MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
OF
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
September 28, 2021

A regular meeting of the Board of Directors (the "Board") of New York City Economic Development Corporation ("NYCEDC") was held, pursuant to notice by an Assistant Secretary, on Tuesday, September 28, 2021, in Conference Center A/B, at the offices of NYCEDC at One Liberty Plaza, New York, New York.

The following Directors of NYCEDC were present:

William Candelaria (by conference telephone)
Wilton Cedeno (by conference telephone)
Marlene Cintron (by conference telephone)
Costa Constantinides (by conference telephone)
Hector Cordero-Guzman (by conference telephone)
Robert Englert (by conference telephone)
William Floyd (by conference telephone)
Matthew Hiltzik (by conference telephone)
James Katz (by conference telephone)
Rachel Loeb
Pedram Mahdavi (as alternate for Vicki Been)
James McSpiritt
Danny Meyer
Patrick J. O'Sullivan, Jr. (by conference telephone)
Anthony Perez (by conference telephone)
Mark Russo (by conference telephone)
Charles Tebele
Betty Woo
Kathryn Wylde (by conference telephone)

Members of NYCEDC staff also were present.

The meeting was chaired by Danny Meyer, Chairperson of NYCEDC, and called to order at 8:40 a.m. Meredith Jones, Executive Vice President, General Counsel and Secretary of NYCEDC, served as secretary of the duly constituted meeting, at which a quorum was present. (Attached hereto as Attachment 1 is a definition sheet that contains the definitions of certain frequently used terms contained in the Exhibits attached hereto.)

1. Approval of the Minutes of the June 22, 2021 Regular Meeting of the Board of Directors

There being no questions or comments with respect to the minutes of the June 22, 2021 regular meeting of the Board of Directors, as submitted, a motion was made to approve such minutes, as submitted. Such motion was seconded and unanimously approved.

2. Report of NYCEDC's President

At this time, Rachel Loeb, President of NYCEDC, presented a report to the Directors. She discussed some key activities that occurred since the Board's previous meeting and highlighted several of NYCEDC's accomplishments.

3. Election of Officers

Under NYCEDC's Bylaws, the Board shall elect such Executive Vice Presidents and Senior Vice Presidents as it may from time to time determine. At this time, Ms. Loeb proposed that each of Faye Penn and Vaughn Ratchford be elected as an Executive Vice President of NYCEDC and that each of Sabrina Lippman and Jennifer Montalvo be elected as a Senior Vice President of NYCEDC. On their election as an Executive Vice President, Ms. Penn and Mr. Ratchford would no longer serve as a Senior Vice President of NYCEDC.

A description of certain responsibilities of Executive Vice Presidents and Senior Vice Presidents may be found in Article IV of NYCEDC's Bylaws. It was anticipated that Ms. Penn would oversee NYCEDC's Initiatives Division, Mr. Ratchford would oversee NYCEDC's Asset Management Division, Ms. Lippman would oversee the Portfolio Management Department of NYCEDC's Asset Management Division, and Ms. Montalvo would oversee NYCEDC's Government and Community Relations Department. Each shall perform such duties as are assigned to him or her by NYCEDC's President. Ms. Loeb then summarized the backgrounds of Ms. Penn, Mr. Ratchford, Ms. Lippman and Ms. Montalvo.

A motion was made to elect each of Faye Penn and Vaughn Ratchford as an Executive Vice President of NYCEDC (in place of each of them serving as a Senior Vice President) and to elect each of Sabrina Lippman and Jennifer Montalvo as a Senior Vice President of NYCEDC. Such motion was seconded and unanimously approved. The position of each of Faye Penn, Vaughn Ratchford, Sabrina Lippman and Jennifer Montalvo as an officer shall be conditioned upon the continuance of her or his employment by NYCEDC.

Ms. Cintron joined the meeting at this time.

4. Performance Measurement Report

The Public Authorities Law requires NYCEDC to annually review its mission statement and measurements by which the performance of NYCEDC and the achievement of its goals may be evaluated and, on November 11, 2020, NYCEDC's Board approved a mission statement and performance measures for Fiscal Year 2021 ("FY2021").

The New York State Authorities Budget Office ("ABO") requires that NYCEDC annually report on performance results with regard to the approved measures. NYCEDC's report with regard to the performance measures for FY2021 and a chart that includes definitions/explanations of how the information in the measurement report was determined are included in Exhibit A attached hereto. For comparison purposes, the measurements for FY2020 and FY2019 are also included in Exhibit A. Peter Ryan, an Assistant Vice President of NYCEDC, then summarized the results.

