



MINUTES OF THE MEETING OF THE
REAL ESTATE AND FINANCE COMMITTEE
OF
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
September 15, 2020

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 telephonically on Tuesday, September 15, 2020.

The following members of the Committee were present telephonically:

William Candelaria
Mitch Draizin
James McSpiritt
Patrick J. O'Sullivan, Jr.
Mark Russo
Betty Woo

Members of NYCEDC staff also were present.

The meeting was chaired by Mr. O'Sullivan and called to order at 2:03 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 July 28, 2020 Committee Meeting

It was moved that the minutes of the July 28, 2020 meeting of the Committee be approved, as submitted. Such a motion was seconded and unanimously approved.

2. Tenant Relief

Julie Stein, a Senior Vice President of NYCEDC, presented a proposal (i) to amend a previous Board authorization in order to provide authorization for NYCEDC to provide up to 9 months (instead of the previously authorized 6 months) of relief to tenants, subtenants, permittees and other occupants of property owned or leased by NYCEDC that have been adversely impacted by COVID-19, and (ii) to authorize NYCEDC to provide to entities and persons that have a charter or lease of NYCEDC-owned vessels from NYCEDC that have experienced hardship related to COVID-19 the same kinds of relief as NYCEDC is authorized to provide with regard to other property

owned or leased by NYCEDC, on substantially the terms set forth in Exhibit A hereto.

Ms. Stein summarized the relief given to date and stated that the borough in which the most entities were given relief was Brooklyn but in terms of dollars the borough that had received the most relief was the Bronx. In answer to a question from Mr. Russo, Ms. Stein stated that across the board NYCEDC was not seeing a massive trend of business closures among its tenants. In answer to a question from Mr. O'Sullivan, Ms. Stein explained that currently the relief for entities who chartered or leased NYCEDC-owned vessels involved NYCEDC's arrangements with BillyBey for vessels for the East River Ferry system that were not part of the current NYC Ferry system. BillyBey was seeking relief due to a decrease in business due to COVID-19. In answer to a question from Mr. McSpiritt, Ms. Stein explained that with respect to tenants in its portfolio seeking relief NYCEDC was not seeing a trend as to any particular type of business needing help.

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.

3. Long Term Ground Sublease to Steiner Sequel LLC

Courtenay Green, a Senior Associate of NYCEDC, presented a proposal for NYCEDC to enter into a sublease with Steiner Sequel LLC or an affiliated entity ("Developer" or "Steiner") for property located on the campus of Bush Terminal at Block 725, portions of Lots 1 and 100, on the Tax Map of the Borough of Brooklyn (the "Site"), on substantially the terms set forth in Exhibit B hereto. She summarized the project, including its community benefits.

In answer to a question from Mr. O'Sullivan, Ms. Green discussed the construction and employment milestones and timeline for the project and explained that NYCEDC was confident that the Developer would meet its commitment of approximately 2,200 jobs based on NYCEDC's research, the type of facility the Developer planned to open for this project, and the employment level at the Developer's facility at the Brooklyn Navy Yard. In answer to another question from Mr. O'Sullivan, Ms. Green stated that the project was another arm of the Developer's continued, strategic expansion which boosted its job numbers in New York through film and television studios. The demand for its sound stages exceeded the availability at the Brooklyn Navy Yard.

In answer to a question from Mr. Draizin, Ms. Green stated that the Developer was required to provide proof of financing for the project. She further explained that based on letters from the Developer's lenders that NYCEDC demanded and Steiner's experience and reputation as a developer in New York, NYCEDC felt comfortable that the Developer was able to finance this project. In answer to a question from Mr. O'Sullivan, Ms. Green stated that most of the project's economics in terms of the rent structure were largely determined pre-pandemic. In answer to another question from Mr. O'Sullivan, Ms. Green discussed the appraisal of the Site and the factors that were

taken into account for that valuation, and then discussed the combination of factors that led NYCEDC to select Steiner for the project.

