



MINUTES OF THE SPECIAL MEETING OF THE
REAL ESTATE AND FINANCE COMMITTEE
OF
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
March 9, 2020

A special 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 Monday, March 9, 2020, in Conference Room 13-59 (Brighton Beach), at the offices of NYCEDC at One Liberty Plaza, New York, New York.

The following members of the Committee were present by conference telephone:

Mitch Draizin
James McSpiritt
Patrick J. O’Sullivan, Jr.
Betty Woo

Members of NYCEDC staff also were present.

The meeting was chaired by Mr. O’Sullivan and called to order at 11:03 a.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. Lease for Port Authority Bus Terminal Fresh Market

Megha Chopra, an Assistant Vice President of NYCEDC, presented a proposal for NYCEDC (i) to enter into a lease agreement with The Port Authority of New York and New Jersey (the “Port Authority”) for an approximately 5,900 square foot retail space on the ground floor of the south building at the Port Authority Bus Terminal (“PABT”) in Manhattan, (ii) to make payments, and (iii) to enter into ancillary related documents, all to provide for the promotion, management and operation of a multi-vendor retail market at PABT, on substantially the terms set forth in Exhibit A hereto.

Mr. O’Sullivan noted that the Committee had convened to continue its discussion of this item, which initially had been discussed at the March 3, 2020 Committee meeting, and he thanked Ms. Chopra and the NYCEDC team for providing additional materials related to this matter.

At this time, Ms. Chopra summarized the additional materials provided to the

Committee. She explained that NYCEDC viewed the City's public markets (the "Public Markets") as a portfolio that provided social good and public benefits to the communities they served, and that NYCEDC's three main goals for the Public Markets were to make them world-class destinations for visitors, to help preserve the local cultural heritage for their respective neighborhoods, and to provide fresh and healthy food to the neighborhoods. Ms. Chopra then stated that NYCEDC's Public Markets portfolio consisted of six markets, that three were managed by NYCEDC and the other three were tenant-managed, and that each market was at a different stage of maturity. She noted that NYCEDC viewed the Essex Market as the portfolio's crown jewel with a low vacancy, thriving and sophisticated vendors, full-service restaurants and a fully programmed demonstration kitchen, and that NYCEDC's goal was to get all of the Public Markets performing at the level of Essex Market. Rachel Loeb, an Executive Vice President of NYCEDC, added that the Public Markets provided a venue for small businesses and entrepreneurs to grow and thrive, and that there was a long list of vendors wanting to join the venue and mix of tenants that NYCEDC created at Essex Market.

Ms. Chopra then explained that NYCEDC had a 3-prong strategy for working to execute its mission for the network of Public Markets, which included a strong focus on branding and marketing, expanding and investing in the network, and the development of strategies and mechanisms to increase exposure and sales for the vendors. David Hughes, a Vice President of NYCEDC, noted that many infrastructure improvements had been made and were slated to be made across the portfolio, and that currently there was a lot of momentum and forward-facing strategic planning in place for the Public Markets. Ms. Chopra then discussed how the PABT market would align with NYCEDC's strategy. She stated that NYCEDC viewed the PABT market as having a lot of opportunity for brand exposure to regional tourists, which was one of the key demographics that NYCEDC was trying to reach, that some Public Markets-branded goods would be displayed and merchandized, and that the PABT provided a great opportunity to anchor the Public Markets brand in a central and high-traffic location and to drive awareness and traffic to the other markets in the network.

At this time, Ms. Chopra summarized the many positive developments that had happened with the markets in the last two years, as well as the various plans that NYCEDC had for the Public Markets over the next twelve months. Then, with respect to the PABT, Ms. Chopra explained that there was a gap in the offerings at the PABT and a clear need for more fresh, local, fast-casual and specialty foods, and that these were all things that NYCEDC and the Public Markets did very well. She added that NYCEDC would actively work to engage with the local community and neighborhood, in addition to capturing commuter traffic. Ms. Chopra then discussed the project financials, explained that NYCEDC felt strongly that it had negotiated a good deal, and noted that NYCEDC viewed the PABT market as an opportunity to break even or generate a modest return.

