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# Atlantic Yards Project Enters a Crucial Period

## Developer Seeks \$500 Million in 4 Months

By CHARLES V. BAGLI

Armed with a set of concessions wrung from state officials this week for his Atlantic Yards development in Brooklyn, the developer Bruce C. Ratner faces what may be his most daunting challenge. He is trying to raise more than \$500 million over the next four months to build the \$4.9 billion project's centerpiece: the most expensive basketball arena in the country.

Mr. Ratner, chief executive of Forest City Ratner, the company that is to build the development, still must get final state approval and withstand any new lawsuits, while selling about \$586 million in arena bonds by Dec. 31 in order to qualify for tax-exempt status.

On Wednesday, the board of the Metropolitan Transportation Authority voted 10 to 2 to revise a deal to sell Mr. Ratner a railyard that sits within the 22-acre development. Instead of insisting on a \$100 million lump-sum payment, the authority gave Mr. Ratner 21 years to pay the money in increments. It also allowed the developer to build a more modest replacement railyard than he had once promised.

Critics, and even some supporters, have complained that the Atlantic Yards project's public benefits are disappearing before construction even starts. Much of the housing at Atlantic Yards, including 2,250 units for moderate- and middle-income

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tenants, has been delayed, along with the creation of eight acres of open space.

Nonetheless, Gov. David A. Paterson and Mayor Michael R. Bloomberg have been eager to ensure that Atlantic Yards, which will eventually include more than 6,000 apartments in 16 buildings, remains alive at a time when projects across the city have been halted by the recession.

"Nearly all the alleged public benefits are gone," said Daniel Goldstein, a spokesman for Develop Don't Destroy Brooklyn, the project's leading opponent. "It's highly likely that we'll sue the M.T.A. as a result of their actions."

Mr. Ratner has already defeated a string of lawsuits, although courts are expected to rule in the fall whether two cases brought by opponents can be appealed.

In the coming weeks, Mr. Ratner must complete the documents for his deals with state officials and weather what promises to be a raucous public hearing in late July sponsored by the Empire State Development Corporation. He is lining up construction contracts and designs for the \$772 million arena, which would be home to the Nets.

But Mr. Ratner's highest hurdle may be in securing tax-exempt financing, which would reduce his borrowing costs by tens of millions of dollars. If he fails to meet the Dec. 31 deadline, Mr. Ratner would have a short grace period to secure more expensive conventional financing, but most officials and bankers say that that is unlikely given the still frozen state of the credit markets.

Atlantic Yards could collapse if

that happens.

"In the event they are unable to secure financing under those terms," said Gary Dellaverson, chief financial officer for the Metropolitan Transportation Authority, "the agreement is no longer valid and the M.T.A. would have to decide what to do with the property."

Mr. Ratner and his bond underwriters — Goldman Sachs and Barclays Capital — expressed confidence in the project and their ability to sell the tax-exempt bonds for the arena (to be known as the Barclays Center), much as the Yankees and the Mets did for their new stadiums. On Tuesday, the Empire State Development Corporation agreed in principle to give Mr. Ratner an extra three years, until 2019, to complete the development.

"Delays due to litigation and a difficult economic environment required the approved changes," Mr. Ratner said in a statement released Wednesday. (Forest City Ratner was the development partner for the new Manhattan headquarters of The New York Times Company.)

The developer's bankers or underwriters are visiting bond rating agencies and a bond insurer to outline their plans for about \$586 million in tax-exempt bonds and another \$30 million in conventional financing, they say. The bonds would be issued by the state development corporation, possibly in early October, with the developer responsible for the annual debt payments, which are expected to be about \$45 million.

The bond proceeds would be placed in escrow until the state got court approval for condemnation, notified dozens of tenants on the site to vacate and conveyed the property to the developer.

Although it is nearly impossible to get financing for large real estate projects today, the bankers say a bond sale should go smoothly. They are emphasizing the arena's proximity to a transit hub with 10 subway lines and a Long Island Rail Road station.

"The credit markets have gotten a lot better in the last 90 days, especially the tax-exempt market," said Gregg Carey, chief of the sports financing group at Goldman Sachs. "We're attempting to get investment-grade rating. As long as the market doesn't deteriorate, we are confident this can be done."

The bonds are backed by arena revenues, including the sale of club seats, luxury boxes, advertising and sponsorships. Mr. Ratner and the Nets have already signed a 20-year, \$400 million naming rights deal with Barclays Bank, and reached eight sponsorship deals worth \$100 million.

"They have more sponsors signed up than any other deal I've financed before," said Mr. Carey, who has worked on 30 stadiums and arena projects. "Brooklyn is a big deal, for the league, the team and the metro area." But they still need to sell the luxury suites and sign contracts with additional sponsors. That may not be easy.

The Yankees and the Mets had difficulty selling their most expensive seats this year for the opening season for their new stadiums.

Matt Yonan, president of Tigris Sponsorship and Marketing, which represents corporations in sports deals, said companies were not spending as freely on advertising. "Finding sponsors at the level they need for the long haul is a difficult proposition," he said.