Mr. Ryan noted that despite the unique and challenging nature of the past year NYCEDC's overall performance was strong, and that NYCEDC either sustained its results or exhibited growth across most measures. In response to a question from Mr. Katz, Mr. Ryan identified the primary drivers of the approximately $30 million increase in revenue generated by NYCEDC's asset portfolio.

Mr. Hiltzik left the meeting at this time.

5. Financial Report Pursuant to Section 2800 of the Public Authorities Law

Amy Chan, a Senior Vice President, Assistant Treasurer and Controller of NYCEDC, presented the proposed audited financial statements of NYCEDC for FY2021, which, pursuant to Section 2800 of the Public Authorities Law, are to be submitted to various City officials and ABO. ABO has also designated a form in which a financial report containing information from the financials is to be submitted. The Board of Directors of NYCEDC is to approve the audited financials and the financial report that are submitted. The financial report and audited financials are attached in Exhibit B hereto. Ms. Chan explained new GASB requirements that had to be met this year and stated that it was anticipated that NYCEDC would receive a clean unmodified opinion from Ernst & Young LLP ("EY") and that no material weaknesses were found.

At this time, Leslie Escobar, an Assistant Treasurer and Deputy Controller of NYCEDC, summarized the financials. There are certain blank dates in the attached reports of the auditors, which dates will be filled in after the Board approves the financial statements.

Mr. Candelaria, Chairman of NYCEDC's Audit Committee, then stated that the Audit Committee had met with the external auditors, EY, and that it had reviewed the financial statements and financial report as well as NYCEDC's annual investment report for FY2021. Mr. Candelaria expressed the Audit Committee's appreciation for the great work of NYCEDC's finance staff, and the collaboration of NYCEDC's internal audit team and its external auditors at EY, in completing the audit on schedule and meeting all audit plan milestones, especially considering that NYCEDC was coming out of a difficult year due to the COVID-19 pandemic. In conclusion, Mr. Candelaria stated that the Audit Committee recommended to the Board that it approve the statements and report in Exhibit B.

A motion was made to adopt the resolutions set forth in Exhibit B hereto. Such motion was seconded and unanimously approved.

6. Annual Investment Report

At this time, Ms. Escobar indicated that the Board of Directors of NYCEDC had adopted investment policies, procedures and guidelines (the "Investment Guidelines"). The adopted Investment Guidelines require the Board of Directors of NYCEDC to approve an annual investment report containing specified information and to submit the report to the City's Mayor and Comptroller and the New York State Department of Audit and Control. The annual investment report for FY2021 (the "Annual Investment Report") is attached in Exhibit C hereto. There are certain blank dates in the reports of the auditors included in Exhibit C, which dates will be filled in after the Board approves the Annual Investment Report.

Mr. Candelaria then noted that the Audit Committee had approved the Annual Investment Report.

A motion was made to adopt the resolutions set forth in Exhibit C hereto. Such motion was seconded and unanimously approved.

7. Amended and Restated Sublease and Non-Disturbance and Consent Agreement for South Brooklyn Marine Terminal

Romulo Garza, a Vice President of NYCEDC, presented a proposal (i) to amend and restate the sublease (the "Original Sublease") that NYCEDC entered into with SSBMT, L.P. ("Subtenant") for the South Brooklyn Marine Terminal ("SBMT") in Sunset Park, Brooklyn, to modify the terms of the Original Sublease with Subtenant, including, among others, a modification to increase the subleased premises to an approximately 72-acre property and some adjacent land under water (together, the "Site"), (ii) for NYCEDC to enter into a Non-Disturbance and Consent Agreement with an entity ("Equinor") that is 50% owned by Equinor US Holdings Inc. and 50% owned by bp Wind Energy North America Inc. or 100% owned by Equinor US Holdings Inc., a potential sub-sublessee of Subtenant, and for NYCEDC to enter into any related funding agreement, and (iii) for NYCEDC to enter into any other needed agreements related thereto, all to better reflect and facilitate the proposed use of the Site for the offshore wind power industry, on substantially the terms set forth in Exhibit D hereto.

