



MINUTES OF THE MEETING OF THE
REAL ESTATE AND FINANCE COMMITTEE
OF
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
June 8, 2021

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, June 8, 2021.

The following members of the Committee were present telephonically:

William Candelaria
Mitch Draizin
James McSpirtt
Patrick J. O'Sullivan, Jr.
Mark Russo

Members of NYCEDC staff also were present.

The meeting was chaired by Mr. O'Sullivan and called to order at 2:07 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 April 13, 2021 Committee Meeting

It was moved that the minutes of the April 13, 2021 meeting of the Committee be approved, as submitted. Such a motion was seconded and unanimously approved.

2. Eastern Effects, Inc.

Julie Stein, a Senior Vice President of NYCEDC, presented a proposal for NYCEDC (i) to enter into a sublease (the "Sublease") with Eastern Effects, Inc. ("Eastern Effects") for certain property located at Block 715, a portion of Lot 1 on the Tax Map of the Borough of Brooklyn (the "Site") on the Bush Terminal campus (the "Terminal") in Sunset Park, and (ii) to enter into a parking license (the "License") with Eastern Effects for up to approximately 11,500 square feet of space within the Term for no additional consideration, all on substantially the terms set forth in Exhibit A hereto.

In answer to questions from Mr. Russo, Ms. Stein stated that (a) design and construction was expected to begin in the summer of 2021, and delivery of the space was anticipated to be in July of 2025, (b) Eastern Effect's current facility in Gowanus

was approximately two miles from the Site, and Eastern Effects would have considerably more space at the new Site than at its current facility, and (c) NYCEDC was not involved in any project moving costs.

In answer to questions from Mr. McSpritt, Ms. Stein (a) described the relative location of the Site at the Terminal, (b) stated that NYCEDC was required to provide the parking space, but that the License was subject to location at NYCEDC's sole discretion so that flexibility could be maintained to accommodate growth and changes in the campus plan over time, (c) stated that NYCEDC would be constructing the new building with City capital, as previously approved by the Executive Committee, and discussed the annual rent, (d) explained that there were unexpected significant delays due to the pandemic, and that this resulted in a larger gap of time between the termination of Eastern Effect's occupancy at its Gowanus location and the new Terminal space coming online, (e) stated that Eastern Effects operated out of at least three locations, and that the expectation was for Eastern Effects to operate the other portions of its business in the meantime, and (f) stated that NYCEDC would deliver the structure as well as certain landlord and tenant improvements, and that Eastern Effects would be responsible for any furniture, fixtures and equipment.

In answer to a further question from Mr. Russo, Ms. Stein stated that the project was only meant to be a replacement for Eastern Effects' Gowanus location. In answer to questions from Mr. O'Sullivan, Ms. Stein explained that (a) the amount of soundstage space at the new facility would be similar to what Eastern Effects currently had, and that the significant addition would be around the production and other support space, and (b) Eastern Effects' business did not compete with that of the Steiner Studios project at the southern part of the Terminal campus, and that Eastern Effects and Steiner Studios would not conflict with each other.

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.

3. Adjournment

There being no further business to come before the meeting, the meeting of the Committee was adjourned at 2:23 p.m.

Secretary

Dated: _____
New York, New York

EXHIBIT A

EASTERN EFFECTS, INC.
Board of Directions Meeting
June 22, 2021

SUBLESSOR: NYCEDC

SUBLESSEE: Eastern Effects, Inc. (“Tenant”)
The principals of Eastern Effects, Inc. are Scott Levy,
Chris Hayes and Laura Gahrahmat.

SITE LOCATION: Bush Terminal – North Campus
Block 715, portion of Lot 1 (the “Site”)
Borough of Brooklyn
Community Board No. 7

SITE

DESCRIPTION: The Bush Terminal campus (the “Terminal”) 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 to the west. The site, approximately depicted in Attachment A (the “Site”), is a portion of the campus and spans approximately from 42nd St. to 43rd St. between 1st Avenue and the interior “MiNY Lane” and is an approximately 48,000 square foot lot with an approximately 40,000 square foot building on it, which will be demolished or rehabilitated. A parking license will also be issued for up to approximately 11,500 square feet within the Terminal.

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 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.

For two decades, Eastern Effects, Inc. has been providing the New York City film and television production industry with rentals of lighting and grip equipment and, as of 2012, a studio production facility in Gowanus, Brooklyn. Over 10,000 productions have been supported, including feature films, episodic television, commercials, corporate and industrial videos, student films, reality television and live broadcasts.

In October 2018, in order to accommodate the construction of a combined sewer overflow control facility in connection with Gowanus Canal Superfund Remediation, the City exercised its power of eminent domain to acquire the Gowanus property where an Eastern Effects, Inc.'s studio production facility is currently located. The City anticipates needing Eastern Effects, Inc. to vacate this property by October 31, 2021, and then the City would demolish the studio production facility. As a result, the City may be at risk of losing one of the resources supporting the City's film industry, along with the accompanying jobs and tax revenues.

