



New York City Economic Development Corporation

MINUTES OF THE MEETING OF THE
REAL ESTATE AND FINANCE COMMITTEE
OF
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
April 24, 2018

A meeting of the Real Estate and Finance Committee (the "Committee") of the Board of Directors (the "Board") of New York City Economic Development Corporation ("NYCEDC"), was held on Tuesday, April 24, 2018, at NYCEDC's offices at 110 William Street, in Conference Room 5C, New York, New York.

The following members of the Committee were present:

William Candelaria (by conference telephone)
David Lichtenstein (by conference telephone)
James McSpiritt
Patrick J. O'Sullivan, Jr. (by conference telephone)
Mark Russo (by conference telephone)

Members of NYCEDC staff and members of the public also were present.

The meeting was chaired by Mr. O'Sullivan and called to order at 4:35 p.m. Meredith Jones, an Executive Vice President, General Counsel and Secretary of NYCEDC, served as secretary of the duly constituted meeting, at which a quorum was present. (Attached hereto as Attachment 1 is a definition sheet that contains the definitions of certain frequently used terms that may be contained in the Exhibits attached hereto.)

1. Approval of the Minutes of the October 24, 2017 Committee Meeting

It was moved that the minutes of the October 24, 2017 Committee meeting be approved, as submitted. Such a motion was seconded and unanimously approved.

2. Assignment and Amendment of Pier 11 Sublease

Michael DeMeo, a Vice President of NYCEDC, presented a proposal for approval of matters set forth in Exhibit A hereto, including consent to the assignment to Formula E Operations Limited or an affiliated entity ("Formula E") of the sublease (the "Sublease") by NYCEDC to Phoenix Beverages MTO, LLC, covering a portion of the pier shed and outdoor space located at Pier 11 in Red Hook, Brooklyn, as required by the terms of the Sublease, and approval of NYCEDC amending the Sublease, on substantially the terms set forth in Exhibit A hereto.

In answer to a question from Mr. O'Sullivan, Mr. DeMeo stated that there was virtually no outdoor storage space and that storage would be mainly indoors. Mr.

DeMeo confirmed that the proposed change in the term of the Sublease would give NYCEDC the flexibility to repurpose Pier 11 for more maritime use if NYCEDC wanted to after 2020. In answer to a question from Mr. Russo, Mr. DeMeo stated that the electrically-powered race car series operated by Formula E was the first of its kind in the United States and was thus far a successful endeavor. He stated that Formula E was looking to expand the number of races in the United States and was considering also operating in Miami.

In answer to a question from Mr. McSpiritt, Mr. DeMeo stated that the existing sub-subleseees were mostly monthly tenants. In answer to a question from Mr. Lichtenstein, Mr. DeMeo explained that the assignor, Phoenix Beverages MTO, LLC, would not stay on the sublease, as it would fully assign the sublease to Formula E. In answer to a second question from Mr. Lichtenstein, Alexander Brady, a Vice President of NYCEDC, stated that NYCEDC would be reviewing the financials of Formula E prior to the closing, and that there was no separate guarantor. In answer to an additional question from Mr. Lichtenstein, Mr. Brady stated that NYCEDC staff would provide the Committee with financial information related to Formula E.

A motion was made that the Committee recommend that the Board of Directors approve the matters set forth for approval in the Proposed Resolution section of Exhibit A hereto. Such motion was seconded and unanimously approved, with the understanding that NYCEDC staff would provide the Committee with financials related to Formula E.

Mr. O'Sullivan recused himself from the next two items. He left the meeting at this point.

3. Long Term Ground Leases to Bedford Courts LLC

Maxwell Padden, an Assistant Vice President of NYCEDC, presented a proposal for New York City Land Development Corporation to (i) lease from the City of New York (the "City") Block 1274, Lot 1 on the Tax Map of the Borough of Brooklyn (the "Site") pursuant to two or more leases, (ii) assign such leases to (a) Bedford Courts LLC or an affiliated entity (the "Developer") and/or (b) a housing development fund corporation or other entity (the "Financing Entity") whose purpose is to facilitate affordable housing and/or obtain financing for the project on the Site, which project consists of the proposed demolition of components of existing structures and construction of an approximately 535,000 gross square foot mixed-use development on the Site (the "Project"), and (iii) enter into any related agreements and documents and consents to effectuate the Project, on substantially the terms set forth in Exhibit B hereto.