In answer to a question from Mr. Tebele, Mr. Garza stated that Equinor was anticipated to be the wind tenant. In answer to a second question, Mr. Garza stated that the project needed to undergo permitting, and that this was expected to take about

2 years. In answer to a question from Ms. Wylde, Mr. Garza explained the default terms with Subtenant. He stated that if the wind subtenant was not using the Site for maritime dependent uses it would be terms for default, and that the intention was to maintain maritime dependent activity on the Site. Ms. Wylde stated that NYCEDC needed strong default provisions if the property was not used for the intended purpose. In answer to another question from Ms. Wylde, Mr. Garza further stated that Equinor was entering into a contract with New York State (the "State") to produce wind power, and that, if Equinor was unable to provide such production, NYCEDC had provisions that would allow wind related use by others. At this time, Ms. Loeb explained that the sublease to Subtenant was a multi-layered agreement with a lot of investment coming from both the City and the State, and that the State would have significant performance requirements as a condition of the New York State Energy Research and Development Authority application. Ms. Loeb added that NYCEDC also had negotiated for flexibility so that it could bring in other wind users in the event that Equinor or other parties were not utilizing the full Site.

A motion was made to approve the matters set forth for approval in the Proposed Resolutions section of Exhibit D hereto. Such motion was seconded and unanimously approved.

8. Deed Modification for Flushing Commons Property Owner LLC

Jamie Horton, a Vice President of NYCEDC, presented a proposal for NYCEDC to enter into an amendment to the deed for NYCEDC's sale of Block 4978, Lot 25 on the Tax Map of the Borough of Queens (the "Flushing Site") primarily to modify the time for construction of Phases 2A and 2B and related matters, to try to ensure that a new YMCA of Greater New York (the "YMCA") community facility condominium unit would be delivered as part of Phase 2A of the project, on substantially the terms set forth in Exhibit E hereto.

In answer to a question from Mr. Katz, Mr. Horton stated that 618 proposed temporary parking spaces were not available at this time because of safety concerns, and that those spaces had been closed off for the last few months. In answer to a second question from Mr. Katz, Mr. Horton explained that the existing property contained 982 parking spaces, which spaces were delivered as part of Phase 1 of the project, and that the developer had told NYCEDC that such lot was often at about 50% occupancy.

A motion was then made to approve the matter set forth for approval in the Proposed Resolution section of Exhibit E hereto. Such motion was seconded and approved. Mr. O'Sullivan recused himself from voting on this matter.

9. Approval

With respect to the approved items set forth above, it was understood that authorization and approval of such matters included authorization for the President and other empowered officers to execute the necessary legal instruments, and for the

President and other empowered officers to take such further actions as are or were necessary, desirable or required, to implement such matters on substantially the terms described above.

10. Adjournment

There being no further business to come before the meeting, pursuant to a motion made, seconded and unanimously approved the meeting of the Board of Directors was adjourned at 9:33 a.m.

Mark Silversmith
Assistant Secretary

Dated: November 9, 2021
New York, New York



LDCMT-26-12332

**ATTACHMENT 1**

**DEFINITIONS**

| | |
|---|---|
| Apple ………………….. | Apple Industrial Development Corp. |
| Armand ………………. | Armand Corporation d/b/a Armand of New York |
| BAT ……………………. | Brooklyn Army Terminal |
| Bovis ………………….. | Bovis Lend Lease LMB, Inc. |
| CDBG …………………. | Federal Community Development Block Grant |
| CDBG-DR Funds …….. | Federal Community Development Block Grant-Disaster Recovery Program funds |
| CEQR ………………….. | City Environmental Quality Review process |
| City DEP ………………. | New York City Department of Environmental Protection |
| City DOT ………………. | New York City Department of Transportation |
| City Parks ……………… | New York City Department of Parks and Recreation |
| City Planning ………….. | New York City Department of City Planning or City Planning Commission |
| CM …………………….. | A construction manager |
| CM Contract ………….. | A construction management contract |
| DCAS …………………. | New York City Department of Citywide Administrative Services |
| EIS …………………….. | Environmental Impact Statement |
| ESDC ………………. … | New York State Urban Development Corporation d/b/a Empire State Development Corporation |
| FEMA ………………….. | Federal Emergency Management Agency |
| FM ……………………… | A facilities manager |
| FM/CM Contract ……… | A facilities management/construction management contract |
| Funding Source Agreement …………….. | Any agreement necessary to obtain funds for the Project, including IDA Agreements |
| Gilbane………………… | Gilbane Building Company |
| HDC …………………… | New York City Housing Development Corporation |
| HPD …………………… | New York City Department of Housing Preservation and Development |
| Hunter Roberts ………. | Hunter Roberts Construction Group, L.L.C. |
| IDA …………………….. | New York City Industrial Development Agency |
| IDA Agreement ……….. | Agreement with IDA pursuant to which IDA retains NYCEDC to accomplish all or part of the Project and reimburses NYCEDC for the costs of the work |
| LiRo ……………………. | LiRo Program and Construction Management, PE P.C. |
| LMDC ………………….. | Lower Manhattan Development Corporation |
| McKissack …………….. | The McKissack Group, Inc. d/b/a McKissack & McKissack |

