

KAUFMAN ASTORIA STUDIOS SUBLEASE AMENDMENTS
Board of Directors Meeting
April 28, 2021

OVERVIEW: NYCEDC proposes to modify certain terms and provisions of certain subleases with Kaufman Astoria Studios (“KAS”) affiliated entities in connection with the contemplated sale of their leasehold interests and business operations.

LESSOR: The City of New York

**LESSEE AND
SUBLESSOR:** NYCEDC

SUBLESSEES: Development Lease - Astoria Studios Limited Partnership II
Expansion Studio Lease – KAS Production Center LLC, and New Stage LLC, as tenants in common (collectively the “Subleases”)

**SITE LOCATION
AND**

DESCRIPTION: The subleased properties are located in Astoria, Queens (the “Premises”). The Development Lease (Block 643, Lot 1) includes the main studio building and the Expansion Studio Lease (Block 644, Lot 45) includes the expansion studio building. The properties are within the former Army Pictorial Center, now known as the Astoria Studios Historic District (see the Site Map enclosed).

The entire Development Lease parcel and 35% of the Expansion Studio Lease parcel were conveyed to the City by the United States of America, acting by and through its General Services Administration, pursuant to a quitclaim deed dated February 17, 1982 (the “Deed”) and the Historic Surplus Property Program that is administered by the National Park Service.

**PROPOSED
TRANSACTION:**

KAS is in the process of negotiating the sale of its leasehold interests and business operations under the foregoing Subleases to a purchaser. NYCEDC is entitled to 25% of the net sales proceeds and net refinancing proceeds pursuant to the Development Lease and 17.5% of the net sales proceeds and net refinancing proceeds pursuant to the Expansion Studio Lease (both hereinafter referred to as “Transaction Payment(s)").

Pursuant to Deed requirements, ½ of any Transaction Payment generated under the Development Lease is required to be deposited into the Kaufman Public Purpose Fund (“PPF”) administered by NYCEDC. As of February 28, 2021, the total balance of this PPF is \$2,743,036.25. The money in this PPF

can only be used for public historic preservation, park and recreation purposes. The other ½ of such Transaction Payment is to be used on economic development activities in the City of New York. Similarly, 35% of any Transaction Payment generated under the Expansion Studio Lease is also required to be deposited into the PPF.

The Subleases allow KAS to deduct its initial investment and mortgages on the property in the calculation of net sales proceeds. KAS has requested amendments to the Subleases to clarify the calculation of future Transaction Payments after the first initial sale, in order to facilitate its negotiations with potential purchasers. NYCEDC also wishes to clarify when Transaction Payments apply.

**PROPOSED
LEASE
MODIFICATIONS:**

Development Lease – 10th Amendment and Expansion Studio Lease – 2nd Amendment:

It is proposed that with respect to subsequent transfers of the Development Lease and Expansion Studio Lease, or interests in tenants, to clarify the Transaction Payment provisions and that they apply to subsequent transfers under both leases and that the basis and allowable deduction for the calculation of future Transaction Payments shall include the consideration paid by such subsequent tenant to acquire the Development Lease and Expansion Studio Lease or interests in tenants and cash invested by such subsequent tenant in capital improvement(s).

For subsequent sales, the Sublease amendments will provide for a six (6) month grace period in which a transferee can obtain financing related to such sale without paying an additional Transaction Payment. However, any such mortgage amount cannot then be deducted from any Transaction Payment due in connection with any future sales by said transferee.

A tenant under the Subleases would be subject to a 25% MWBE program goal for Tenant Improvement work over \$250,000 and any maintenance work. In addition, they would have to work with NYCEDC on a recruitment strategy for local job seekers at the tenant ownership level but not at the film production (licensee) level.

USE:

Pursuant to the Deed and the foregoing Subleases, KAS and future tenant(s) may use and operate the Premises for a television, motion picture, radio, audio and visual film and tape production, broadcasting, and cable facility and ancillary office space, and ancillary parking.

**BENEFIT TO
THE PUBLIC:**

The Sublease amendments provide clarity for the impending sale and upcoming and future Transaction Payments. A portion of such Transaction Payments will be placed into the PPF and may be utilized for public historic preservation, park and recreation purposes, which is beneficial to City residents.

ZONING:

M1-5 (subject to deed restriction for film-related use)

**PUBLIC
APPROVALS:**

No public approvals required

**PROPOSED
RESOLUTION:**

The approval of the foregoing Sublease amendments substantially as described herein

**NYCEDC
PROJECT CODE:**

178

STAFF:

Winthrop Hoyt, Senior Vice President, Asset Management
Darryl Connelly, Senior Vice President, Asset Management
Jinquan Liang, Assistant Vice President, Asset Management

Attachment A – Site Map

Site Map

Master Lease:	Parcels A, B, C, F, G, H, J, K
KAS Development Lease:	Parcel G
KAS Expansion Studio Lease:	Parcels A, H, J, K
AMMI Lease:	Parcels B, C
OWN Charter School Lease:	Parcel F
KAS Back Lot Lease:	De-mapped Street
Frank Sinatra School (DOE Lease):	Parcel D, E