In answer to a question from Mr. Draizin, Ms. Chopra stated that no use restrictions were in place if NYCEDC were to opt to leave the PABT, but that in such an unlikely scenario NYCEDC would leave behind a curated marketplace with vendors that

complement the community, in addition to a built-out market with space for programming and gathering. In answer to a second question from Mr. Draizin, Ms. Chopra stated that the choice of tenants for the PABT market would be geared to meet the needs of both the commuters and the neighborhood, and that NYCEDC viewed the proposed rent to be charged to vendors for this sort of space as at or a little below market, considering that the landlord had done all of the fit-out, provided kitchen equipment and a place to operate, and had taken care of the operating expenses. Ms. Loeb added that NYCEDC had a combination of legacy tenants and new tenants at Essex Market, and that the new tenants who were there in a similar quality of space were paying higher than what NYCEDC anticipated on average for the PABT. In answer to another question from Mr. Draizin, Ms. Chopra stated that a marketing study was conducted by the Port Authority in advance of releasing the request for expressions of interest for the PABT space to help it understand what was needed, and that the Port Authority shared the study with NYCEDC. She added that the PABT market would be closest to the Essex Market and NYCEDC anticipated that it would have a similar vacancy rate.

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 approved. Mr. O'Sullivan recused himself from voting on this matter.

2. Adjournment

There being no further business to come before the meeting, the meeting of the Committee was adjourned at 11:26 a.m.

Mark Silversmith
[Mark Silversmith \(Jun 11, 2020 11:47 EDT\)](#)

Assistant Secretary

Dated: June 9, 2020
New York, New York

EXHIBIT A

LEASE FOR PORT AUTHORITY BUS TERMINAL FRESH MARKET
Board of Directors Meeting
March 18, 2020

OVERVIEW:

In March 2019, NYCEDC responded to a Request for Expression of Interest (an "RFEI") issued by the Port Authority for a market developer and operator to promote, manage and operate an approximately 5,900 square foot retail market at the Port Authority Bus Terminal ("PABT") in Manhattan. The Port Authority selected NYCEDC as the successful respondent. PABT's location, diverse commuter base, and active retail climate make it an ideal venue for a new public market. The Port Authority will provide new code-compliant turn-key construction and installation of tenant improvements in accordance with input provided by NYCEDC on design, plans and specifications. Cost of construction will be shared by both parties with the final apportioned costs contingent upon the construction completion date.

In connection with the market, NYCEDC proposes to enter into a lease (the "Lease") for an approximately 5,900 square foot retail space on the ground floor of the south building at PABT.

LEASE TERMS

LANDLORD: Port Authority

TENANT: NYCEDC

TERM: Five years plus one option to extend the term for an additional five year period.

BASE RENT: Base rent is to commence at \$70,000 per year (i.e. approximately \$11.86 per square foot). Base rent will commence after the first of the following to occur: (a) the market is open for operation or (b) 18 months from and including the Lease commencement date. On each anniversary of the rent commencement date, the rent will increase two percent (2%) per year.

**PARTICIPATION
RENT:**

A percentage of every dollar earned by Tenant above \$750,000 in rent collected from vendors each year, based on the amount of Landlord's Contribution (defined below), as set forth below.

Landlord's Contribution	Participation Payment of rent in excess of \$750,000
\$3,500,000	50%
\$3,250,000 - \$3,499,999	46%
\$3,000,000 - \$3,249,999	43%
\$2,750,000 - \$2,999,999	39%
\$2,250,000 - \$2,749,999	32%
\$1,750,000 - \$2,249,999	25%
\$1,000,000 - \$1,749,999	14%

USE:

A multi-vendor market offering items that will primarily include, but not be limited to, fruits and vegetables, baked goods, limited grocery items, fish, cheeses, meats and some prepared food. In addition, the market may serve as a venue for NYC Public Markets promotional events and programming and sell a small assortment of non-food merchandise including those promoting NYC Public Markets.