| | |
|---|---|
| MOU …………………… | A memorandum of understanding |
| NYCEDC ………………. | New York City Economic Development Corporation, survivor of a November 1, 2012 merger of a local development corporation (the "LDC") named New York Economic Development Corporation with and into New York City Economic Growth Corporation. References to NYCEDC prior to such merger are references to the LDC. |
| NYCHA ………………. | New York City Housing Authority |
| NYCLDC ………………. | New York City Land Development Corporation |
| Noble Strategy ……….. | Noble Strategy NY Inc. |
| OMB ……………………. | New York City Office of Management and Budget |
| Port Authority ………… | The Port Authority of New York and New Jersey |
| RFP …………………… | Request for Proposals |
| Sanitation …………….. | New York City Department of Sanitation |
| SBS ……………………. | New York City Department of Small Business Services |
| SEMO …………………. | New York State Emergency Management Office |
| SEQR ………………….. | State Environmental Quality Review process |
| Skanska ………………. | Skanska USA Building Inc. |
| State DEC …………….. | New York State Department of Environmental Conservation |
| State DOS ……………. | New York State Department of State |
| State DOT …………….. | New York State Department of Transportation |
| State Parks …………… | New York State Office of Parks, Recreation and Historic Preservation |
| Tishman ………………. | Tishman Construction Corporation of New York |
| Turner …………………. | Turner Construction Company |
| ULURP ………………… | Uniform Land Use Review Procedure |

**EXHIBIT A**

# Authority Performance Measurement Report for Fiscal Years 2021, 2020 and 2019

**Name of Public Authority:** New York City Economic Development Corporation ("NYCEDC")

| *Performance Measures* | *FY20 to FY21 Changes (Up/Down/Neutral)* | *FY21 Actuals 7/1/20-6/30/21* | *FY20 Actuals 7/1/19-6/30/20* | *FY19 Actuals 7/1/18-6/30/19* |
|---|---|---|---|---|
| **Management of core assets** | | | | |
| Occupancy rate of NYCEDC-managed property | ↔ | 98.7% | 98.4% | 95.1% |
| Square footage of assets actively managed by NYCEDC | ↔ | 64,493,808 | 64,424,109 | 65,849,738 |
| Revenue generated by NYCEDC asset portfolio | ↑ | $252,788,313 | $223,003,392 | $257,877,325 |
| **Strengthening the city's competitive position; inclusive innovation and economic growth** | | | | |
| Number of businesses served by industry-focused programmatic initiatives | ↑ | 6,200 | 1,585 | 1,775 |
| Percentage of private sector jobs in innovation industries (calendar year)* | ↑ | 15.5% | 14.3% | 14.3% |
| MWBE participation rate (Local Law 1)* | ↑ | 31.9% | 26.9% | 24.7% |
| MWBE commitment rate (Local Law 1)* | ↓ | 26.3% | 28.9% | 31.9% |
| MWBE award rate (Local Law 1)* | ↑ | 40.9% | 33.9% | 31.2% |
| **Facilitate investments that grow quality jobs** | | | | |
| Projected new private investment leveraged on the sale/long-term lease of City-owned property | ↑ | $589,065,993 | $100,324,266 | $1,200,620,973 |
| Percentage of project employees that were reported to be earning a Living Wage or more in the previous fiscal year** | ↑ | 99.9% (FY20) | 99.0% (FY19) | 98.0% (FY18) |
| Capital expenditures related to asset management* | ↔ | $37,095,756 | $36,096,315 | $60,043,197 |
| Total jobs at Project Locations (New York City Administrative Code §22-823)** | ↓ | 200,421 (FY20) | 205,520 (FY19) | 202,407 (FY18) |
| **Cultivate dynamic, resilient, livable communities throughout the five boroughs** | | | | |
| Average monthly NYC Ferry ridership | ↓ | 312,082 | 413,921 | 472,571 |
| Total capital expenditures (excluding asset management and funding agreements)* | ↑ | $411,968,723 | $342,470,616 | $205,105,961 |
| Square feet of graffiti removed | ↓ | 207,500 | 5,360,000 | 7,086,500 |
| Percentage of active projects in boroughs outside of Manhattan** | ↔ | 75% (FY20) | 76% (FY19) | 77% (FY18) |
| Distribution of active projects by borough: | | | | |
| % of projects in the Bronx | - | 16% | 17% | 17% |
| % of projects in Brooklyn | - | 27% | 27% | 28% |
| % of projects in Manhattan | - | 25% | 24% | 23% |
| % of projects in Queens | - | 26% | 26% | 27% |
| % of projects in Staten Island | - | 5% | 5% | 5% |

* FY20 and/or FY19 data have been revised to reflect NYCEDC's audited financial statements or updates to available data.

