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New York City Comptroller
John C. Liu

NEWS RELEASE

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LIU: CITY'S TIMES SQUARE GIVEAWAY

COST TAXPAYERS \$344.9 MILLION

**Taxpayers Lost Big Time with EDC's Outrageous Deal on
Marriott Marquis Hotel Lease, Audit Finds**

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NEW YORK, N.Y. — Comptroller John C. Liu today called on Mayor Bloomberg and the City's Economic Development Corporation (EDC) to renegotiate a lease agreement with the Marriott Marquis Hotel that could cost taxpayers at least \$344.9 million.

“This is one of worst deals since Manhattan was sold for \$24,” Comptroller Liu said. “The EDC betrayed its fiduciary responsibility to act in taxpayers’ interest when it recommended this sweetheart deal to the City in 1998. The clock is ticking — the lease set to expire in less than four years would let the Marriott Marquis purchase one of the hottest pieces of New York real estate for a fire-sale price of \$20 million — that’s ten cents on the dollar compared to its value today.”

Comptroller Liu urged the City to renegotiate the lease or find another tenant for this prime real estate. “City Hall needs to reexamine this agreement and do whatever it can to recoup the millions taxpayers have lost in this boondoggle. If Marriott refuses to renegotiate the lease they should vacate the property; after all the land still belongs to the City and there are certainly other luxury hotels that would be willing to pay a fair price for a Times Square location.”

The Marriott Marquis was built on City land under a 1982 agreement that was fair and beneficial to both the hotel and the City. In 1998, the City's EDC encouraged City Hall to rewrite the terms and shorten the life of the 75-year lease by 40 years. The new lease drastically cut the hotel's rent payments and allows the Marriott

Marquis to buy a large corner of the Theater District for a song when the lease expires in 2017 — instead of 2057.

Comptroller Liu's audit conservatively estimates that taxpayers stand to lose \$344.9 million since the EDC rewrote the Marriott Marquis' lease with two major changes:

- **Below Market Value Purchase Price (Loss of \$173.1 million)** – The EDC provided the Marriott with the right to buy the land at Broadway and 46th Street for a bargain basement price of \$19.9 million. The original lease allowed the Marriott Marquis to purchase the land in 2057 for “fair market value,” which today is estimated to be worth \$193 million, according the City's Finance Department records.
- **Rent Forgiveness (Loss of \$171.8 million)** – The EDC agreed to dramatically reduce Marriott Marquis' annual rent payments to the City by allowing the hotel to pay off all of its back rent in lieu of current rent.

EDC's Excuses

When asked why the agency revised the lease at such a disadvantage to the City, EDC officials responded that the individuals who had brokered the deal no longer worked at the agency and that the EDC had little or no record of the transaction — a breathtaking assertion for a deal of this magnitude that is still in effect. In addition, officials pointed to Times Square's condition and the need to develop it, in contradiction of the fact that, by 1998, Times Square had boomed and hotels and other businesses were pushing to open there.

Missing Documents: Breach of Contract

Under its lease Marriott has to keep financial records for six years. Audits in both 1990 and 1997 uncovered that the Marriott failed to follow this provision. As a result of these scathing reports, Marriott wrote to the City in 1997 that it “changed its retention policy and since late 1995 every underlying document is stored on CD-ROM” and that it was complying with the six-year retention policy stated in the Lease Agreement. When auditors last year asked for Marriott to turn over six years of financial records, Marriott stated it only had records dating to 2008, a violation of its contractual obligation. Because of Marriott Marquis' indisputable contract breach, Comptroller Liu is asking the City to reopen the lease and renegotiate the terms that have left the City at such a lopsided disadvantage. Moreover, Comptroller Liu is calling on the City to pursue recoupment of the lost \$344.9 million.

Other Findings:

The Marriott Marquis owes the City \$3.6 million in Accrued Unpaid Rent interest dating to 1998. Under its 1998 agreement Marriott was required to pay off back rent with interest. However, Comptroller Liu's audit found that the Marriott Marquis failed to make an interest payment of \$1.8 million at that time. Over time, compounded interest has increased the amount Marriott owes the City to \$3.6 million.

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