILOTs paid to debt service, not to City	PILOTs paid to debt service, not to City	PILOTs paid to debt service, not to City	Full PILOT waiver
Urban Planning Context	Requires a special zoning permit	Required alienation of parkland		Part of larger neighborhood redevelopment plan	Part of larger neighborhood redevelopment plan

SOURCES: IBO analysis of stadium property records and bond offering statements

New York City Independent Budget Office

Importantly, none of the major league sports stadiums in the City pay property taxes or PILOTs to the City on their facilities. In this way, the PILOT waiver for the Willets Point stadium is in line with benefits received by other professional sports stadiums in the City. Many of the other development incentives being offered to NYCFC strongly reflect those of Citi Field, Yankee Stadium, and Barclays Center. For these stadiums, some of the benefits include exemptions from mortgage recording tax, sales tax, and bypassing paying property taxes by leasing land directly from the government. Madison Square Garden, built on private land, has a full property tax exemption granted to it by New York State.

The format of Willets Point—using a stadium as an anchor for a broader neighborhood redevelopment—is perhaps most similar to the Atlantic Yards, which included Barclays Center arena as well as proposed housing and broader redevelopment of the surrounding area. Notably for Atlantic Yards, much of the housing and redevelopment that was promised with the stadium did not occur or occurred on a much-delayed timeframe, at least in part due to the Great Recession. Figure 7 summarizes the characteristics of New York City major league sports stadiums.

Conclusion

Importantly, there is general agreement in the field of public economics that substantial government subsidies for sports facilities are not an efficient use of scarce public resources. There is little evidence that these types of subsidies generate sufficient economic activity to reflect a net fiscal benefit to the local area, and the City should always scrutinize ongoing and future proposals for public subsidies to sports stadiums. The private financing of the Willets Point stadium certainly reflects a movement away from government involvement when compared to past stadiums built in the City that utilized government-backed tax-exempt bond financing. Nevertheless, Willets Point will not pay property taxes or PILOT payments to the City, akin to the arrangements seen between the City and past professional sports stadiums. Other City investments and incentives for Willets Point mirror past stadium and neighborhood redevelopment deals made by the City—sales tax exemptions on construction materials, mortgage recording tax exemptions, and direct capital investment in neighborhood infrastructure.

While the stadium stands apart from past sports complex projects in that its construction is privately financed, as IBO analysis demonstrates, the City has and will continue to provide substantial financial support to the new stadium and broader Willets Point development including housing, hotel, retail, and public school. IBO's analysis is the first public reporting of the extent to which public dollars are spent and budgeted for the Willets Point Phase 1 and 2 development projects. IBO undertook this analysis to provide insight to any potential City economic development incentives for future stadium and neighborhood redevelopment more broadly, and as Willets Point itself proceeds into the planning of Phase 3 for the project.

Appendix

Methodology Used to Estimate Property Tax Liability if Stadium Were Fully Taxed

To understand the value of the stadium's PILOT exemption, IBO first simulated the property tax bill of the stadium over time as if it were fully taxable. This required first gathering the current value of the land, using Department of Finance (DOF) property tax rolls for fiscal year 2024, and then estimating the stadium's value once constructed. According to DOF, because sports arenas are considered specialty properties, they are valued differently than other types of commercial properties within the City. In valuing specialty properties, DOF utilizes the cost approach. The cost approach consists of estimating the replacement cost, depreciation, and land value of the property. IBO relied on the pre-development agreement to obtain the estimated cost of replacement of the stadium and combined this with the cost of the land to get the total fair market value of the stadium.

From there, IBO applied the commercial class property tax rate for fiscal year 2024. Class 4 refers to commercial and industrial properties. Because there have been minimal changes to the tax rate for Class 4 in recent years, IBO assumed the rate would remain consistent over the life of the 49-year lease period.

To estimate the value of the exemption over the 49 years of the agreement, IBO then applied a simulation model IBO previously used in other sports facilities analyses. It uses the following assumptions: 1) the stadium, but not the land, would depreciate on a 39-year straight-line schedule, 2) the market value of the stadium would increase by 1.8 percent per year before depreciation, and 3) the market value of the land would increase by 1.5 percent per year.

