



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 23, 2019

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 23, 2019, at NYCEDC's offices at 110 William Street, in Conference Room 5B, New York, New York.

The following members of the Committee were present:

Mitch Draizin (by conference telephone)
James McSpirtt
Patrick J. O’Sullivan, Jr. (by conference telephone)
Mark Russo (by conference telephone)
Betty Woo (by conference telephone)

Members of NYCEDC staff also were present.

The meeting was chaired by Mr. O’Sullivan and called to order at 2:10 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.

1. Approval of the Minutes of the January 22, 2019 Committee Meeting

It was moved that the minutes of the January 22, 2019 meeting of the Committee be approved, as submitted. Such a motion was seconded and unanimously approved.

2. Approval of the Minutes of the March 8, 2019 Special Committee Meeting

It was moved that the minutes of the March 8, 2019 special meeting of the Committee be approved, as submitted. Such a motion was seconded and unanimously approved.

3. Coney Island Leases and CAI Lease Amendment

Sean Freas, a Senior Associate of NYCEDC, presented a proposal for NYCEDC (i) to amend its existing Coney Island lease (the “Lease”) with Central Amusement

International, Inc. ("CAI") to expand the leased premises, which currently cover approximately 6.4 acres of land owned by NYCEDC and an approximately one-acre parcel owned by the City of New York (the "City"), to include an additional City-owned approximately 3.5 acres on four sites (the "Additional Sites"), and to enter into a lease with the City for the Additional Sites (the "City Lease"), (ii) to amend the lease by the City to NYCEDC (the "Thunderbolt Lease") for certain premises located at Block 7074, Lots 170 and 190 on the Tax Map of the Borough of Brooklyn, which premises are subleased to CAI under the Lease, (iii) to make payments to CAI for the unamortized cost of improvements to an approximately 41,000 square foot parcel identified as Block 7074, Lot 1 on the Tax Map of the Borough of Brooklyn ("Site A"), to be licensed to CAI by the New York City Department of Parks and Recreation ("City Parks") and (iv) to administer and make expenditures from a fund (the "Fund") that is to be used for expenses approved by City Parks for Site A and for the acquisition of additional parkland in Coney Island and/or for capital improvements to park and recreational facilities within the Coney Island area, all on substantially the terms set forth in Exhibit A hereto.

In answer to a question from Ms. Woo, Mr. Freas stated that negotiations were still ongoing and that NYCEDC currently anticipated that the amount of the unamortized cost of the improvements on Site A would be capped at \$400,000. It was being considered whether the payment of the amortized cost could come from NYCEDC and/or the Fund. In answer to a question from Mr. Draizin, Mark Silversmith, a Special Counsel and Assistant Secretary of NYCEDC, stated that the anticipated Site A improvements involved paving to provide access and parking. Payments with regard to the unamortized cost of Site A improvements were still being negotiated and the item presented to the Board for approval would include the results of the negotiations.

In answer to a second question from Mr. O'Sullivan, Mr. Freas stated that it was anticipated that CAI's total rent payment would be at least equal to the appraised fair market value, for highest and best use. He further explained that the structure of having a low base rent and high participation rent allowed NYCEDC to participate in the project's upside. In answer to a question from Mr. Draizin, Mr. Freas stated that CAI owned and constructed the rides. In answer to another question from Mr. O'Sullivan, Mr. Freas stated that the food and plaza portion of the project was expected to launch in 2019, and that the log flume was expected to open in 2020. He further noted that milestones and late fees for events of default would be built into the Lease. In answer to a question from Mr. McSpiritt, Mr. Freas discussed the area's overall site map and plan, and he explained that the Additional Sites would fill in gaps to create a large, contiguous amusement area. In answer to a question from Mr. Russo, Mr. Freas stated that each proposal of the other respondents to the request for proposals had addressed only a portion of the project area.

A motion was made that the Committee recommend that the Board of Directors approve the matters set forth for approval in the Proposed Resolutions section of Exhibit A hereto. Such motion was seconded and unanimously approved.