At this time, Mr. Padden noted that City Capital Budget funds may be provided for the Project through one or more NYCEDC funding agreements. In answer to a question from Mr. McSpiritt, Jeffrey Nelson, an Executive Vice President of NYCEDC, noted that it was currently anticipated that a total of approximately \$3 million of City Capital Budget funds was expected for the Project, consisting of about \$1 million from the Brooklyn Borough President and about \$2 million from the City Council, but that there could be more funds allocated and the Committee's recommendation would include the inclusion of such additional funds.

In answer to a question from Mr. Lichtenstein, Mr. Padden explained that Attachment B in the materials provided to the Committee represented the initial proposals of the respondents to the request for proposals ("RFP") for the Site, but that as the development requirements and restrictions were further defined through the community engagement process and the public approvals process many of the Project elements that would have thrown off potential cash flows to provide for cash consideration changed. He added that ultimately the affordable housing requirements necessitated New York Department of Housing Preservation and Development ("HPD") and New York City Housing Development Corporation ("HDC") financing, and that when HPD and HDC financing are needed there usually is only nominal rent charged by the City. In answer to an additional question from Mr. Lichtenstein, Mr. Padden stated that NYCEDC had gone back to the leading respondents and had asked for their best and final offers. NYCEDC had then made a decision based on the totality of the circumstances. In answer to another question from Mr. Lichtenstein, Mr. Nelson stated that the program changed during the approval process. NYCEDC selected the Developer's proposed program because it felt the Developer had presented the best bid and the best overall package for the City.

Mr. Nelson noted that when ULURP took place after an RFP has issued, there often were changes to an initial proposed project. Mr. Nelson further stated that NYCEDC had worked closely with HPD on the housing program. In answer to an additional question from Mr. Lichtenstein, Mr. Nelson stated that NYCEDC at times relied on the expertise of City agency partners and that HPD, an agency that had vast experience with affordable housing deals, had worked with NYCEDC on the terms reached between NYCEDC and the Developer.

A motion was made that the Committee recommend that the Board of Directors approve and resolve the matters set forth for approval in the Proposed Resolutions section of Exhibit B hereto, modified to reflect the possible NYCEDC funding agreements that were presented. Such motion was seconded and approved. Mr. O'Sullivan had recused himself from this matter.

4. Sublease for Suite 201, 19 Fulton Street, South Street Seaport

Sarah Wagner, a Senior Associate of NYCEDC, presented a proposal for NYCEDC to enter into a sublease of Suite 201 at 19 Fulton Street, Manhattan, consisting of approximately 3,900 square feet, on substantially the terms set forth in Exhibit C hereto.

In answer to a question from Mr. McSpiritt, Ms. Wagner stated that NYCEDC needed this space for its NYC Ferry service team. In answer to a question from Mr. Lichtenstein, Ms. Wagner stated that the additional costs for moving, which included build-out and moving expenses, was approximately \$240,000.

A motion was made that the Committee recommend that the Board of Directors approve the matter set forth for approval in the Proposed Resolution section of Exhibit C hereto. Such motion was seconded and approved. Mr. O'Sullivan had recused himself from this matter.

5. Adjournment

There being no further business to come before the meeting, pursuant to a motion made, seconded and approved the meeting of the Committee was adjourned at 5:06 p.m.