PROJECT BUDGET:

The total projected costs for the build out of the market are approximately \$7 million (the "Tenant Improvements"). Port Authority will be responsible for managing the design and for doing the actual buildout of the Tenant Improvements. NYCEDC will contribute a minimum of \$3.5 million towards the design and construction of the Tenant Improvements. Provided that the construction costs over \$3.5 million and construction is completed by no later than 21 months from the Lease commencement date (extended by delays other than Tenant delays), Port Authority will contribute a minimum of \$1 million and a maximum of \$3.5 million towards the design and construction of the Tenant Improvements. All Port Authority contributions in excess of \$1 million will be contingent on and determined by the achievement of construction milestones, outlined below in the "Performance Based Tenant Improvement Allowance". If the total cost for the Tenant Improvements is less than \$3.5 million, Port Authority is entitled to 90% of the difference between \$3.5 million and the actual (lesser) amount spent by NYCEDC on Tenant Improvements in the form of additional rent over the term of the Lease.

PERFORMANCE BASED TENANT IMPROVEMENT ALLOWANCE:

The Port Authority shall contribute a Tenant Improvement Allowance ("Landlord's Contribution") in the amount stated below, depending on when both construction completion and opening of the market have occurred ("Contribution Milestones"):

Date Contribution Milestones Occur	Landlord's Contribution
Prior to March 1, 2021	\$3,500,000
March 1 – March 31, 2021	\$3,250,000
April 1 – April 30, 2021	\$3,000,000
May 1 – May 31, 2021	\$2,750,000
June 1 – June 30, 2021	\$2,250,000
July 1 – July 31, 2021	\$1,750,000
August 1, 2021 to 21 months after the Lease commencement date	\$1,000,000

Port Authority will commit to complete design of the Tenant Improvements by 4 months from the Lease commencement date (subject to delays caused by Tenant) and construction of the Tenant Improvements within 8.5 months from complete construction drawings being available and the pre-construction meeting with NYCEDC. The 4 months and 8.5 months deadlines will be extended on a day-for-day basis for each day of delay to those dates that is caused by Tenant.

To the extent that design of the Tenant Improvements is completed, or the pre-construction meeting with NYCEDC is held, after 4 months from the Lease commencement date or construction of the Tenant Improvements is delayed beyond 8.5 months from complete construction drawings being made available and the pre-construction meeting with NYCEDC, then, for delays not caused by Tenant, each of the dates in the table above will be extended by the amount of such delay.

If Tenant delays push construction completion to a date that is more than 18 months from the Lease commencement date, Tenant shall pay monthly extension fees (\$6,000 for first extension, \$8,000 for the second and \$10,000 for the third). If Tenant delays push construction completion to a date that is more than 21 months from the Lease commencement date, then this will be an event of default and the Lease will be terminated.

FLOW OF FUNDS: NYCEDC will deposit funds into an account, which the Port Authority will draw down on to fund payments for the Tenant Improvements. NYCEDC will be responsible for cost overruns.

The funds will be from NYCEDC programmatic budget funds, including possibly funds provided to NYCEDC by the developer of Essex Crossing for improvements to public markets.

**TERMINATION
RIGHT:**

The Port Authority has the right to terminate the Lease, without cause, at any time, on 30 days' notice to NYCEDC. In such event, if NYCEDC is not in default it will be reimbursed for the unamortized portion of its investment in the design and construction of the Tenant Improvements.

PUBLIC BENEFIT:

NYCEDC will promote the market within PABT as a part of NYCEDC's city-wide markets portfolio. NYCEDC will leverage the central location of PABT, its shoppers, commuters and local residents to create a vibrant and bustling city-wide destination. This new public market will also provide access to affordable, healthy and diverse food options. Additionally, NYCEDC will serve to connect the public market and vendors to the surrounding community through unique events, programming and partnerships with local community stakeholders.

**PROPOSED
RESOLUTION:**

Approval for NYCEDC to enter into a lease agreement with the Landlord and to make payments on substantially the above described terms and to enter into any ancillary related documents

**NYCEDC
PROJECT CODE:**

9240

STAFF:

Winthrop Hoyt, Senior Vice President, Asset Management
David Hughes, Vice President, Asset Management
Megha Chopra, Assistant Vice President, Asset Management
Tiffany Lacker, Senior Counsel, Legal