4. Adjournment

There being no further business to come before the meeting, the meeting of the Committee was adjourned at 2:27 p.m.

Assistant Secretary

Dated: _____
New York, New York

DRAFT

Exhibit A

**CONEY ISLAND LEASES AND
CAI LEASE AMENDMENT
Board of Directors Meeting
May 8, 2019**

**PROJECT
OVERVIEW:**

NYCEDC proposes to amend its existing Coney Island lease (the "Lease") with Central Amusement International, Inc. ("CAI") to expand the leased premises, which currently cover approximately 6.4 acres of land owned by NYCEDC (the "NYCEDC Owned Sites") and an approximately one-acre City-owned parcel, to include an additional City-owned approximately 3.5 acres on four sites (the "Additional Sites"). The property currently leased under the Lease is primarily used by CAI as the site of Luna Park.

The Additional Sites will be leased by the City directly to NYCEDC (the "City Lease"). State legislation and the Second Amendment to the Agreement for Special Process for New York City Council Review and Approval of Coney Island Amusement Park Project Plan authorized the City to enter into the City Lease for the Additional Sites directly with NYCEDC for purposes of the project.

CAI was selected through an RFP for amusement purposes for the Additional Sites, which was released by NYCEDC in February 2017. The terms of the Lease will be modified pursuant to a Lease amendment substantially as indicated below, such modified terms being applicable to the Additional Sites.

In addition, it is anticipated that the jurisdiction of certain premises in Brooklyn (Block 7074, Lots 170 and 190) leased to NYCEDC by the City (the "Thunderbolt Lease") and subleased to CAI under the Lease, on which the Thunderbolt roller coaster is located, will be transferred from DCAS to City Parks, at which time the rent payable by NYCEDC will be increased as set forth below.

In connection primarily with providing access to and employee parking for Luna Park, City Parks proposes to license (the "License") to CAI an approximately 41,000 square foot parcel approximately depicted as Site A on the site plan attached hereto as Attachment A, identified as Block 7074, Lot 1 on the Tax Map of Brooklyn.

If City Parks terminates the license prior to the end of the Lease term, funds from NYCEDC or the Fund (hereinafter defined) shall be used to pay CAI the unamortized cost of its improvements on Site A up to \$_____, provided that NYCEDC shall not be required to make a payment with its own funds unless such termination happens with

NYCEDC's approval, to be granted at its sole discretion, and NYCEDC shall not be required to pay more than _____ from its own funds.

CITY LEASE

Lessor: The City, acting through City Parks

Lessee: NYCEDC

Consideration: 50% of all revenues received by NYCEDC with respect to the Additional Sites will be placed by NYCEDC in a fund (the "Fund") that is anticipated to be administered by NYCEDC for use for expenses approved by City Parks for Site A (substantially as described above) and for the acquisition of additional parkland in Coney Island and/or for capital improvements to park and recreational facilities within the Coney Island area. Additionally, NYCEDC shall covenant that (1) in the future, it will transfer to the City title to the portion of the NYCEDC Owned Sites that will be mapped parkland (the City will simultaneously lease the property back to NYCEDC permitting the Lease to CAI to remain in place, for consideration calculated in a manner similar to the Additional Sites consideration), and (2) it shall require CAI to make payments in lieu of real estate taxes with respect to the Additional Sites as set forth in the Amendment to Lease below. As part of this overall project, it is anticipated that City Parks will also permit certain City-owned parcels west of MCU Park to be used for housing and/or mixed use development through developers chosen by NYCEDC.

Additional Sites: The Additional Sites are approximately 3.5 acres in the aggregate. They consist of Block 7074, Lots 2, 370 and 450 and Block 8695, Lot 500 on the Tax Map of the Borough of Brooklyn. Community Board No.3

The Additional Sites are approximately depicted as Sites B, C, D and E on the site plan attached hereto as Attachment A.