** This metric represents the prior fiscal year data, which is the most recent data available.

# Definitions/Explanations - Authority Performance Measuremen t Report for Fiscal Years 2021, 2020 and 2019

| Performance Measures | Definitions |
|---|---|
| **Management of core assets** | |
| Occupancy rate of NYCEDC-managed property | For NYCEDC-managed properties, the number of square feet leased as a percent of the total available space. |
| Square footage of assets actively managed by NYCEDC | The square footage of assets in which NYCEDC, on behalf of the City, is responsible for the day to day management and leasing of the property. |
| Revenue generated by NYCEDC asset portfolio | Revenue generated from NYCEDC's portfolio of assets. |
| **Strengthening the city's competitive position; inclusive innovation and economic growth** | |
| Number of businesses served by industry-focused programmatic initiatives | The number of businesses engaged in NYCEDC's programmatic initiatives, including NYCEDC's incubator network and centers for excellence, technology competitions, partnership funds and programmatic ventures throughout the five boroughs. |
| Percentage of private sector jobs in innovation industries (calendar year) | The share of jobs within sectors designated as "advanced," "innovative" and "creative" by the Brookings Institution, HR&A Advisors and NYCEDC as a percent of all private sector jobs. This indicator is reported on a calendar year basis. |
| MWBE participation rate (Local Law 1) | The ratio of MWBE contract expenditures to total contract expenditures with MWBE goals. Participation/attainment is referring to payments. |
| MWBE commitment rate (Local Law 1) | Portion of the total contract value that contracted parties indicate they will dedicate to MWBE firms. Commitment is basically the goal on the contract, whether or not specific awards have been made. Commitment is known at contract execution. |
| MWBE award rate (Local Law 1) | Actual MWBE awards made to individual firms on NYCEDC contracts. Awards are specific awards to MWBE firms. May or may not be known at contract execution (won't be with CM and retainer contracts, for example). |
| **Facilitate investments that grow quality jobs** | |
| Projected new private investment leveraged on the sale/long-term lease of City-owned property | The net present value of the total investment of private entities in connection with the sale or long-term lease of City-owned property. Private investment includes land sale or lease, and hard (site work and building construction) and soft (architecture and engineering) development costs. The data is extrapolated in the year that the transaction closes (land sale closing or lease execution), and reflects the anticipated total private investment associated with these projects. |
| Percentage of project employees that were reported to be earning a Living Wage or more in the previous fiscal year | The number of employees on projects receiving financial assistance from New York City Industrial Development Agency, Build NYC Resource Corporation, or NYCEDC programs that earned a living wage or more than a living wage as defined by the Fair Wages for New Yorkers Act as a percent of the total number of project employees. |
| Capital expenditures related to asset management | Based on an accrual basis, the amounts paid to firms (architecture, landscape architecture, engineering, resident engineering, etc.), construction managers, construction contractors, etc. for capital project related services on NYCEDC-managed property. |
| Total jobs at Project Locations (New York City Administrative Code §22-823) | All Full-Time Equivalent jobs at Project Locations as reported during a given annual period pursuant to New York City Administrative Code §22-823 (the "Annual Investment Projects Report"). Every year, through the Annual Investment Projects Report, NYCEDC provides information on projects supporting investment, job creation, job retention, and growth in New York City. This FY20 Annual Investment Projects Report included information on 458 projects receiving Financial Assistance in the form of loans, grants, and tax or energy benefits. The report also includes information on 55 sales and 96 leases of City-owned land. |
| **Cultivate dynamic, resilient, livable communities throughout the five boroughs** | |
| Average monthly ferry ridership | The average monthly ridership of commuters traveling on the NYC Ferry system as reported to NYCEDC. |
| Total capital expenditures (excluding asset management and funding agreements) | Based on an accrual basis, the amounts paid to firms (architecture, landscape architecture, engineering, resident engineering, etc.), construction managers, construction contractors, etc. for capital project related services. |
| Square feet of graffiti removed | The square feet of graffiti removed by power-washing and painting through Graffiti-Free NYC, the City's graffiti removal program. |
| Percentage of active projects in boroughs outside of Manhattan | The percentage of all Projects as reported during a given annual period pursuant to the Annual Investment Projects Report, which are located in boroughs outside of Manhattan. |

**EXHIBIT B**

**FINANCIAL REPORT PURSUANT TO SECTION 2800 OF THE PUBLIC AUTHORITIES LAW**
**Board of Directors Meeting**
**September 28, 2021**