Use of Payments in Lieu of Taxes (PILOTs) in Economic Development. As part of the Willets Point project's development incentives negotiated with the Adams administration, the stadium, hotels, and housing units will all be exempted from paying City property taxes. Instead of paying property taxes, the hotel and housing developments would be subject to annual payments in lieu of taxes (PILOTs) for the duration of their lease periods, while the stadium does not have to make any PILOTs to the City. PILOTs are often used when private development takes place on public land and are generally set to the equivalent of the property tax liability owed if the development was on private land.

PILOTs, however, can also be slightly discounted to incentivize economic development. As part of a negotiation between the private developer and the City, PILOT amounts can be discounted in exchange for meeting certain criteria set forth by EDC or a similar entity. For Willets Point, the pre-development agreement specifies that the value of annual PILOTs made by the hotel, housing, and retail spaces will be: "the equivalent of full real estate taxes for the duration of the Hotel Lease period, set by the Department of Finance ('DOF') in accordance with their normal assessment procedures, offset by credits for any abatements or exemptions for which Tenant has met all DOF application and eligibility requirements, including but not limited to [the Industrial and Commercial Abatement Program]." In contrast, the stadium's PILOT liability is set at $0.

PILOT Amounts Can Be Adjusted Downward Due to Existing Property Tax Benefits. PILOT amounts can be offset by abatements or exemptions for which the developer qualifies or would qualify if the land was privately owned. These exemptions include 485-x for the housing developments and the Industrial and Commercial Abatement Program (ICAP) for the hotel and retail.[15] ICAP would have applied to the stadium, but its PILOT amount is set at $0, so no ICAP discount has been applied. IBO estimated the amount of tax revenue foregone by the City in the Willets Point development agreement related to these as-of-right programs. "As-of-right" programs refers to economic development programs where any development project that meets the requirements is automatically entitled to receive the benefits once they opt-in, rather than programs allocated on a limited, competitive basis by the City. The use of as-of-right economic development programs are often praised by developers who claim most development projects would not be financially feasible without them. However, this claim is difficult to assess since developers' financial positions are not public.

While 485-x and ICAP are as-of-right, PILOTs are a discretionary incentive negotiated by the sitting mayoral administration. This means that the housing and hotel are not automatically entitled for their PILOTs to be reduced by the amount of these tax breaks, but rather the Adams administration has discretionarily agreed to allow them the benefits of the program. Notably, because they will pay PILOTs and not property taxes, none of the Willets Point buildings will need to apply for any of these tax benefit programs and will therefore not appear in 485-x or ICAP data, excluding them from tax expenditure evaluations. Despite not actually participating in these programs, the PILOT amounts will be set as if they did participate.

Estimating the 485-x Property Tax Benefit for Housing PILOTs. Per the terms of the pre-development agreement, the housing developments will pay PILOTs equal to the amount of property taxes the development would otherwise owe. It is likely that these housing developments for Phases 1 and 2 will receive the 485-x property tax exemption, which was authorized by New York State in 2024. 485-x applies to new construction rental housing projects that meet qualifying criteria, reducing property taxes owed to encourage housing construction. It applies to qualifying projects that broke ground as of June 2022 and onward, making it the successor to a previous tax exemption program known as 421-a.[16] Phase 1 began construction in 2023 and Phase 2 has not yet begun construction, so both would be eligible for benefits under 485-x.

IBO estimates that the net present value of tax exemptions under 485-x is $129 million for the Phase 1 development and $168 million for Phase 2. Using Department of Finance property tax data, IBO found the median fair market value (FMV) per square foot of properties receiving 421-a in areas neighboring Willets Point (thus with similar market conditions). This analysis yielded a FMV per square foot of $169, which was then multiplied by the square feet in each respective phase of the Willets Point Development Plan. These estimates may be on the higher end, as affordable housing tends to be assessed lower than market rate housing. The tax burden exempted by 421-a and 485-x is equal to the FMV times the assessment ratio (0.45) times the Class 2 tax rate (12.502%). Then, using a growth rate of 1.8%, IBO projected the tax revenue foregone over the length of the exemption period—35 years in both cases.

Prior to completion of the developments, the tax exemptions also include a three-year construction period exemption, which is based on the assessed value of the property in the year prior to construction. This value could be identified for Phase 1 using DOF property tax documents, and then estimated for Phase 2 based on the amount for Phase 1. Finally, the net present value was calculated using a discount rate of 6%.[17] In addition to 485-x, a property may qualify for Article XI property tax abatements if it is constructed by a Housing Development Fund Company. Without knowing which developers are undertaking the affordable housing components of Willets Point, IBO did not model out Article XI benefits in its calculation of the affordable housing PILOT property tax equivalent.

