



## Metropolitan Transportation Authority

State of New York

March 23, 2011

Honorable Andrew M. Cuomo  
Governor of New York  
Executive Chamber  
State Capitol  
Albany, NY 12224

Honorable Thomas P. DiNapoli  
Office of the State Comptroller  
633 Third Avenue, 31<sup>st</sup> Floor  
New York, NY 10017

Re: 90-Day Response to Report #2009-S-10 MTA Real Estate Portfolio

Gentlemen:

On June 30, 2010, the Office of the State Comptroller issued the above referenced audit report. As required by Section 170 of the Executive Law, I am providing you with the attached response which addresses the recommendations contained in the report.

A copy of the final audit report is attached for your convenience.

Sincerely,

A handwritten signature in black ink that reads "Jay H. Walder" followed by a horizontal line.

Jay H. Walder  
Chairman and Chief Executive Officer

Attachments

# Memorandum



## Metropolitan Transportation Authority

State of New York

Date: March 17, 2011

To: Jay H. Walder, Chairman & CEO

From: Jeffrey B. Rosen, Director, Real Estate

Re: **NYS Comptroller Audit of MTA Real Estate Portfolio (Report #2009-S-10)**  
**90-Day Response**

A copy of the above-referenced report is attached to this memorandum. It includes, as an attachment to the report itself, the MTA's detailed responses to the report's findings and recommendations, which I submitted on May 17 of last year to Ms. Carmen Maldonado, Audit Director, of Comptroller DiNapoli's staff. As contemplated by Section 170 of the Executive Law, I am writing now to update such responses to the extent warranted by recent events.

### Recommendation #1:

We have prepared an updated property list as required by PAL Section 2896, and it has been delivered to MTA Corporate Compliance for submission as required by the statute. Corporate Compliance intends to submit such listing on or before March 31, 2011.

### Recommendation #2:

We consider our response to this recommendation to be complete and believe that no update to our previous response is required.

### Recommendation #3:

We have a new manager at the Battery Parking Garage, which will be using Yardi to report with respect to our retail tenants there. We have issued a request for proposals to manage 2 Broadway upon expiration of our existing management agreement in September, 2011; and that RFP provides that the MTA will be entitled to require the manager to use Yardi for purposes of its reporting with respect to our retail tenants at 2 Broadway. We are investigating the costs and benefits of installing custom software that would enable us to import Jones Lang LaSalle's Grand Central Terminal database automatically into our Yardi database. The Mineola and North White Plains facilities no longer have tenants in them.

Recommendation #4:

MTA Real Estate's recommendations with respect to "Yardi Portal" have been accepted by MTA Budget, and we are therefore now in a position to contract for new software that will enhance our on-line marketing capability.

MTA Real Estate has re-contacted potential users of the vacant modular newspaper boxes that were referenced in the Comptroller's report, with negligible results.

Recommendation #5:

We consider our response to this recommendation to be complete and believe that no update to our previous response is required.

Recommendation #6:

We consider our response to this recommendation to be complete and believe that no update to our previous response is required.

Recommendation #7:

MTA's recommendations with respect to "Yardi Portal" have been accepted by MTA Budget, and we are therefore now in a position to contract for new software that will enable tenants to make payments by credit card or automatic bank transfers.

In connection with our implementation of such upgrades to Yardi, we also intend to commission an adjustment to the software so that it will allow for the calculation of late charges in a manner that is consistent with our leases. In the meanwhile, our managing agent Greystone has been experimenting with dunning selected tenants for late interest, to assess the efficacy of such collection efforts. Such efforts have in fact resulted in some acceleration of payments and generated some late fee collections, but have entailed significant incremental man hours as it has been necessary for the time being to do this work manually.

Recommendation #8:

We consider our response to this recommendation to be complete and believe that no update to our previous response is required.

Recommendation #9:

During the past several months, MTA Real Estate has been engaged, along with representatives of the New York City Mayor's office, Department of City Planning and Economic Development Corporation, in an intensive and wide-ranging effort to identify specific opportunities to make commercial use of MTA-controlled air rights (other than at West Side Yards and Atlantic Yards, with respect to which major transactions have been entered into in the recent past). That effort has not to date borne new fruit, but it is ongoing.

Recommendation #10:

The MTA is currently re-evaluating its plans with respect to 370 Jay Street in light of the recent downsizing of the MTA's administrative workforce, constraints on the MTA capital budget, the logistics of relocating certain communications equipment that has historically been housed in such building and current market conditions, among other factors.

The Mineola building referenced in the report has now been emptied of tenants and the building's annual operating expenses have thereby been reduced from \$475,694 to \$200,000. The contract vendee was unable to obtain financing to finalize its purchase on the building by the previous deadline of January 30, 2011, but has agreed to pay an additional \$1,100,000 to the MTA to extend the closing date to January 31, 2012. Thus, the MTA will soon have received a total of \$9,922,222 towards the total purchase price of \$12,772,222, which is well in excess of the current market value of the property.

Recommendation #11:

The referenced litigation against the City of Mount Vernon was successfully concluded and the property's exemption from tax has been recognized with retroactive effect.

Recommendation #12:

In the time since the report was issued, MTA Real Estate has been working to reduce the amount of space that the MTA leases, and the only new leases the MTA has entered into have related to small operations (namely a field office for the #7 Train extension project and an employee counseling service) that demonstrably could not be located in any existing MTA facility. In each such case, the net effect of the transaction was to reduce the occupancy expense that the MTA otherwise would have incurred.

cc: Diana Jones Ritter  
Karen Malloy  
Michael Bader  
David Bosch  
Jeremy Soffin  
Aaron Donovan