In answer to questions from Mr. Draizin and Mr. O'Sullivan, Ms. Green stated that Steiner had provided a security deposit for the pre-development agreement period, but that there was no such deposit for the ground lease itself. Ms. Stein then added that NYCEDC had the building on the Site as protection. In answer to another question from Mr. O'Sullivan, Ms. Green explained that Steiner will have already put millions of dollars into the deal before the ground lease would come into effect, including a great deal of money for pre-development costs that it would use as rent offsets. In answer to another question from Mr. Draizin, Ms. Stein stated that the City would own the improvements on the Site. In answer to another question from Mr. O'Sullivan, Ms. Stein stated that the Developer was also providing to NYCEDC a completion guarantee under the ground lease. In answer to another question from Mr. O'Sullivan, Ms. Green discussed the status of other aspects of the Made in New York campus. Ms. Stein then noted all of the components of the Mayor's announcement from 2017 with regard to the campus were now in motion and expected to be completed in the coming years.

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 B hereto. Such motion was seconded and unanimously approved.

4. Bathgate Industrial Park: New Master Lease with the City and Assignment of Perrigo Lease Agreement

Serin Choi, a Senior Associate of NYCEDC, presented a proposal for NYCEDC (i) to enter into a new lease (the "Master Lease") with The City of New York (the "City") for certain property located at Block 2930, Lot 12 ("Site 1"), Block 2914, Lot 1 ("Site 2"), Block 2915, Lot 1 ("Site 3"), Block 2919, Lot 5 ("Site 4"), Block 2920, Lot 2 ("Site 5"), and Block 2921, Lot 1 ("Site 6") on the Tax Map of the Borough of the Bronx (together, the "Property"), and, in order to achieve this, to first surrender its current leasehold interest in the Property and an area now occupied by a City high school, pursuant to a surrender agreement with the City, (ii) to enter into an assignment and assumption of lease agreement, pursuant to which it will assume a new lease between the City and Perrigo New York, Inc. ("Perrigo") for Site 2, Site 3 and Site 6 (the "Perrigo Lease"), (iii) to pay a real estate broker commission of \$1,900,000, and (iv) to enter into any related agreements, documents and consents to effectuate the proposed project, on substantially the terms set forth in Exhibit C hereto.

In answer to a question from Mr. O'Sullivan, Ms. Choi stated that Perrigo was currently a tenant and paying approximately \$6-7 per square foot, and would now pay over \$9 per square foot. In answer to a second question from Mr. O'Sullivan, Ms. Choi stated that NYCEDC believed that the Port Authority of New York and New Jersey ("PA") was responsible for the deferred maintenance items that resulted in a rent credit. At this time, Winthrop Hoyt, a Senior Vice President of NYCEDC, noted that NYCEDC was attempting to have the PA pay for this work.

In answer to another question from Mr. O'Sullivan, Ms. Choi explained the rent credit to Perrigo for jobs. Mr. Hoyt added that retaining Perrigo at this location would help reposition this asset into a job-rich modern industrial center. In answer to an additional question from Mr. O'Sullivan, Ms. Choi stated that Perrigo had retained a broker and had looked at other spaces.

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 C hereto, with the surrender being of NYCEDC's leasehold interest in the Property and the area now occupied by a City high school. Such motion was seconded and unanimously approved.

5. Adjournment

There being no further business to come before the meeting, the meeting of the Committee was adjourned at 2:45 p.m.

Mark Silversmith

Mark Silversmith (Nov 2, 2020 17:15 EST)

Assistant Secretary

Dated: 11/02/2020

Brooklyn, New York

EXHIBIT A

TENANT RELIEF
Board of Directors Meeting
September 30, 2020

PROJECT: Providing relief to tenants, subtenants, permittees and other occupants of property owned or leased by NYCEDC, and to entities and persons that have a charter or lease of NYCEDC-owned vessels from NYCEDC, that are adversely impacted by COVID-19

In June 2020, NYCEDC's Board authorized NYCEDC to provide up to six months of relief with regard to rent, fees, charges and other occupancy payments owed to NYCEDC by tenants, subtenants, permittees and other occupants of property owned or leased by NYCEDC that experienced hardship related to COVID-19 (including the up to 3 month relief period previously authorized in March 2020). NYCEDC is seeking (1) to increase the length of the period with regard to which such a person or entity may be given relief to up to a total of nine months, and (2) to be authorized to provide to entities and persons that have a charter or lease of NYCEDC-owned vessels from NYCEDC and that have experienced hardship related to COVID-19 the same kinds of relief as NYCEDC is authorized to provide with regard to other property owned or leased by NYCEDC.