Mark Silverman
Assistant Secretary

Dated: June 12, 2018
New York, New York

ATTACHMENT 1

DEFINITIONS

Apple	Apple Industrial Development Corp.
Armand	Armand Corporation d/b/a Armand of New York
BAT	Brooklyn Army Terminal
Bovis	Bovis Lend Lease LMB, Inc.
CDBG	Federal Community Development Block Grant
CDBG-DR Funds	Federal Community Development Block Grant-Disaster Recovery Program funds
CEQR	City Environmental Quality Review process
City DEP	New York City Department of Environmental Protection
City DOT	New York City Department of Transportation
City Parks	New York City Department of Parks and Recreation
City Planning	New York City Department of City Planning or City Planning Commission
CM	A construction manager
CM Contract	A construction management contract
DCAS	New York City Department of Citywide Administrative Services
EIS	Environmental Impact Statement
ESDC	New York State Urban Development Corporation d/b/a Empire State Development Corporation
FEMA	Federal Emergency Management Agency
FM	A facilities manager
FM/CM Contract	A facilities management/construction management contract
Funding Source Agreement	Any agreement necessary to obtain funds for the Project, including IDA Agreements
Gilbane.....	Gilbane Building Company
HPD	New York City Department of Housing Preservation and Development
Hunter Roberts	Hunter Roberts Construction Group, L.L.C.
IDA	New York City Industrial Development Agency
IDA Agreement	Agreement with IDA pursuant to which IDA retains NYCEDC to accomplish all or part of the Project and reimburses NYCEDC for the costs of the work
LiRo	LiRo Program and Construction Management, PE P.C.
LMDC	Lower Manhattan Development Corporation
McKissack	The McKissack Group, Inc. d/b/a McKissack & McKissack
MOU	A memorandum of understanding

NYCEDC	New York City Economic Development Corporation, survivor of a November 1, 2012 merger of a local development corporation (the "LDC") named New York Economic Development Corporation with and into New York City Economic Growth Corporation. References to NYCEDC prior to such merger are references to the LDC.
NYCHA	New York City Housing Authority
NYCLDC	New York City Land Development Corporation
Noble Strategy	Noble Strategy NY Inc.
OMB	New York City Office of Management and Budget
Port Authority	The Port Authority of New York and New Jersey
RFP	Request for Proposals
Sanitation	New York City Department of Sanitation
SBS	New York City Department of Small Business Services
SEMO	New York State Emergency Management Office
SEQR	State Environmental Quality Review process
Skanska	Skanska USA Building Inc.
State DEC	New York State Department of Environmental Conservation
State DOS	New York State Department of State
State DOT	New York State Department of Transportation
State Parks	New York State Office of Parks, Recreation and Historic Preservation
Tishman	Tishman Construction Corporation of New York
Turner	Turner Construction Company
ULURP	Uniform Land Use Review Procedure

Exhibit A

**ASSIGNMENT AND AMENDMENT OF PIER 11 SUBLEASE
Board of Directors Meeting
May 9, 2018**

BACKGROUND: NYCEDC, as tenant, entered into a lease (the "Master Lease") dated as of December 23, 2004, with Port Authority, as landlord, for certain portions of Pier 11 and Pier 12, upland areas, and the Atlantic Basin, in Red Hook, Brooklyn which expires on August 31, 2029. In 2009, NYCEDC and Port Authority amended the Master Lease to provide for, among other things, a sublease (the "Sublease") to Phoenix Beverages MTO, LLC ("Phoenix,"), covering a portion of the pier shed and outdoor space located at Pier 11 (collectively, the "Premises"), which Sublease was entered into. An amendment to the Sublease, entered into as of February 15, 2013, amended certain terms including rent, dimensions of the Premises, and permitted use, in addition to other terms.

Over recent months, Formula E Operations Limited ("Formula E"), which operates the ABB FIA Formula E Championship series, an electrically-powered race car series, has expressed interest in taking over the Sublease from Phoenix, and Phoenix in turn has brought to NYCEDC a proposal to assign the Sublease to Formula E or an affiliated entity. Formula E hosts a race at Pier 12, and is interested in using a portion of the space for storage in connection with the race and the remainder for other sub-subtenanting opportunities.

NYCEDC proposes to approve of the assignment to Formula E or an affiliated entity and an amendment to some terms of the Sublease. The assignment is also subject to Port Authority approval.

**ORIGINAL LEASE TERMS,
as previously amended**

LESSOR: Port Authority

**LESSEE/
SUBLESSOR:** NYCEDC

**SUBLESSEE/
ASSIGNOR:** Phoenix

SITE LOCATION: Block 515, p/o Lot 61
Borough of Brooklyn
Community Board No. 6

SITE

DESCRIPTION: The Premises consists of an approximately 137,000 square foot open area, an approximately 19,000 square foot western apron and an approximately 182,000 square foot portion of the Pier 11 shed.