Estimating the Industrial and Commercial Abatement Program (ICAP) for Stadium and Hotel. The stadium, per the pre-development agreement, owes the City $0 in PILOTs. If it was required to pay PILOTs, however, the PILOT amount would likely be discounted as if it were participating in the ICAP program. The hotel component of the development will also pay PILOTs equivalent to what they would have paid in property taxes had the hotel been built on private land; the hotel's PILOT payments will be reduced to reflect the value of ICAP. ICAP is a program available to new industrial and commercial construction and renovations, in certain areas of the City, which allows the property tax increase from the development to be phased in over time. A hotel built on private land in Queens would be automatically entitled to ICAP by law. Because PILOTs are not actually property tax payments, as detailed in the pre-development agreement, the Adams administration discretionarily agreed to grant the equivalent benefits to Willets Point properties. IBO estimates that the hotel's ICAP tax incentive will total $71 million in 2024 dollars over its 25-year duration.

Figure 8

As-Of-Right Equivalent Benefits Summary

Dollars in millions, adjusted for inflation to 2024 values

485x for Housing	$297
ICAP for Hotel	71
ICAP for Retail	9
Total	**$377**

SOURCES: IBO Analysis of data from the Department of Housing Preservation and Development and the Department of Finance

New York City Independent Budget Office

ICAP is often applied in concert with housing tax breaks like 421-a or 485-x on mixed-use buildings. Developers typically create separate legal entities—one for the residential use portion and the other for the retail use—for tax purposes using a condominium-like legal structure. This allows the developer to receive both types of as-of-right tax breaks on the same building, one applying to the housing portion and one applying to the commercial components. IBO estimates the retail space below the housing would have ICAP factored into its PILOT payments. IBO estimates the ICAP benefit on the retail portion to be worth $9 million over its 15-year duration. (See Figure 8.)

To estimate the value of ICAP to the project, IBO simulated the tax bill of the hotel and retail, then applied the corresponding applicable ICAP benefit. In the case of the hotel and stadium, IBO used the construction cost in the pre-development agreement to estimate the value of the improvements on the land. IBO utilized a cost per square foot estimation method to calculate the estimated construction cost for the retail, as the pre-development agreement combined the retail costs with the cost of the housing construction. IBO used New York City-specific retail cost per square foot estimates from Rider Levett & Bucknall. IBO's ICAP estimates for the hotel and retail were generated using a construction cost basis rather than the more likely calculation DOF would use, which would be based on the property's income and expenses. Because the commercial spaces do not exist yet and IBO does not have insight into the property owner's anticipated balance sheets, IBO modeled ICAP benefits using the information available at this time.

Methodology Used to Estimate Sales and Mortgage Recording Tax Exemptions

Sales Tax Exemptions. IBO used information related to the overall construction cost of the stadium, labor, and schedule details provided in the EIS and pre-development agreement to estimate the value of the potential sales tax exemption. IBO proportionally allocated the total Willets Point construction salary budget of approximately $2 billion to the stadium based on the schedule provided in the EIS to estimate stadium labor costs and deduct them from the total stadium costs. Additionally, IBO deducted 20% from the stadium cost for soft costs such as architecture and engineering fees following industry standards. Given these assumptions, IBO estimates that approximately 59% of the stadium's $842.5 million total cost would be for construction materials, or approximately $494 million. Applying the City sales tax rate, IBO projects a foregone of $21 million in 2024 dollars.

The developer is pursuing the same sales tax exemption for hotel construction materials. IBO applied the same 59% ratio of materials and labor used for the stadium to the total hotel construction cost of $163 million producing an estimated construction materials cost of $96 million. Applying the City sales tax rate, IBO projects a forgone revenue of $4 million in 2024 dollars.

Lastly, a sales tax exemption is expected for housing construction materials. IBO utilized HPD data on affordable housing construction budgets to estimate the hard costs per unit of similar housing developments to those planned at Willets Point during Phase 1 and Phase 2. Hard costs refer to costs directly associated with the materials and labor to construct a building. The average per unit hard cost for 100% affordable developments in 2023 was around $366,000. This was applied to the 2,500 units of affordable housing to produce an estimated hard cost of $915 million for the housing developments. Applying the City sales tax rate, IBO projects a foregone revenue of $41 million in 2024 dollars on Phase 1 and Phase 2 housing.