PROPOSED RESOLUTION: To authorize the President and any empowered officer (1) to defer, reduce, release and/or waive up to 100% of up to nine months (instead of the previously authorized six months) of any rent, fee, charge or other occupancy payment owed to NYCEDC under a lease, sublease, permit or other occupancy agreement or arrangement in which NYCEDC is the lessor, sublessor or permittor or is otherwise the grantor of occupancy rights and (2) to provide similar relief under a charter or lease of NYCEDC-owned vessels from NYCEDC.

NYCEDC STAFF: Julie Stein, Senior Vice President, Asset Management
Winthrop Hoyt, Senior Vice President, Asset Management
James Wong, Senior Vice President NYC Ferry
Ethan Wiseman, Assistant Vice President, NYC Ferry
Rachel Loeb, Executive Vice President

EXHIBIT B

LONG TERM GROUND SUBLEASE TO STEINER SEQUEL LLC
Board of Directions Meeting
September 30, 2020

SUBLESSOR: NYCEDC

SUBLESSEE Steiner Sequel LLC or an affiliated entity (“Developer”)
The principal of Steiner Sequel LLC is Doug Steiner.

SITE LOCATION Bush Terminal – South Campus
Block 725, portions of Lots 1 and 100 (the “Site”)
Borough of Brooklyn
Community Board No. 7

SITE DESCRIPTION: The Bush Terminal campus is located on the Brooklyn waterfront in Sunset Park and is approximately bounded by 40th St. to the north, 51st St. to the south, 1st Ave. to the east, and the Bay Ridge Channel waterfront and Bush Terminals Piers Park (the “Park”) to the west. The Site is a portion of the campus and spans approximately from 51st St. to 43rd St. between 1st Avenue and the Bay Ridge Channel waterfront and the Park and includes a vacant lot of approximately 316,000 square feet, an approximately 72,000 square foot parking area, and two existing structures (“Buildings 57 and 58”) totaling approximately 280,000 square feet. The Site is approximately depicted in Attachment A.

BACKGROUND: Bush Terminal is a City-owned industrial facility leased to NYCEDC pursuant to three master leases, collectively referred to as the “Bush Terminal Master Leases.” The term of each of the Bush Terminal Master Leases expires on January 31, 2095. The Bush Terminal Master Leases allow NYCEDC to sublease space at Bush Terminal for manufacturing, industrial, and commercial purposes, including office uses incidental thereto.

In February 2017, Mayor de Blasio announced the Made in New York Campus at Bush Terminal to co-locate garment manufacturing, media production, and supporting industries.

In July 2018, NYCEDC issued an RFP seeking proposals from film, television, sound recording, and/or other media production companies to lease and develop portions of the southern portion of the campus. Subsequent addenda expanded the Site area. RFP goals include job creation, advancing equity, diversity and inclusion in the industry, and investments in the Sunset Park community. NYCEDC ultimately selected the Developer as the successful respondent in July 2020. The respondents to the RFP and a brief

summary of each of their initial proposals (and a summary of the 2 finalist negotiated proposals) are listed in Attachment B.

PROJECT

DESCRIPTION:

The Developer proposes, through both ground-up construction and the renovation of Buildings 57 and 58, to develop a minimum of approximately 652,000 square feet. It is anticipated that this will include (a) a new facility featuring approximately 112,000 square feet of sound stages and approximately 135,000 square feet of production office and support space, (b) approximately 250,000 square feet of renovated production office and support space in Buildings 57 and 58, and (c) an approximately 155,000 square foot parking garage containing at least 500 parking spaces (collectively, the "Project"). Support spaces may include (but are not limited to) wardrobe areas, dressing rooms, green rooms, wood shops, prop storage, lighting storage, post-production facilities, offices, and set construction space.