WHEREAS, the Public Authorities Accountability Act of 2005, as amended (the "PAAA"), includes NYCEDC in its definition of a local authority; and

WHEREAS, Section 2800 of the Public Authorities Law (a part of the PAAA) requires a local authority to submit to various City officials and the New York State Authorities Budget Office ("ABO") audited financials with regard to the previous fiscal year; and

WHEREAS, ABO has also designated a form in which a financial report containing information from the financials is to be submitted; and

WHEREAS, the Board of Directors of the local authority is to approve the audited financials and the financial report that are submitted; and

WHEREAS, attached hereto are the audited financials and financial report that NYCEDC proposes to submit with regard to the fiscal year ended June 30, 2021; and

WHEREAS, there are certain blank dates in the attached reports of the auditors, which dates will be filled in after the Board approves the financial statements.

NOW, THEREFORE, RESOLVED that the Board approves (i) the attached financial report and audited financial statements and related documents with regard to NYCEDC's fiscal year ended June 30, 2021, with the understanding that the blank dates in the reports of the auditors will be filled in after the Board approves the audited financial statements, and (ii) their submission, with the dates filled in, pursuant to Section 2800 of the Public Authorities Law.

**STAFF:** Spencer Hobson, Executive Vice President and Treasurer
Amy Chan, Senior Vice President and Assistant Treasurer

# Financial Statements, Required Supplementary Information, and Supplementary Information

New York City Economic Development Corporation
(A Component Unit of the City of New York)
Year Ended June 30, 2021
With Report of Independent Auditors

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**PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY**

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Financial Statements, Required Supplementary Information, and Supplementary Information

Year Ended June 30, 2021

## Contents



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# I. Financial Section

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# Report of Independent Auditors

The Management and the Board of Directors
New York City Economic Development Corporation

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the New York City Economic Development Corporation (NYCEDC), a component unit of The City of New York, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise NYCEDC's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used

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and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of NYCEDC as of June 30, 2021, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

***Other Matters***

*Required Supplementary Information*

U.S. generally accepted accounting principles require that management's discussion and analysis, the schedule of changes in net OPEB liability, the schedule of investment returns and the schedule of OPEB contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise NYCEDC's basic financial statements. The combining schedule of revenues, expenses and changes in net position is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining schedule of revenues, expenses and changes in net position is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the



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auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the combining schedule of revenues, expenses, and changes in net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated September __, 2021, on our consideration of NYCEDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NYCEDC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NYCEDC's internal control over financial reporting and compliance.

________, 2021

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This section of New York City Economic Development Corporation's (NYCEDC or the Corporation) annual financial report presents our discussion and analysis of NYCEDC's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the financial statements and accompanying notes.

**Fiscal Year 2021 Financial Highlights**

Net Position was $546 million at June 30, 2021

- Cash, cash equivalents and investments increased $47 million (or 13%)
- Due from the City, net, decreased $65 million (or 42%)
- Capital assets, net, decreased $9 million (or 3%)
- Tenant receivables, net of allowance for uncollectible amounts increased $14 million (or 23%)
- Accounts payable and accrued expenses decreased $19 million (or 8%)
- Unearned revenue increased $9 million (or 6%)
- Retainage payable increased $18 million (or 34%)

Change in Net Position is $(18) million for the year ended June 30, 2021

- Grant revenues decreased $5 million (or 1%)
- Other income increased $23 million (or 73%)
- Project costs and program costs decreased $17 million (or 3%)
- Property rentals and related operating expenses decreased $16 million (or 15%)
- Other general expenses increased $15 million (or 36%)
- Capital contributions decreased $77 million (or 91%)
- Net operating loss is $26 million, offset by capital contributions of $8 million

## Overview of the Basic Financial Statements

This annual financial report consists of four parts: *management's discussion and analysis* (this section), *basic financial statements and footnote disclosures, required supplementary information* and *supplementary information*. NYCEDC is organized under the not-for-profit corporation law of the State of New York. NYCEDC is also a discretely presented component unit of the City of New York (the City). NYCEDC follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Corporation.

While detailed sub-fund information is not presented, separate accounts are maintained for each fund to control and manage transactions for specific purposes and to demonstrate that NYCEDC is properly performing its contractual obligations.