**PROPOSED AMENDMENTS
TO TERMS OF SUBLEASE:**

ASSIGNEE: Formula E or an affiliated entity (the "Assignee")

TERM: The Assignee's term shall be from approximately the date of execution of the assignment to August 31, 2020, with eight, one-year options to extend, any such extension option to be granted at NYCEDC's sole discretion. If the Assignee does not exercise an option to extend or NYCEDC declines to grant a requested extension the Sublease will not be extended for the option period and the Premises will return to NYCEDC for the remainder of the term of the Master Lease. The original term of the Sublease was for 20 years, expiring on August 31, 2029.

MAINTENANCE

FEE: The annual maintenance fee to be paid by the sublessee is currently approximately \$12,500 and increases by 3% per year. The amendment will provide that the annual maintenance fee shall be reset at \$50,000 in order to better reflect current costs and will thereafter increase by 3% annually.

PERMITTED USE: It is contemplated that Formula E will use a portion of the Premises for storage of its own materials during the time period between races (e.g. grandstands, barriers, etc.). The Assignee will also be permitted to continue to sub-sublease the remainder of the Premises to third parties for uses permitted under the Sublease.

**PROPOSED
RESOLUTION:**

To consent to the assignment of the Sublease to Formula E or an affiliated entity as required by the terms of the Sublease and to approve NYCEDC amending the Sublease upon terms substantially as described herein

NYCEDC

PROJECT CODE: 3618

STAFF:

Matthew Kwatinetz, Executive Vice President, Asset Management
Alexander Brady, Vice President, Asset Management
Michael DeMeo, Vice President, Asset Management
Lauren Brady, Senior Counsel, Legal

Exhibit B

**LONG TERM GROUND LEASES TO BEDFORD COURTS LLC
Board of Directors Meeting
May 9, 2018**

- NOTE:** This disposition will take place through two or more ground leases.
- LESSOR:** The City of New York (the "City")
- LESSEE/
LEASE ASSIGNOR:** NYCLDC
- LEASE ASSIGNEE:** The lease assignee (for each lease) will either be (i) Bedford Courts LLC or an affiliated entity (the "Developer") or (ii) a housing development fund corporation or other entity whose purpose is to facilitate affordable housing and/or obtain financing for the proposed project on the Site (the "Financing Entity"). If the Financing Entity is the lease assignee, the Developer will be the beneficial owner of the leasehold interest.
- Bedford Courts LLC is controlled directly or indirectly by Donald Capoccia, Joseph Ferrara, Brandon Baron and Winthrop Wharton.
- SITE
LOCATION:** Block 1274, Lot 1 (the "Site")
1555 Bedford Avenue
Borough of Brooklyn
Community Board No. 9
- SITE
DESCRIPTION:** The Site, located at the intersection of Bedford Avenue and Union Street, in Crown Heights, Brooklyn, spans approximately 122,000 lot square feet and includes four improved but non-operational structures which together comprise the Bedford Union Armory. The Site is approximately depicted in Attachment A.
- BACKGROUND:** The Bedford Union Armory was first constructed between 1904 and 1908 and initially housed the Troop C Cavalry Unit, an official militia formed in

1895. Military uses continued at the Site, most recently by the New York National Guard, until the armory was decommissioned in 2011. The State of New York, having determined that military use of the Site was no longer necessary, relinquished it to the City, effective as of December 2013.

Anticipating the City's impending control of the Site, NYCEDC released an RFP in October 2013 for the disposition and redevelopment of the Site, and ultimately selected the Developer as the successful respondent in November 2015. Respondents to the RFP and a brief summary of their proposals are listed in Attachment B.

**PROJECT
DESCRIPTION:**

The Developer proposes to demolish components of existing structures on the Site and to construct an approximately 535,000 gross square foot ("GSF") mixed-use development comprised of (i) an approximately 60,000 GSF recreational facility, (ii) an approximately 5,000 GSF auditorium facility, (iii) commercial and community facilities totaling approximately 45,000 GSF, (iv) approximately 415 residential rental units, and (v) approximately 118 parking spots (collectively, the "Project"). The Project may also include a small retail component.

The residential component of the Project will span two buildings, and will include a total of approximately 250 affordable units, of which approximately 109 units will be permanently affordable pursuant to the City's Mandatory Inclusionary Housing program ("MIH"). The other approximately 141 affordable units will remain affordable for at least the period of time (the "Regulatory Period") set by HPD and New York City Housing Development Corporation ("HDC") pursuant to a project agreement with the Developer. Affordable units will be spread across multiple income bands, but on average are anticipated to be affordable to families earning at or below approximately 51% of the Area Median Income.