In addition to the Site development, the Developer has made the following financial and other commitments as part of the Project (with certain of the indicated annual amounts being subject to periodic increases):

- Completion of an unimproved section of the adjacent Park
- Up to \$250,000 for the construction by the Developer of a playground in the Park, designed in collaboration with the community
- \$25,000 per year for the term of the sublease for programming at the Park undertaken by a not-for-profit organization or the City
- Construction of an additional 20 to 40 public parking spaces for users of the Park
- Construction of a re-routed landscaped pedestrian and bicycle entrance to the Park (southern entrance), if current entrance is needed for Developer's site circulation
- \$50,000 annually to support the Mayor's Office of Media and Entertainment ("MOME") Made in NY Production Assistant and Post Production Training Programs (or equivalent programs) for the term of the Developer's sublease to expand and promote such programs' operations in Sunset Park and South Brooklyn. It is anticipated that this funding will bring 25-30 new students per year from the Sunset Park neighborhood and the remainder of the City into these programs
- Educational programming:
 - o Up to \$50,000 for the City's Department of Education (the "DOE") to establish a new Career and Technical Education ("CTE") school or program in Sunset Park, with the assistance of the Developer

- \$25,000 per year for the term of the sublease for the CTE school's resources and programs
- Year-round internships at the Project studios for students from the CTE school
 - If a full scale CTE program is not possible after concerted effort with the DOE, Developer would work with a qualified organization to create an after-school program in Sunset Park to accomplish similar goals; and
- Summer internship program with Developer (two 10-week positions, anticipated to focus in the areas of stage operations, lighting and grip, and production facilities management) filled through local community organizations
- \$25,000 annually for the first 10 years of the sublease to MOME or a non-profit entity to support gender equity, diversity and inclusion in the film and television industry
- Free approximately 2,500 square foot office space for length of sublease for one or more non-profit(s) advancing racial equity in the media industries, and free access to production space during stage down time for same non-profit

Developer's proposal projects to create approximately 2,200 permanent jobs and 1,800 temporary construction jobs, and will comply with required commitments to HireNYC and an M/WBE goal of 25%.

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

It is anticipated that the disposition of the Site will create thousands of jobs, activate an underutilized portion of the Sunset Park waterfront, greatly improve the Park, provide new training and employment opportunities in the film and television industries, and help to realize the overall Made in New York Campus vision.

**SUBLEASE
TERMS:**

Developer will enter into a ground sublease with NYCEDC for the Site (except for a marginal southern portion subject to an option, substantially as described further below and approximately depicted on Attachment A) to develop and operate the Project, with an initial term of 49 years and 5 subsequent 10-year renewal options (not to exceed a total of 99 years). Any renewal beyond the January 31, 2095 expiration date of the Bush Terminal Master Leases shall be contingent on the extension of the Bush Terminal Master Leases. The proposed base rent is \$1.5M for the first sublease year, with annual steps up until and including the 13th sublease year. In the 14th sublease year, base rent shall increase

to \$3M per annum and increase 10% every five years thereafter. The specified base rent assumes that the option portion of the Site will be subleased. However, the base rent amount will not be reduced if the option portion is not subleased. Developer may perform certain water, electrical, drainage and environmental site prep work, for which it may receive rent offsets up to a cap of \$25M.

Developer's proposal also includes Participation Rent beginning in the fifth sublease year, which shall annually equal the amount by which 6% of Developer gross revenues exceeds base rent for the sublease year.

The subleased premises includes a marginal area that is anticipated to be used for use as a circulation loop for the Project (approximately depicted in Attachment A). Developer has agreed to provide that NYCEDC and/or the City may utilize the western part of such area (a) for future resiliency needs or (b) in the event of certain changes in use of the subleased premises such that a circulation loop is no longer required.

The sublease includes an option for Developer to add a marginal southern area (approximately depicted in Attachment A and currently used in connection with an entrance to the Park) to the subleased premises if Developer has built and opened a replacement pedestrian and bike path entrance to the Park.

