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**MUNICIPAL
ASSISTANCE
CORPORATION
FOR THE CITY
OF NEW YORK**

30 October 1990

Ms. Sally Hernandez-Pinero
Deputy Mayor
City of New York
Office of Economic Development
City Hall
New York, New York 10007

Dear Deputy Mayor Hernandez-Pinero:

We recently became aware of your "Commodities Exchange Center" proposal as reported in Crain's New York Business on October 22, 1990. As mentioned in the article, part of the financial package offered to keep the five major commodities exchanges in New York included a waiver of all sales taxes on construction materials and certain tenant improvements. Lynnette Kelly, Associate Counsel, has been in contact with Michael Geffrard of your office for the purpose of getting an estimate of the sales tax revenue losses attributable to such proposal. Once we receive this estimate and other information, we will be in a position to evaluate the impact of this proposal on the Corporation's outstanding bonds.

As you know, the special State sales tax imposed under Section 1107 of the Tax Law within the territorial limits of New York City (the "Special Sales Tax") constitutes the principal revenue source behind Municipal Assistance Corporation obligations, of which approximately \$6.9 billion are currently outstanding. Both of the Corporation's General Bond Resolutions provide as an event of default a failure or refusal to continue to impose the Special Sales Tax or a reduction in the rate of such tax from the rate existing at the time of their adoption in 1975. Bond Counsel to the Corporation have advised us that specific exemptions must be viewed with regard to the continued imposition of a general tax under that provision. However, neither the Corporation nor its Bond Counsel is the final arbiter as to when an event of default under our resolutions has occurred. Short of a court of law, it is the Trustee for the bondholders, and in some cases the bondholders themselves, who make the determination.

Because the Special Sales Tax is the essence of the security behind the Corporation's bonds and is recognized as such by the market and rating agencies alike, we have zealously protected its integrity from the outset by asking that our

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views be taken into consideration at such time as any proposal or legislation affecting either the base or the rate of such tax is under consideration. Over the years since 1975, we have had many opportunities to examine proposed exemptions from such tax. In doing so, we have taken into account the effects of the specific proposals on a cumulative basis, as we must do under our Resolutions.

For these reasons, we respectfully request that we be timely advised of any proposals of this type so that we may conduct a thorough review of any potential impact on revenue streams supporting the Corporation's bonds.

Sincerely,



Quentin B. Spector
Executive Director

QBS:vrw:lll

cc: Michael W. Geffrard

Incentives to Lower
Manhattan Property
Owners and Renters

ARTHUR LEVITT STATE OFFICE BUILDING
270 BROADWAY
NEW YORK CITY
10007



A.E. SMITH STATE OFFICE BUILDING
ALBANY
NEW YORK
12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
H. CARL McCALL
STATE COMPTROLLER

October 30, 1995

To: Michael Finnegan
Counsel to the Governor

From: Paula L. Chester
Counsel to the Comptroller

Re: A.8028

Recommendation: Approval

Summary of Provisions:

This bill would allow the City of New York to proceed with its plans to revitalize lower Manhattan. The bill provides five separate incentives to property owners and tenants as a means of preventing further decline and possibly spurring investment in lower Manhattan. It (1) authorizes abatements for older buildings (pre-1975), for new leases and lease extensions between April 1, 1995 and March 31, 1998; (2) provides for reductions in the commercial rent tax for eligible tenants; (3) reduces electricity costs for commercial tenants in lower Manhattan, similar to benefits that are currently offered in other parts of the City; (4) amends State law to provide an incentive to convert commercial office buildings to residential use; and (5) permits the conversion of buildings now unsuitable for total commercial use to be converted to combined commercial and residential use.

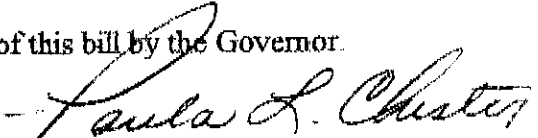
Discussion:

The City's plan has several positive aspects. Unlike many other economic development packages, the tax reduction in the lower Manhattan plan will be provided on an "as of right" basis. The criteria that property owners must meet to qualify for the plan benefits and the level of benefits are stipulated in the legislation and are linked to new leases or improvements to existing properties. A benefit program administered in this manner is more fair and makes more sense than individually negotiated incentive arrangements. Moreover, owners are required to pass along the benefits to tenants. And, property tax abatements provided for under the new lease program require long-term leases of five years for smaller tenants and ten years for larger tenants. Similarly, the plan to change the area to a more economically diversified, "24-hour community" indicates a desire to achieve long-lasting impact from the program.

Although it would have been preferable had the plan been put forth in the context of an overall development strategy for the City, without new leases or improvements it is reasonable to assume that the property tax base would not increase in the future and might even continue to decline. By linking tax benefits to the improvements, we believe that the foregone taxes are related to revenues which the City would probably not have otherwise received. The bill stipulates that benefits from the new lease and commercial rent tax reduction programs are not available to tenants who relocate from the other four boroughs or from north of 96th street in Manhattan -- minimizing "shifts" from other areas of the City.

Finally, the economic incentives are for a reasonable period of time. The commercial rent tax reductions and new lease tax benefits both expire after five years (the new lease tax benefits decline in years four and five). The electricity rebates, residential conversion program and mixed use program all expire after 12 years (13 years for buildings designated as landmarks).

For the above reasons, the State Comptroller urges approval of this bill by the Governor.


Paula L. Chester