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NYSE Move That Never Happened Leaves NYC Still Paying Debt.

- **Project scuttled amid budget shortfalls in wake of recession**
- **NYC sells bonds Thursday to refinance debt left from deal**

It was 1998. The Internet bubble was building, day-trading was in full swing and the New York Stock Exchange was given the biggest subsidy in the city's history to stop it from leaving Wall Street for New Jersey — keeping the Y in the NYSE.

The plans for a new home for the world's biggest stock exchange were shelved after the Sept. 11 terrorist attacks and a recession that saddled New York with a big deficit. But the city is still paying for more than $60 million of bonds that were left behind.

The expense, though tiny for a city with a $92 billion budget and a fraction of what it would have shelled out if the project had gone forward, puts New York among a long line of governments that turned to the $3.8 trillion municipal-bond market to bankroll ill-fated business ventures and became stuck with the debt for years. Rhode Island was burned by a foray into the video-game business. A trash incinerator pushed Harrisburg, Pennsylvania, into financial ruin. And a Detroit suburb saw its dreams of transforming itself into the Hollywood of the Midwest dashed when the debt-financed movie studio was shelved.

Such missteps helped fuel a long-simmering backlash against subsidies routinely handed out to corporations by local governments. It reached a new pitch this year, when Amazon.com Inc. scuttled plans for a headquarters in Queens after a mounting political protest over steering taxpayer money to a company run by the world's richest man.

"This reconfirms how misguided the use of public subsidies were for a project for something as large as the New York Stock Exchange," said Bettina Damiani, a former project director for Good Jobs New York, an advocacy group that opposed the NYSE deal. She said it's "frustrating" that it's still costing taxpayers decades later. "Its almost like the stock-exchange deal was a precursor of all the things we are talking about now."

On Thursday, New York's Industrial Development Agency sold about $32 million of bonds to refinance some debt left from the episode. With demand for New York debt high, the city paid a top yield of 1.82 percent on debt due in nine years, 0.16 percentage point less than what investors demand on the highest-rated securities.

Kristen Kaus, spokeswoman for the New York Stock Exchange, didn't respond to a request for comment. Christian Ficara, a spokesman for the city's Economic Development Corp., which includes the industrial development agency, said the refinancing, by saving money, will help the city with current redevelopment projects.

"The NYSE serves as a critical asset within the city's financial infrastructure, but the decision to invest resources into its redevelopment was born of a different time," he said. "Today, we are working to grow and diversify New York City's economy in other ways."

When the deal was struck, Mayor Rudy Giuliani said the more than $1 billion in cash, tax breaks and other subsidies extended to the NYSE were a "Christmas gift to the city" that would keep New York the financial center of the world.

The deal called for the NYSE to move to a new office tower and trading complex across the street from its historic spot on Wall Street. Under the agreement, the city and the state were to buy an entire block in the financial district for $450 million, according to a report by the Independent Budget Office in 2001. The city and state also were to extend $480 million in grants to build the complex, in addition to other aid.

Before construction started, New York spent tens of millions of dollars on pre-development, design and site acquisition costs, according to bond documents.

But after Michael Bloomberg replaced Giuliani as mayor in early 2002, he pushed for the NYSE to contribute more for the project, saying his predecessor left the public bearing too much of the cost at a time when the recession had left the city facing a $5 billion budget shortfall. Bloomberg is the founder and majority owner of Bloomberg LP, the parent company of Bloomberg News.

Richard Grasso, then the NYSE chairman, called off the move later that year, though the exchange later shifted nearly all its trading to a data center in Mahwah, New Jersey. NYSE executives still work out of its historic building in downtown Manhattan.

New York issued about $108 million of municipal bonds in 2003 to recover what it had already spent, including $3 million per month to hold onto land for the project and a $22 million down payment for an office building, according to the New York Times.

The 2003 bonds were refinanced at a lower rate through debt issued in 2009, and those securities were refinanced again by Thursday's sale. According to a cost-benefit analysis from the city, the refinancing will save taxpayers about $4 million.

The last of the new bonds will be paid off in 2028, three decades after the NYSE deal was cut.

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