**APPRAISED
VALUE:**

NYCEDC commissioned an independent appraisal in late 2019 which has recently been completed. The appraisal concluded that the highest and best use fair market value for the premises to be subleased was \$136,300,000, and that the initial fair market ground rent for same was \$6,500,000. These values took into account the cost of construction of buildings at the Site, but did not take into account the development requirements and restrictions pertaining to the proposed use and development of the Site, which include required use as a media production facility in accordance with the Project Commitments set forth in the Lease. A second determination by the appraiser, which accounted for the restrictions of the Lease use requirements (but not all of the extra costs pertaining to the proposed use and development of the Site such as extensive community investments and potential removal of underground obstructions), resulted in a value of \$75,800,000 for the Site and of \$3,600,000 for the fair market annual rent.

**EXISTING
ZONING:**

The Site is zoned M3-1. It is also located within a waterfront zoning lot and the Southwest Brooklyn Industrial Business Zone.

PUBLIC**APPROVALS:**

As it is currently planned, the proposed Project development is as of right and requires no discretionary approvals. If the Developer wishes to extend the sublease beyond January 31, 2095, ULURP would be necessary to first extend the term of the Bush Terminal Master Leases, as current approvals for the Bush Terminal Master Leases expire in that year.

PROPOSED**RESOLUTIONS:**

Approval for NYCEDC to enter into a sublease with Developer substantially as described herein.

The Board of Directors further resolves that there is no reasonable alternative to the proposed sublease to the Developer that will achieve the same purpose as the transfer.