## Financial Analysis of the Corporation

### Condensed Statements of Net Position

The following table summarizes NYCEDC's financial position at June 30, 2021 and 2020 (dollars in thousands) and the percentage changes between June 30, 2021 and 2020:

| | 2021 | 2020 | % Change 2021–2020 |
|---|---|---|---|
| Current assets | **$ 526,794** | $ 616,134 | (15)% |
| Non-current assets | **698,502** | 619,366 | 13% |
| Total assets | **1,225,296** | 1,235,500 | (1)% |
| Deferred outflows of resources | **2,961** | 8,231 | (64)% |
| Current liabilities | **279,131** | 302,760 | (8)% |
| Non-current liabilities | **394,098** | 372,027 | 6% |
| Total liabilities | **673,229** | 674,787 | –% |
| Deferred inflows of resources | **8,564** | 4,697 | 82% |
| Net position: | | | |
| Restricted | **87,647** | 90,517 | (101)% |
| Unrestricted | **146,405** | 152,480 | 3% |
| Net investment in capital assets | **312,412** | 321,250 | (3)% |
| Total net position | **$ 546,464** | $ 564,247 | (3)% |

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

**Financial Analysis of the Corporation (continued)**

The Corporation's total assets decreased $10.2 million or 1% during fiscal year 2021. The net decrease in Due from/to the City of $65.2 million is primarily a result of: $58.6 million of receivables related to prior year vessel acquisitions and $43.2 million of receivables related to the prior year purchase of goods and services in response to COVID-19 being paid in the current year. These decreases were offset by an increase in receivables of $12.3 million as well as receivable of retainage payable of $17.6 million related to infrastructure and resiliency improvements at New York City Health and Hospital Corporation's Coney Island Hospital. The Corporation realized a net decrease of $8.8 million in capital assets, primarily due to depreciation and amortization of $17.6 million, offset by $8.8 million of additions, primarily made up of $6.1 million vessel acquisition costs for the operation of NYC Ferry. Tenant receivables, net of the allowance for uncollectible amounts, increased $13.7 million primarily due to the outstanding amounts on $5.8 million of prior year COVID deferrals rebilled in the current year and $3.8 million of additional receivables for reimbursable remediation work performed at Hunts Point Site D. The decrease in assets were offset by an increase in cash, cash equivalents, and investments of $47.2 million largely due to the aforementioned payments on receivables Due from the City.

The Corporation's total liabilities remained consistent with prior year and decreased $1.6 million. Accounts payable and accrued expenses decreased by $19.4 million due to the wind down of certain projects and decreased activity related to the procurement of goods and services in response to COVID-19 as compared to prior year. Other current liabilities decreased by $7.4 million primarily due to the unrealized gain recognized on the Corporation's commodity futures contracts related to fuel hedging activity. These decreases were offset by the increase in retainage payable of $17.6 million largely due to projects for Coney Island Hospital and NYC Green Infrastructure. Furthermore, the increase in unearned revenues of $9.1 million is primarily due to $12 million of funds received from the City from its sale of property at West 125th Street to be used for future maintenance costs.

The Corporation's overall net position during fiscal year 2021 decreased $17.8 million or 3% as a result of the fiscal year operating activities. This decrease consisted of a $8.9 million decrease in net investment in capital assets, $2.9 million decrease in restricted net position and $6.1 million decrease in unrestricted net position.

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

**Financial Analysis of the Corporation (continued)**

**Operating Activities**

NYCEDC is the City's primary engine for economic development and is charged with leveraging the City's assets to drive growth, create jobs, and improve the overall quality of life within the City. Through its various divisions, NYCEDC provides a variety of services to eligible businesses that want to become more competitive, more productive and more profitable. In order to provide these services, NYCEDC primarily generates revenues from property rentals and real estate sales.

The following table summarizes NYCEDC's change in net position for the fiscal years ended June 30, 2021 and 2020 (dollars in thousands) and the percentage changes between fiscal year 2021 and 2020:

| | 2021 | 2020 | % Change 2021–2020 |
|---|---|---|---|
| Operating revenues: | | | |
| Grants | **$ 652,456** | $ 657,863 | (1)% |
| Real estate sales, property rentals | **202,292** | 204,986 | (1)% |
| Fees and other income | **67,550** | 40,546 | 67% |
| Total operating revenues | **922,298** | 903,395 | 2% |
| Operating expenses: | | | |
| Project and program costs | **662,592** | 679,955 | (3)% |
| Property rental expenses | **86,397** | 102,057 | (15)% |
| Ferry related expenses, net | **32,518** | 52,588 | (38)% |
| Personnel services | **70,195** | 73,085 | (4)% |
| Contract expenses to the City | **28,767** | 28,265 | 2% |
| Office rent and other expenses | **67,750** | 54,364 | 25% |
| Total operating expenses | **948,219** | 990,314 | (4)% |
| Operating loss | **(25,921)** | (86,919) | (70)% |
| Total non-operating income | **77** | 4,124 | (98)% |
| Change in net position before capital contributions | **(25,844)** | (82,795) | (69)% |
| Capital contribution | **8,061** | 85,290 | (91)% |
| Change in net position | **(17,783)** | 2,495 | (813)% |
| Total net position, beginning of year | **564,247** | 561,752 | 0% |
| Total net position, end of year | **$ 546,464** | $ 564,247 | (3)% |