AMENDMENT TO LEASE

Lessor: NYCEDC

Lessee: CAI

Premises and Use: The Lease will be expanded to include the Additional Sites in addition to the currently demised premises. CAI will be responsible for all improvements to the Additional Sites.

Based on its assessment of the condition of the Additional Sites and its plans for their reactivation, CAI and/or its subtenants, permittees or licensees will develop and operate amusement and entertainment facilities that are anticipated to include, without limitation, a water ride, a roller coaster, a ropes course, a games facility and dining areas at the Additional Sites.

Lease Term: The Lease term currently expires on December 31, 2027 and will continue to expire on that date.

Rent: Base rent for the Additional Sites will be \$60,000 a year for Site B, \$12,000 a year for Site C, \$18,000 a year for Site D, and \$6,000 a year for Site E, each subject to two percent (2%) annual increases, compounded.

The structure of participation rent payments for the Additional Sites based on annual gross receipts, excluding certain taxes and rent from fixed rent subtenants ("Gross Receipts"), is as follows:

Site B: 6% of Gross Receipts over \$1,000,000

Site C: 6% of Gross Receipts over \$200,000

Site D: 6% of Gross Receipts over \$300,000

Site E: 5% of Gross Receipts over \$120,000

In addition, CAI shall pay participation rent equal to 15% of rent from fixed rent subtenants, if any, of the Additional Sites.

Appraised Value:

An independent appraisal of the Additional Sites performed in January 2019 indicates that fair market rental value for the Additional Sites for their highest and best use is \$530,000 in the initial year the Additional Sites would be leased, with 3% increases annually. The same appraisal valued the Additional Sites fair market rent under the restricted use at \$327,500 in the initial year, with 3% increases annually. It is anticipated that CAI will pay aggregate rent for the Additional Sites at least equal to fair market rent for highest and best use.

**Utilities/
Repairs:**

All utilities, including water and sewer, gas and electric charges, for the Additional Sites will be paid by CAI.

**Real Estate
Taxes:**

CAI shall make payments in lieu of real estate taxes with respect to the Additional Sites in the amount of the real estate taxes that would be payable with regard to the Additional Sites but for City ownership of the Additional Sites.

**TRANSFER
OF LEASE:**

The Board's authorization for NYCEDC to assign the Lease, and all of its rights and responsibilities therein, to the City for nominal consideration, will remain in effect after the Lease amendment.

**PURPOSE OF
TRANSFER/
BENEFIT TO
PUBLIC:**

The project will have public benefits and a positive economic impact on the City and the Coney Island community. In addition to the rents provided under the proposed Lease amendment and the increased tax revenues, the investment made by CAI will further the development of the amusement attractions in Coney Island and provide additional employment, including construction and permanent jobs, activate a currently dormant property on the iconic Reigelmann Boardwalk, and continue to strengthen the revitalized Coney Island Amusement Area.

**THUNDERBOLT
LEASE:**

The Thunderbolt Lease will be amended to provide that rent payable by NYCEDC under the Thunderbolt Lease will be increased at the time jurisdiction of such property is transferred to City Parks, from nominal consideration. NYCEDC will place in the Fund 50% of all revenue received by NYCEDC from premises leased thereunder to be used and administered as set forth above with regard to the Fund and the Additional Sites.

**PROPOSED
RESOLUTIONS:**

The approval of NYCEDC (i) to enter into a lease with the City for the Additional Sites and amend its existing lease with CAI to include the Additional Sites, substantially as described above, (ii) to amend the Thunderbolt Lease, substantially as described above, (iii) to make payments to CAI for the unamortized cost of improvements to Site A substantially as described above, and (iv) to administer and make expenditures from the Fund substantially as described above.

**NYCEDC
PROJECT
CODE:**

6698

STAFF:

Sean Freas, Senior Associate, Asset Management
Winthrop Hoyt, Senior Vice President, Asset Management
Matthew Kwatinetz, Executive Vice President, Asset Management
Karen Lapidus, Senior Counsel, Legal