NYCEDC

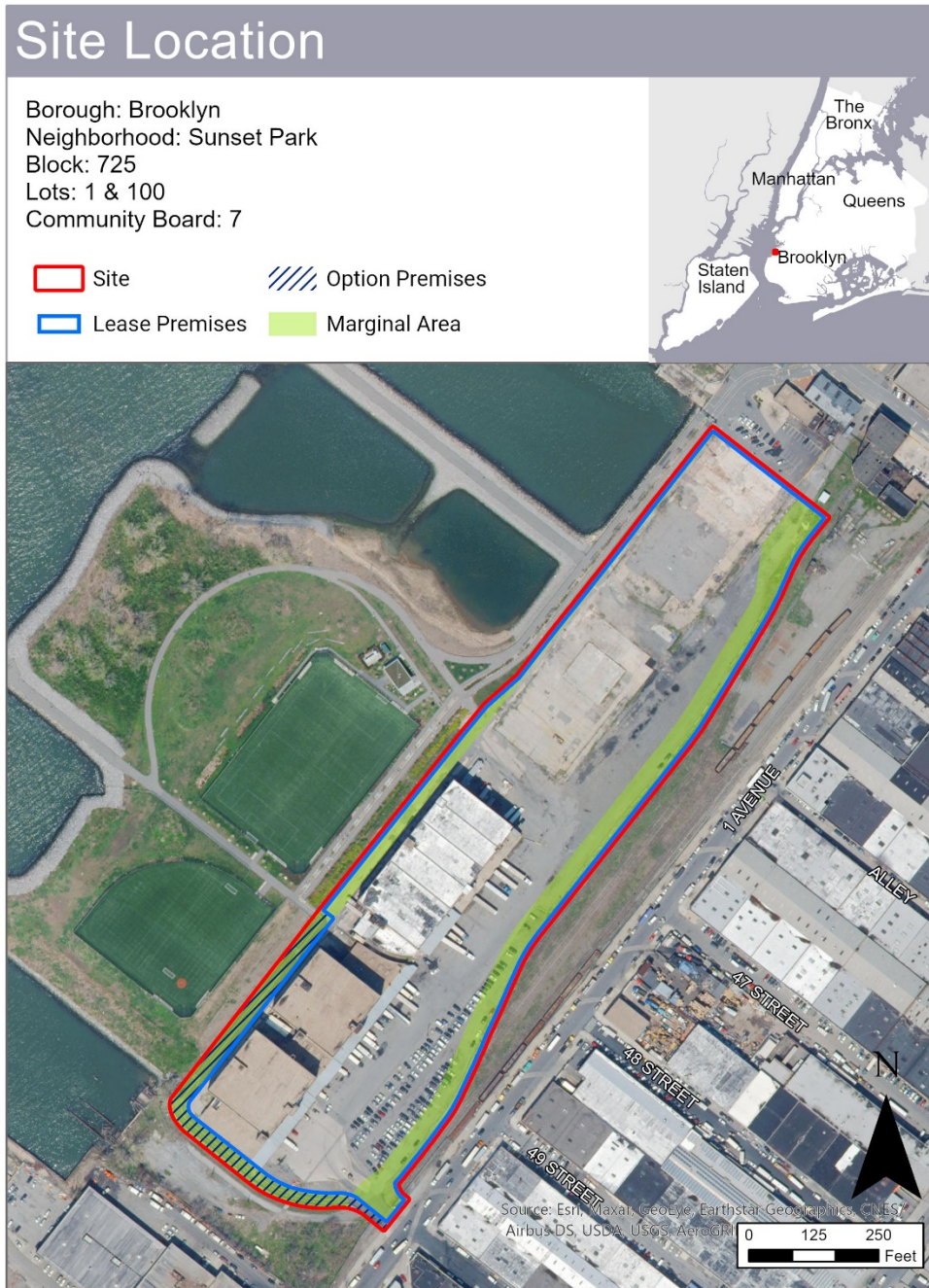
PROJECT CODE: 7418

STAFF:

Courtenay Green, Senior Associate, Portfolio Management
Young Ji, Vice President, Portfolio Management
Julie Stein, Senior Vice President, Portfolio Management
Caroline Nguyen, Senior Counsel, Legal

ATTACHMENT A

SITE AND PROJECT LOCATION (BUSH TERMINAL SOUTH CAMPUS)



For illustrative purposes only. NYCEDC - MGIS 09/2020

ATTACHMENT B

INITIAL RESPONDENT PROPOSALS (and summary of 2 negotiated proposals)

Name	Proposed Project	99-Year NPV	Community Benefits/Contributions	Perm. Jobs Created
Steiner Sequel LLC	843K SF development: 160K SF sound states 442K SF support 241K SF parking <u>Negotiated Proposal</u> 652K SF development: 112K SF sound stages, 385K SF support 155K SF parking	\$-7.7M <u>Negotiated</u> \$76.6M	Internship Opportunities <u>Negotiated Proposal</u> <ul style="list-style-type: none"> - Park upgrades including playground - Parking - Industry/internship partnerships, workforce training and financial contributions - Contributions to establishment of CTE school in Sunset Park 	2,200
Bush Terminal Lease Holder, LLC	675K SF development: 287K SF offices 101K SF amenity space 287K SF stages/support <u>Negotiated Proposal</u> 720K SF (min) development: 140K SF sound stages 400K SF support space 180K SF parking	\$9.7M <u>Negotiated</u> \$158M	Internship/Mentorships <u>Negotiated Proposal</u> <ul style="list-style-type: none"> - Park upgrades including playground - Parking - Industry/internship partnerships, workforce training and financial contributions - Free space for workforce dev/foundations 	1,200
Bush Terminal Studios, LLC	615K SF development: 200K SF hub/support 215K SF parking 200K SF sound stages	Not enough info- proposal requested \$135M of City Capital converting to loan with no proforma details	<ul style="list-style-type: none"> - Tours - Cafes and experiential events geared toward public - Educational space - Apprenticeship and job training 	Unspecified
Eastern Effects, Inc.	Operation of up to 600K SF of sound stage/support facilities	N/A - Respondent proposed as Operator only	- N/A - Respondent submitted proposal as Operator only	Unspecified

EXHIBIT C

BATHGATE INDUSTRIAL PARK: NEW MASTER LEASE WITH THE CITY AND ASSIGNMENT OF PERRIGO LEASE AGREEMENT

Board of Directors Meeting

September 30, 2020

OVERVIEW:

The City is the fee owner of the Property (hereinafter defined) which is located in an Urban Renewal Area in the Morrisania neighborhood in the Bronx. In October 1980 the City entered into a ground lease with New York City Public Development Corporation ("PDC"), predecessor-in-interest to NYCEDC (the "Original Master Lease"), to develop an industrial park (the "Bathgate Industrial Park") on the Property, additional areas subsequently removed from the Original Master Lease, and an additional area now occupied by a City high school that it is anticipated will not be included in the new master lease for the Property to be entered into between the City and NYCEDC. In February 1982, the City and PDC entered into a sublease (the "PA Sublease") with the Port Authority to develop and operate the Bathgate Industrial Park. The Port Authority constructed 7 buildings on the Property and sub-leased the Property to various industrial tenants, including Perrigo New York, Inc., a generic drug manufacturer ("Perrigo"), which occupies three of the seven buildings, and allowed a high school on a portion of the subleased area. The PA Sublease expires on October 19, 2020 at which time the subleased property will revert to NYCEDC under the Original Master Lease for a term expiring on October 19, 2030 and all current tenancies on the Property will terminate.