Mortgage Recording Tax Exemptions. To estimate the value of the mortgage recording tax exemption, IBO relied on debt and equity reporting for each component of the project as described in the pre-development agreement. IBO assumed the debt for each component would match the amount taken out as a mortgage. IBO then applied the mortgage recording tax rate to these debt amounts.

Selected Further Reading on the Economic Impact and Public Investment for Sports Stadiums

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Endnotes

[1]Mayor's Press Office. (2022, November 16). Mayor Adams Unveils Vision for Willets Point Transformation, Generational 100 Percent Affordable Housing Project, Privately Financed Soccer Stadium; New York City Office of the Mayor. (2022, November 16). Transcript: Mayor Eric Adams Calls Into WCBS 880 | city of New York (nyc.gov).
[2]Langan Engineering, Environmental, Surveying, Landscape Architecture and Geology, D.P.C. (n.d.). Remedial Action Work Plan Willets Point Development - Operable Unit 1 (Phase 1A), p. 41.
[3]These BCP credits for the Phase 1 Affordable Housing site would be equivalent to the sum of 28% of site preparation and on-site groundwater costs as well as 10% of the site's tangible property costs. New York State Department of Environmental Conservation. (2023). Willets Point Development Phase 1 Housing Building 1 & 2 site Certification of Completion.
[4]IBO calculated the $538 million net present value in 2024 dollars. This would total about $2.0 billion in nominal dollars over the 49-year lease period. Nominal dollars reflect the actual amounts in each respective year, unadjusted for inflation. Net present value accounts for the time value of money: for example, a dollar five years into the future will be worth less than a dollar in 2024. To calculate net present value, the nominal amounts are adjusted to present year terms either using the Construction Cost Index from the Engineering News-Record for past spending, or an estimated percentage of 6% for future spending.
[5]Also including areas above 96th Street in upper Manhattan, as well as reduced benefits under ICAP for select areas of lower Manhattan.
[6]No stadiums have sought the ICAP tax break because no major league sports stadium in New York City pays property taxes or PILOTs to the City.
[7]Per the Housing Development Corporation, the Phase 1 housing is also subject to Mandatory Inclusionary Housing, and receiving subsidy from the NYC 15/15 supportive housing initiative.
[8]New York State General Municipal Law, Article 18 A, Section 1.
[9]Letter from Andrew Kimball, President and CEO of the New York City Economic Development Corporation to Louisa Chafee, Director of the New York City Independent Budget Office, November 8, 2024.
[10]Either the city or the host of any non-revenue producing event would be responsible for reimbursing NYCFC for the actual operating costs incurred from such non-revenue producing events.
[11]Educational training events are to be hosted without a rental fee or other charge.
[12]Press Statement, "Mayor Adams Celebrates Largest All-Affordable Housing Project in 40 Years, City's First Soccer-Specific Stadium Moving Forward After Willets Point Phase 2 Vote," April 11, 2024.
[13]The difference between public and private financing is only relevant to city coffers insofar as bondholders live in New York City and pay income tax. IBO does not see the private financing of the stadium having implications for City tax revenues.
[14]Internal Revenue Service. Private Letter Ruling No. 20064000. 10/6/2006. Article XI Tax Incentives and 420-c of the Real Property Tax laws.
[15]421-a is a tax break for housing developments that was created in 1971, but the qualification requirements have changed over time. In the program's final form, 421-a required eligible buildings to include income-restricted affordable units and pay construction workers the prevailing wage rate. The deadline to start construction to qualify for 421-a projects was June 15, 2022.
[16]Using Department of Finance property tax data, IBO found the median fair market value (FMV) per square foot of properties receiving 421-a in areas neighboring Willets Point (thus with similar market conditions). This analysis yielded a FMV per square foot of $169, which was then multiplied by the square feet in each respective phase of the Willets Point Development Plan. The tax burden exempted by 421-a and 485-x is equal to the FMV times the assessment ratio (.45) times the Class 2 tax rate (12.502%). Then, using a growth rate of 1.8%, IBO projected the tax revenue foregone over the length of the exemption period—35 years in both cases. Prior to completion of the developments, the tax exemptions also include a three-year construction period exemption, which is based on the assessed value of the property in the year prior to construction. This value could be identified for Phase 1 using DOF property tax documents, and then estimated for Phase 2 based on the amount for Phase 1. Finally, the net present value was calculated using a discount rate of 6%.