New York City Comptroller
John C. Liu

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LIU: CITY, CARNEGIE HALL ARE OWED MILLIONS

Audit finds for-profit subtenant Carnegie Tower overcharged expenses

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NEW YORK, N.Y. — City Comptroller John C. Liu today announced that the Carnegie Hall Tower — a for-profit office building that is adjacent to, but unaffiliated with, the venerable concert hall — owes the City as much as $2.1 million in rent from underreported income in recent years.

The City collects a percentage of rents that Carnegie Tower pays to Carnegie Hall as the cultural institution's subtenant. Several years ago, the Tower inappropriately exempted millions of dollars of expenses from the rents it owes without approval from either the City or Carnegie Hall, thereby reducing its payments to each.

"Our taxpayers and the iconic Carnegie Hall were shortchanged to the tune of millions of dollars," Comptroller Liu said. "The City should have monitored this lease agreement and now must work to recoup millions of dollars of lost revenue. With all the additional financial demands in the recovery from Sandy, we need to bring in all the revenue taxpayers are owed."

Comptroller Liu's audit found that, in Fiscal Year 2010, Carnegie Tower deducted $8.7 million in expenses from its reported rent collections without approval. The Tower also failed to report $224,000 in rental income. As a result of the Tower's unapproved deductions and unreported rent, the City — and Carnegie Hall — did not receive the full payments that they were owed in FY 2010. For that year alone, the City should collect at least $363,521 in unpaid rents and interest. The City may be owed up to $2.1 million because Carnegie Tower began taking these unapproved deductions as early as 2001. A smaller percentage of the Tower's rent collections goes to Carnegie Hall, resulting in a likely loss for the cultural institution of more than $1 million over the years.

The audit also found that the Department of Citywide Administrative Services, which is responsible for monitoring the Carnegie Hall lease, failed to review the calculations behind the entities' payments.

Background:

In 1987, the 60-story Carnegie Tower was made a subtenant of Carnegie Hall. Each year the Tower must pay Carnegie Hall *either* its full real estate taxes *or* $3 million, whichever is higher. The Tower also pays 4% of its gross commercial rents, minus certain expenses, to Carnegie Hall. Carnegie Hall passes 70% of the Tower's payments to the City. The Tower underreported its income by taking $8.7 million in unapproved deductions to its reported rents in FY 2010. Comptroller Liu's audit found the Tower started taking those deductions several years earlier, so the City may be owed as much as $2.1 million.

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