In order for NYCEDC to have adequate time to form a long-term plan to operate the Property for continued industrial purposes, NYCEDC requires a lease term that exceeds the 10 years remaining on the Original Master Lease.

Accordingly, after its surrender of the Original Master Lease, NYCEDC proposes to enter into a new lease with the City for the Property with a term of 59 years (the "Master Lease"), the balance of the 99 year term initially available for a lease to NYCEDC of the Property. Furthermore, the City will first enter into a new 20-year lease with Perrigo (the "Perrigo Lease") upon the surrender of the Original Master Lease and it is proposed that the City will assign the Perrigo Lease to NYCEDC at the time of entering into the Master Lease. The Perrigo Lease will provide by its terms that it is subject and subordinate to the Master Lease and that Perrigo will look to NYCEDC as its landlord.

PROPERTY LOCATION: Block 2930, Lot 12 ("Site 1")
Block 2914, Lot 1 ("Site 2")
Block 2915, Lot 1 ("Site 3")
Block 2919, Lot 5 ("Site 4")
Block 2920, Lot 2 ("Site 5")
Block 2921, Lot 1 ("Site 6"),
Borough of the Bronx

The Property is developed with 7 buildings located on 174th Street, 172nd Street, Washington Avenue and Third Avenue, with total square footage of approximately 399,000 square feet.

An approximate map of the Property is included as Attachment A.

**PROPERTY
DESCRIPTION:**

Site 1 contains an approximately 18,500 square foot, two-story commercial building with an approximately 14,000 square foot gated parking lot. It is currently a temporary COVID-19 testing site operated by the New York City Health and Hospitals Corporation.

Site 2 contains an approximately 68,186 square foot one-story industrial building with an approximately 35,500 square foot gated parking lot. It is currently occupied by Perrigo.

Site 3 contains an approximately 106,227 square foot one-story industrial building with an approximately 36,700 square foot gated parking lot. It is currently occupied by Perrigo.

Site 4 contains two buildings. The northern building is an approximately 23,500 square foot one-story industrial building with an approximately 12,800 square foot gated parking lot. The northern building is vacant. The southern building is an approximately 7,500 square foot one-story commercial building with an approximately 12,800 square foot gated parking lot and playground. It is currently occupied by a daycare doing business as Tremont Day Care.

Site 5 contains an approximately 76,094 square foot one-story industrial building with an approximately 34,700 square foot gated parking lot. The building is currently occupied by two tenants. On the northern end, the State University of New York operates the Bronx Educational Opportunity Center, a

tuition-free vocational school. On the southern end, SIDCO Food Distribution Corp. (“SIDCO”) operates a bakery ingredient distribution center.

Site 6 contains an approximately 99,587 square foot one-story industrial building with an approximately 36,700 square foot gated parking lot. It is currently occupied by Perrigo.

**SURRENDER AND
RELATED ACTIONS:**

NYCEDC will surrender its leasehold interest in the Property to the City in consideration for the City entering into the new Master Lease in order to facilitate the long-term operation of the Bathgate Industrial Park.

Contemporaneously with NYCEDC’s surrender of its leasehold interest, it is anticipated that: (i) the City will lease Site 2, Site 3 and Site 6 to Perrigo, (ii) the City will enter into the new Master Lease with NYCEDC, and (iii) the City will assign its rights and interest as landlord under the Perrigo Lease to NYCEDC and NYCEDC will assume the City’s obligations under the Perrigo Lease. The Perrigo Lease will provide that (i) it is subject and subordinate to the new Master Lease and (ii) Perrigo consents to the assignment of the Perrigo Lease to NYCEDC and Perrigo will look to NYCEDC as its landlord for all purposes of the Perrigo Lease.