On February 7, 2019, pursuant to Section 2.04 of the Master Contract between the City and NYCEDC, Deputy Mayor Alicia Glen directed NYCEDC to provide relocation assistance (as part of NYCEDC's obligation to provide services relating to economic development) to Eastern Effects, Inc. in the form of a sublease on a sole source basis within the Bush Terminal Industrial Complex and the building and/or renovation of space therein (subject to and upon such terms as authorized by the NYCEDC's Board of Directors and in accordance with the terms and conditions of the applicable Bush Terminal Master Lease). Such relocation assistance will be in the public's interest by protecting and promoting economic development, supporting the City's film industry production resources, and preserving the accompanying jobs and tax revenues.

Eastern Effects, Inc. also uses a facility in East New York for the rental of lighting, grip and vehicle equipment and full service studio space for film and television productions and a facility in Gowanus for the rental of lighting equipment.

**PROJECT
DESCRIPTION:**

NYCEDC will enter into a sublease (the "Sublease") with Tenant for the Site. NYCEDC will deliver approximately 70,000 square feet of building space on the Site, which may be new construction or a mixture of new construction and rehabilitated space, in accordance with certain specifications set forth in the Sublease. The construction is anticipated to include (i) two approximately 20,000 square foot sound stages, (ii) approximately 30,000 square feet of support space for set shops, dressing rooms, bathrooms and other ancillary uses required for the operation of the Site, and (iii) if feasible based on roof design, approximately 5,000 square feet of rooftop space for shooting, staging and similar uses.

NYCEDC will also enter into a parking license with Eastern Effects, Inc. for up to approximately 11,500 square feet of space within the

Terminal for parking, staging, storage and similar uses, for no additional consideration.

The Sublease will preserve approximately 250 to 300 permanent jobs and will require Tenant to comply with HireNYC and the City's living and prevailing wage laws.

Tenant will use the Site to operate a studio/stage facility for the production of film, television and/or video media and certain photography shoots and uses ancillary thereto ("Permitted Use"), or from time to time, on a temporary basis, other media production, exhibit or event uses as may be necessary for Tenant to generate sufficient revenue to comply with the terms of the Sublease ("Approved Non-Conforming Uses").

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

It is anticipated that the disposition of the Site will preserve hundreds of jobs being displaced by the Gowanus Canal Superfund Remediation and the accompanying tax revenue, that could otherwise be lost without relocation.

**SUBLEASE
TERMS:**

The Sublease has an initial term of 20 years and one 12-year renewal option. The proposed base rent is \$1,120,000 per annum in the first year of the Sublease, with 2% increases in the 2nd and 4th years. In the 6th year, base rent shall increase to \$1,610,000 per annum and increase 2% annually thereafter.

If Tenant exercises the renewal option provided in the Sublease, base rent would reset to ninety-five percent (95%) of the fair market rental rate determined by appraisal of the highest and best use of the Site, as improved, with 3% annual increases. Such base rent is subject to a job density discount of 10% discount for each lease year during the renewal term if Tenant has achieved a job density of at least one full time permanent employee (or equivalent) per 500 square feet of building space during the previous lease year, and an additional 10% (for a total of 20%) discount if Tenant has achieved a job density of at least one full time permanent employee (or equivalent) per 350 square feet of building space during the previous lease year.

In addition, if Tenant, during any lease year, uses any portion of the Site for any uses that are not a Permitted Use, Tenant shall pay NYCEDC as participation rent 80% of revenues (excluding taxes) derived from such uses after eligible expenses are

covered.

While Tenant is responsible for utilities, repairs, maintenance, and operation of the Site, NYCEDC remains responsible for maintenance, repair, and replacement of all structural and exterior building envelope components of the building and the roof of the building, except for damage caused by Tenant, or its subtenants, licensees, invitees, and their respective representatives.

**APPRAISED
VALUE:**

NYCEDC commissioned an independent appraisal in Spring 2021 [appraisal to be presented orally at the Real Estate Committee meeting and to be added to the item before being sent to the Board].

**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:**

The proposed Sublease is as of right and requires no discretionary approvals.

**PROPOSED
RESOLUTIONS:**

Approval for NYCEDC to enter into the Sublease substantially as described herein

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

**NYCEDC
PROJECT CODE:** 9749

STAFF: Julie Stein, Senior Vice President, Portfolio Management
Yolande Schüler, Executive Vice President, Asset Management
Caroline Nguyen, Senior Counsel, Legal

ATTACHMENT A

SITE AND PROJECT LOCATION (BUSH TERMINAL NORTH CAMPUS)

Location

**Borough: Brooklyn
Neighborhood: Sunset Park
Community Board: 7
Block: 715
Lot: 1 (Partial)**