The recreational facility is expected to include three basketball courts, a 25-meter swimming pool, a multi-sport field, and various fitness rooms. Once stabilized,

the Developer will be required to provide the community with at least \$1,250,000 in annual community benefits (escalating at 3% per annum), consisting of discounted access and programming for local residents and organizations as well as discounted office rent for non-profit organizations. The Developer will also be incentivized to provide additional community benefits in return for a rent credit, substantially as provided for below.

It is anticipated that the Project may close in phases over a period of approximately six to twelve months. Project construction is anticipated to commence shortly after the first closing, and, subject to force majeure events, is anticipated to be completed within two and a half years.

**PURPOSE OF
DISPOSITION/
BENEFIT TO
THE PUBLIC:**

It is anticipated that the disposition of the Site will transform an underutilized City-owned asset into a mixed-use development that provides for affordable housing and substantial community and recreational facility space.

LEASE TERMS:

It is anticipated that the City (as Lessor) and NYCLDC (as Lessee) will enter into two or more long term leases for the Site. It is further anticipated that NYCLDC will then assign each such lease to a lease assignee. The community, recreational, auditorium, a portion of commercial facilities and any retail facilities (together, the "Commercial Development") are expected to be governed by a single lease, while the remaining Project elements (the "Residential Development") will be governed by one or more separate leases.

The proposed annual base rent for the Commercial Development is \$500,000 per annum during the construction phase. At substantial completion, annual base rent will reset to \$2,000,000, escalating at 3% per annum, subject to periodic adjustments based on independent reappraisals. In addition, the Commercial Development lease establishes the above described minimum requirement of community benefits and

incentivizes the Developer to deliver additional community benefits, offering \$1 in base rent credit for every \$1 of community benefit delivered, capped at 87.5% of base rent each year.

The Residential Development will be leased to Developer for nominal consideration. At the end of the Regulatory Period, the base rent may be adjusted to appraised value (as then restricted).

Developer will also make payments in lieu of taxes ("PILOT") in amounts equal to the real property taxes that would be assessed and levied against the Project if Developer were the owner of the Site, provided that PILOT will reflect any abatements, exemptions, or credits for which the Project or Developer qualifies.

The initial term of each lease will be 49 years. Each lease will also provide the Developer with five options to extend the term for an additional ten years each, for a total anticipated term of 99 years per lease.

APPRAISED VALUE:

An independent appraisal was commissioned in 2017. The appraisal concluded that the fair market value of the Site was \$107,600,000 and that the initial fair market annual rent for same was \$5,900,000. These values took into account the cost of construction at the Site, but did not take into account the development requirements and restrictions pertaining to the use and transfer of the Site. A separate determination by the appraiser, which did take into account the costs of such requirements and restrictions, resulted in a negative value for both the Site and the fair market annual rent for same.

EXISTING ZONING:

The Site's zoning was recently changed from R6 to R7-2 with a C2-4 commercial overlay. The Site was designated as a new MIH area and was granted special permits to (i) create a Large Scale General Development, and (ii) modify height, parking and setback requirements.

PUBLIC APPROVALS:

A Final EIS was issued for the Project on October 19, 2017. City Planning on October 30, 2017 (Calendar No. 5) and the New York City Council on November

30, 2017 approved the disposition and rezoning of the Site to R7-2 with a C2-4 overlay and the inclusion of the Site as an MIH area together with the aforementioned special permits, pursuant to ULURP. Pursuant to Section 384(b)(4) of the City Charter, on January 23, 2018 the Brooklyn Borough Board approved the proposed disposition of the Site by the City.

**PROPOSED
RESOLUTIONS:**

Approval for NYCLDC to (i) lease the Site from the City pursuant to two or more leases, (ii) assign such leases to the Developer and/or the Financing Entity, substantially as described herein, and (iii) enter into any related agreements and documents and consents to effectuate the Project substantially as described herein.

The Board of Directors further resolves that there is no reasonable alternative to the proposed transfer to the Developer and/or the Financing Entity that will achieve the same purpose as the transfer.

