



Testimony of Martha E. Stark  
Commissioner  
New York City Department of Finance

Before the

Domestic Policy Subcommittee  
Oversight and Government Reform Committee

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Good Morning, Chairman Kucinich and members of the Domestic Policy Subcommittee of the Committee on Oversight and Government Reform. My name is Martha Stark, and I am the Commissioner of the New York City Department of Finance. Thank you for inviting me to testify today. I oversee the Department of Finance, a 2,400-person agency responsible for collecting almost \$23 billion a year in revenue for New York City. One of the functions of the agency is to value the city's more than one million properties every year, including Yankee Stadium. My office has supplied the subcommittee with information about how we arrived at the value for the new stadium. I am hopeful that my testimony will answer any questions that still remain.

So today I will do three things. First, I will provide an overview of what my agency does as it relates to valuing one million properties each year. Second, I will explain how we arrived at the value of the new Yankee Stadium. Finally, I will be happy to answer any other questions.

## **I. Overview of Property Values in New York City**

Unlike most jurisdictions, including parts of Westchester County in New York, where properties have not been reassessed since the 1960s, New York City values each of its one million properties every year, from small homes to cooperative apartments to utility property to churches to major office buildings. We use one of the three universally accepted methods of valuation, depending on the property type – the sales approach, the income approach, or the cost approach.

Sales Approach: Finance uses the sales approach for properties when there have been a sufficient number of sales. Because Finance also records all deeds and mortgages in New York City except those in the Borough of Staten Island, the agency receives up-to-date information about sales prices. This approach is used to value most small homes.

Income Approach: To value properties such as office buildings and residential apartment buildings, owners are required to submit income and expense information about their properties. Finance's assessors validate the information the owners provide by comparing it to the income information submitted by owners of similar properties as well as market data.

Cost Approach: Finance uses the cost approach to value new construction especially for specialty properties such as stadia, utility property, museums, court houses, and churches to name a few. While owners are not required by law to submit cost information, our agency often receives the cost information in connection with exemption applications. Finance's assessors rely on the information of actual costs submitted by owners and verify that information against industry cost guidelines.

The last point that I think it is important for the subcommittee to understand is that Finance determines the value of a property regardless of whether it will be exempt from taxes. Our estimated value does not change because a property might receive a full or partial exemption of tax-exempt bond financing.

## **II. How Finance Estimated the Value for the New Yankee Stadium**

In late 2005, Finance was asked to estimate the value for what would become the newly constructed Yankee Stadium adjacent to the current ballpark if the stadium were completed as of January 2006. I cannot emphasize this point enough. We did not estimate the value of the property in its current condition, but rather as it would be once the stadium was built.

As we do for other new construction and specialty property, Finance used the cost approach. The cost approach required Finance to estimate the cost of constructing the stadium as well as the value of the land that would be part of the stadium site.

In order to provide the estimated market value, Finance asked for detailed information about the costs to build the stadium. The Finance assessment team reviewed the data that was provided and independently validated the costs in two ways: by comparing the submitted costs to industry-published cost guidelines, and by comparing the costs to other stadia that had been built in other cities, including Minneapolis and the District. In these cases, we adjusted the reported costs by two factors: when the stadium was completed (time) as well as the add-on cost of construction in New York City (location). Labor, transportation and overall construction costs are about 40 percent higher in New York City, on average, than in the other cities. This concept of adjusting for location is well recognized by the federal government as evidenced by the different locality payments. For example, federal workers in the New York region earn almost 12 percent more than federal workers in the rest of the United States.

Our assessment team concluded that the reported costs were reasonable and comparable to the costs of new stadia in other cities when adjusted for time and location. Our estimated value for the new stadium was \$1.025 billion if the stadium were completed in January 2006.

Next, we estimated the value of the land under the new Yankee Stadium. When our assessors initially estimated the land value, they valued the land as it was -- a vacant parcel. However, when Finance values a developed property, the overall land value is arrived at by taking a percent of the overall property value. The land is typically between 15 and 25 percent of the overall value. This is consistent with appraisal practices around the country. For

example, in Oakland, the land under the stadium that was constructed represented 30 percent of the overall value.

As a result, the Finance team realized that the \$26.8 million value was wrong and that they used vacant land rather than land that had benefitted from government infrastructure improvements and investments. Remember, Finance had been asked to value the property, including the land, as it would exist if fully completed. This value did not reflect that.

The assessors identified 11 lots that were more appropriate comparables because they reflected land in similar neighborhoods, including Harlem, which are less than a half a mile away and where the land value had been enhanced because of significant government investment. The average sales price for these properties was \$304 per square foot, and the median was \$275 per square foot. The assessors used the median sales figure of \$275 per square foot and multiplied by the 17-acre size lot that was under consideration at the time, arriving at a land value of \$204 million.

Adding the building and land values together, we arrived at a total estimated market value for the new Yankee Stadium of \$1.229 billion if the stadium were built in 2006 as it was conceived of at that time.

In 2007, the configuration of the lot for the new Yankee Stadium was finalized. Finance is responsible for maintaining the city's tax maps. Tax map changes are a regular occurrence in New York City. In fact, in the last year the Finance Department fulfilled 21,810 requests for tax map changes. The final acreage for the site was established at 14.56 acres instead of the originally planned 17 acres. As a result, Finance lowered the market value for the land from \$204 million to \$175 million, reducing the overall value of the property by \$29 million to \$1.2 billion.

Since our original estimate of the value for Yankee Stadium as of January 2006, we have revised the value each year as we do for all New York City properties. We estimated a new market value for all property in 2007 and 2008, and we will do so again in January of 2009. This is important to keep in mind, because New York City is unique in reassessing properties annually.

The appraisal textbooks are clear. The cost method is the most appropriate method for valuing sports facilities. In fact, I have provided a study that concludes that cost is the *only* accurate way to value a new stadium. Moreover, the Finance Department has an unmatched record of accurately valuing more than one million properties each year. In 2007, only 31,702 properties – about 3 percent of all of properties in New York City – were granted assessment reductions by the New York City Tax Commission, an independent agency. That record is a

testament to the more than 100 years of assessing experience, not including my own, that the team who reviewed the Yankee Stadium value bring to the job.

Conclusion

This concludes my testimony. The estimated value for Yankee Stadium is accurate and consistent with standard appraisal procedures. Thank you. I am happy to answer your questions.