

NASSAU COUNTY INTERIM FINANCE AUTHORITY

Summary of Financial Factors Relating to Proposed Redevelopment and Leasing of the Hub

1. Total Cost. The total redevelopment cost to the County would exceed \$800 million. This includes not only the repayment of \$400 million in new County debt for the New Arena and ballpark (increasing County debt by 13 to 15%), but also interest payments for 30 years.

2. Taxpayer Burden. The entire cost will be paid through a property tax increase of 3.5 to 4%, and this new tax will remain in effect to pay debt service for the next 30 years regardless of revenues from the project.

3. Potential Future Borrowing. Constructing the New Arena and parking lot will cost \$350 to \$375 million. At best, only \$25 to \$50 million will be left to redevelop the rest of the Hub, including the ballpark and other amenities. Completing the proposed redevelopment may require more borrowing.

4. Identity of “Tenant.” The lease-signing Tenant for the New Arena is not the Islanders, but rather “Arenaco SPE LLC,” a limited liability company that appears to have little or no assets. After two hockey seasons, the Tenant may assign the Lease to a new owner of the Islanders.

5. Surrounding Acreage to Tenant. Extensive acreage surrounding the New Arena would be leased to the Tenant, which would exercise control of development of the Hub.

6. Rent Not Guaranteed to Cover Debt Service. The Tenant will owe minimum annual rent to the County of \$14 million. This is \$12 million less than the estimated annual cost to taxpayers (\$26 million) for debt service. Achieving higher rent requires ticket sales and concessions to meet aggressive targets.

7. Tax Break to Tenant. The Tenant would be exempt from property taxes on the New Arena and surrounding acreage. New taxes on tickets or parking automatically will reduce the Tenant’s rent obligation dollar-for-dollar.

8. Other Benefits to Tenant. The Tenant pays no rent until construction is complete. The Lease provides that construction may take up to five years.

9. Risk of Bankruptcy. If the Tenant files bankruptcy, the County would remain responsible for all construction costs of the New Arena, even without anyone paying rent.

NOTE: Additional Required Approvals. In the event the August 1, 2011 referendum approves the new borrowing and increased property taxes, any bond ordinance authorizing new borrowing will require approval by two-thirds (13 members) of the County Legislature. If so approved by the County Legislature, New York State law requires that NIFA must approve or disapprove such County borrowing.

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RESOLUTION NO. 11-___

SUMMARIZING FINANCIAL FACTORS RELATING TO PROPOSED REDEVELOPMENT OF THE HUB AND LEASING OF A NEW ARENA

WHEREAS, on May 11, 2011, the County Executive and Charles Wang, principal owner of the New York Islanders, jointly announced a proposal to redevelop the “Hub area” surrounding the Nassau Coliseum, including a newly constructed arena (the “New Arena”) for the Islanders and a new minor league ballpark; and

WHEREAS, on May 11, 2011, NIFA issued a statement expressing deep concern about the County Executive’s proposal and requesting underlying data; and

WHEREAS, on May 31, 2011, the County Legislature passed, and the County Executive signed legislation that would, if approved at a referendum, authorize the County to create a new property tax levy and issue \$400 million in general obligation bonds for public funding of the redevelopment project; and

WHEREAS, on June 23, 2011, one day after public announcement of a lease agreement (the “Lease”) for the New Arena and surrounding acreage, the County provided a copy of the Lease to NIFA; and

WHEREAS, on July 11, 2011, the County Executive announced the choice of an organization to operate a minor league team at the ballpark, while NIFA to date has received no financial information (costs or revenues) relating to a ballpark;

NOW, THEREFORE, BE IT RESOLVED, that NIFA, having evaluated the Lease and currently available information regarding the proposed public funding of redevelopment, summarizes below, for the benefit of the County and its citizens, salient financial factors relating to the project.

Ronald Stack
Chairperson

July 14, 2011