**NYCEDC
PROJECT CODE:**

5616

STAFF:

Maxwell Padden, Assistant Vice President, Real Estate Transactions Services
Sara Tranter, Senior Vice President, Real Estate Transactions Services
Jeffrey Nelson, Executive Vice President, Real Estate Transactions Services
Shana Attas, Counsel, Legal

ATTACHMENT A

PROJECT LOCATION



ATTACHMENT B

INITIAL RESPONDENT PROPOSALS

Name	Proposed Project	Approximate Proposed Payment	Housing Units	Community/Recreational Center
BFC Partners Development LLC or an affiliated entity	Mixed-use building with affordable housing	\$17.6 Million	354	Sports/recreational center and community/office space
Triangle Equities, LLC or an affiliated entity	Mixed-use building with affordable housing	\$3 Million	288	Sports/recreational center and community/office space
RBH Group or an affiliated entity	Mixed-use building with affordable housing	\$20 Million	317	Sports/recreational center and community/office space
POKO Partners, LLC or an affiliated entity	Mixed-use building with affordable housing	\$3.5 Million	258	Sports/recreational center and community/office space
Steiner NYC, LLC or an affiliated entity	Mixed-use building with affordable housing and hotel	\$4 Million	172	Sports/recreational center, hotel wellness center, and community/office space
Chetrit Organization, LLC or an affiliated entity	Mixed-use building with affordable housing	\$9 Million	200	Sports/recreational center and community/office space
Academic Zone or an affiliated entity	Recreation and community building	Not Specified	0	Sports/recreational center, library, and theatre.

In accordance with commitments made to secure ULURP approval, the final proposed Project for the Site (as described in the body of this item) includes a substantial affordable housing requirement that was not contemplated at the time of RFP issuance. As a result, HPD and HDC subsidy will be provided. NYCEDC projects that are financed with HPD and HDC subsidy generally have nominal purchase prices.

Exhibit C

**SUBLEASE FOR SUITE 201, 19 FULTON STREET,
SOUTH STREET SEAPORT
Board of Directors Meeting
May 9, 2018**

PROJECT OVERVIEW: The Amended and Restated Agreement of Lease, dated as of June 27, 2013, as amended (the "Marketplace Lease"), between the City, as landlord, and South Street Seaport Limited Partnership, as tenant ("Tenant" or "SSSLP"), relates to certain premises and streets located in the South Street Seaport area of Manhattan. NYCEDC is lease administrator of the Marketplace Lease.

Pursuant to the Marketplace Lease, NYCEDC was granted the option (the "Option"), exercisable by notice to Tenant on or before September 29, 2019, to sublease a portion of the premises leased under the Marketplace Lease known as Suite 201 at 19 Fulton Street, upon substantially the terms described below.

On April 3, 2018, NYCEDC delivered notice to Tenant exercising the Option. The subleased premises will be used by NYCEDC as office space for NYCEDC's ferry team.

SUBLEASE TERMS

SUBTENANT: NYCEDC

SUBLANDLORD: SSSLP

PREMISES: Suite 201 at 19 Fulton Street, Manhattan, consisting of approximately 3,900 square feet (the "Premises")

COMMENCEMENT: Approximately May 14, 2018

EXPIRATION: December 31, 2024

BASE RENT: Nominal

SECURITY DEPOSIT: \$0.00

**HVAC CHARGE AND
MISCELLANEOUS
EXPENSES:**

NYCEDC shall pay an HVAC charge of \$980.75 per month and may be responsible for utility, cleaning and miscellaneous other charges related to its use of the Premises.

**SUBTENANT'S
WORK:**

The Premises will be delivered in "as is" condition and
NYCEDC will build-out required office space.

USE:

Office use

**PROPOSED
RESOLUTION:**

Approval for NYCEDC to enter into a sublease of the
Premises substantially as described above

**NYCEDC
PROJECT CODE:**

7433

STAFF:

Matthew Kwatinetz, Executive Vice President, Asset
Management
Winthrop Hoyt, Vice President, Asset Management
Felix Ceballos, Assistant Vice President, Asset Management
Sarah Wagner, Senior Associate, Asset Management
Karen Lapidus, Senior Counsel, Legal