**NEW MASTER
LEASE:**

Lessor: The City of New York, acting through HPD

Lessee: NYCEDC

Term: 59 years, from October 20, 2020 to October 19, 2079

Rent: \$1.00 annually

PERRIGO LEASE:

Premises: Site 2, Site 3 and Site 6
Total built square footage of approximately 274,000 square feet

Term: 20 years from October 20, 2020 to October 19, 2040. Perrigo has the option to terminate the lease after ten years.

Rent:

Base rent is \$9.50 per square foot of building space, with an annual 2.5% escalation. Perrigo must also annually pay 10% of the land value as determined by the City's Department of Finance (but in no event more than \$540,000 per year). Perrigo is eligible for a \$1.00 per square foot rent credit for retaining an average of 350 jobs per lease year. If during the first 10 lease years Perrigo fails to retain an average of at least 175 jobs per year in two consecutive lease years, then beginning in year 11 an annual rent penalty of \$2.00 per square foot will be applied for each lease year in which Perrigo has retained less than an average of 175 jobs per year in the prior year, provided, however, that if in lease year 16 Perrigo has retained such average number of jobs then no penalty shall apply for the balance of the term.

To address deferred maintenance issues, NYCEDC is providing Perrigo with a \$1,350,000 rent credit, amortized over four years. NYCEDC will also pay Perrigo's broker a \$1,900,000 commission payable in 2 installments: \$950,000 at lease execution and \$950,000 on July 1, 2021. In the event that Perrigo exercises its option to terminate the lease on October 20, 2030 as to 1, 2 or all 3 of the Sites, Perrigo will be required to reimburse NYCEDC 1/3rd of \$950,000 for each Site removed from the lease.

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

The surrender of the Original Master Lease in order for NYCEDC to enter into the new Master Lease will enable NYCEDC to operate the Property for a new term of 59 years and develop a long-term plan for the industrial facility to preserve and grow industrial jobs in the Bronx, including by having Perrigo as a long-term tenant and investing in capital improvements to retain and attract industrial businesses.

**PROJECT
COST:**

NYCEDC has budgeted to spend \$1,645,000 for structural, life safety, and sidewalk repairs from October 20, 2020 to June 30, 2021 to bring all occupied buildings and sidewalks at the industrial park into usable condition. NYCEDC may incur additional repair costs in connection with short-term license agreements being negotiated with SUNY, Tremont Day Care and SIDCO, costs anticipated to be offset by the revenue generated from the licenses. It is anticipated that existing authorized retainer contracts will be used for this work. To the extent that additional contracts need to be

entered into or that the amount of the authorized contracts needs to be increased, additional Executive Committee authorization will be sought, to the extent the amounts or contracts require Executive Committee approval.

**APPRAISED
VALUE:**

Appraisal completed in January 2020 determined that the fair market value for the space leases at the individual buildings located at the Bathgate Industrial Park are:

- \$30.00 per square foot (PSF) for Site 1
- \$16.50 PSF for Site 2
- \$16.50 PSF for Site 3
- \$18.00 PSF for Site 4's northern building
- \$32.00 PSF for Site 4's southern building
- \$16.50 PSF for Site 5
- \$19.50 PSF for Site 6

EXISTING ZONING:

The Property is zoned M1-4

**PROPOSED
RESOLUTIONS:**

Approval for NYCEDC to (i) surrender its leasehold interest in the Property to the City pursuant to a Surrender Agreement with the City, (ii) enter into the Master Lease and an Assignment and Assumption of Lease agreement for the Perrigo Lease, (iii) pay a real estate broker commission of \$1,900,000, and (iii) enter into any related agreements, documents and consents to effectuate the project, substantially as described herein.

**NYCEDC
PROJECT CODE:**

6759

STAFF:

Winthrop Hoyt, Senior Vice President, Asset Management
Darryl Connelly, Senior Vice President, Asset Management
Patrick Conway, Vice President, Asset Management
Serin Choi, Senior Associate, Asset Management
Karen Lapidus, Senior Counsel, Legal

Attachment A: Site Map

