placed Planning Commission official, they will get another tax exemption, probably through the UDC.

The tax-exempt status of bonded public authorities represents a second major drain on potential city tax revenues.

Beginning with the creation of the Port Authority in the early 1960s, these entities have removed key sources of tax revenue—the Port of New York, the bridges, tunnels, airports, and later the $1 billion World Trade Center—from the city's taxing powers, and placed them under the jurisdiction of quasi-public bodies subject to no constituency.

Finally, there is the wholly tax-exempt New York State Urban Development Corporation generally recognized as the kingpin of the last several years' hotel and office building spree. UDC projects, including Donald Trump's Grand Hyatt Hotel, the Convention Center, and the new home of the American Stock Exchange, pay no city sales taxes on their construction material—which can run into the tens of millions of dollars—and no real-estate taxes. They pay only a negotiated percentage of whatever operating profits they choose to report to the city.

"The big flap over the Commodore-Grand Hyatt was over the fact that the percentage of cash flow they agreed to pay is so low," a Planning Commission official recalled. "The hotel can inflate its costs and reduce its taxable cash flow to nothing, and be sure that its books will never be audited. In fact, the hotel will pay practically nothing to the city until 2000."

The city is losing an additional estimated $100 million per year as a result of various tax abatements (J-51, 421a, the ICIB program, etc.) for rehabbers and hotel and office-building developers. Among the recipients of the city's munificence have been IBM, AT&T, Goldman Sachs Investment Company, and Harry Helmsley's Palace Hotel. There is plenty of recoverable tax money to rebuild the transit system, in short, and restore other vital city services.

*When the tentative assessments for fiscal 1981-82 were made public Jan. 29, Finance Commissioner Philip Michael stated that the city has followed the practice of assessing commercial properties at about 60 percent of their full market value and residential properties at 20 percent of market value. The new assessments showed a record 10 percent increase, most of it due to higher assessments on Manhattan commercial properties. However, many of these assessments are being challenged on the grounds that the city discriminates against commercial property, assessing it at a higher rate than residential. In fact, *EIR*'s calculation of true market value indicates that Manhattan office property was assessed at only 13 to 17 percent of its market value in fiscal 1980-81.
Nevertheless, as a result of the 1975 State Court of Appeals *Hellerstein* decision, which declared New York State's de facto system of classified assessments illegal, the city has a potential liability of about $2 billion from tax certiorari claims hanging over it.

Currency Rates