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**Financial Analysis of the Corporation (continued)**

During fiscal year 2021, operating revenues increased $18.9 million or 2%. The increase in operating revenues is largely due to the increase in other income of $22.8 million related to remediation work performed at Hunts Point Site D, offset by a decrease in reimbursable grants of $5.4 million.

Operating expenses during fiscal year 2021 decreased $42.1 million or 4%. The decrease in project costs of $90.6 million is primarily due to the decrease in reimbursable COVID-19 response expenses of $96.7 million, offset by an increase of $14.6 million incurred for the Queens Small Business Grant Program, which provided grant funding to small businesses impacted by COVID-19 in the area. Program costs increased $73.3 million primarily due to an increase in reimbursable expenses for Coney Island Hospital, NYC Green Infrastructure, the American Museum of Natural History, Manhattan Waterfront Greenway, and Hudson Park and Boulevard.

The decrease of $35.7 million in ferry related expenses and property rentals and related operating expenses is primarily due to pandemic driven continued disruption in ferry services and suspension of cruise operations. Additionally, there was decreased spending related to maintenance of rental properties. Other general expenses increased $14.8 million largely due to an increase in tenant bad debt expense of $17.6 million, offset by a pandemic driven decrease of other general and administration expenses of $6.2 million. Accordingly, the operating loss decreased by $61.0 million as compared to fiscal year 2020 with the Corporation recognizing a net operating loss of $25.9 million during fiscal year 2021.

**Non-Operating Activities**

Total non-operating revenues for fiscal year 2021 was $0.1 million. Primarily as a result of market conditions, the fiscal year 2021 total was a $4.0 million reduction from fiscal year 2020.

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## Financial Analysis of the Corporation (continued)

### Capital Contributions

Primarily driven by NYCEDC's ownership of ferry vessels acquired with City funding, NYCEDC recognizes capital contributions in its changes in net position. Capital contributions are realized at the time NYCEDC incurs costs for the acquisition and/or construction of City-funded capital assets managed and used by NYCEDC in its operations. During fiscal year 2021, NYCEDC recognized $8.1 million of capital contributions, primarily made up of $6.1 million for vessel acquisitions for the NYC Ferry system. As of June 30, 2021, the Corporation has completed its vessel acquisition plan and there are no plans or commitments for additional vessel purchases.

### Net Position

The Corporation's net operating loss for the fiscal year of $25.9 million has been offset by capital contributions of $8.1 million. As a result, the Corporation recognized a decrease in net position of $17.8 million during fiscal year 2021. This constitutes a decrease of $20.3 million or 813% as compared with the change in fiscal year 2020.

### Capital Assets

The following table summarizes NYCEDC's capital assets for the fiscal years ended June 30, 2021 and 2020 (dollars in thousands) and the percentage change between June 30, 2021 and 2020:

| | **2021** | **2020** | **% Change 2021–2020** |
|---|---|---|---|
| Leasehold improvements | **$ 84,253** | $ 84,253 | 0% |
| Equipment and computer software | **20,180** | 19,894 | 1% |
| Vessels | **239,045** | 227,424 | 5% |
| Work-in progress – vessels | **–** | 5,567 | (100)% |
| Work-in progress – other | **13,912** | 11,534 | 21% |
| | **357,390** | 348,672 | 3% |
| Less accumulated depreciation and amortization | **(44,978)** | (27,422) | 64% |
| Net capital assets | **$ 312,412** | $ 321,250 | (3)% |

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**Financial Analysis of the Corporation (continued)**

Additional information about NYCEDC's capital assets is presented in Note 9 to the financial statements.

**Contacting NYCEDC's Financial Management**

This financial report is designed to provide our customers, clients and the public with a general overview of NYCEDC's finances and to demonstrate NYCEDC's accountability for the resources at its disposal. If you have any questions about this report or need additional financial information, contact the Chief Financial Officer of New York City Economic Development Corporation, One Liberty Plaza, New York, NY 10006, or visit NYCEDC's website at: https://edc.nyc/contact-us

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# New York City Economic Development Corporation
(A Component Unit of the City of New York)

## Statements of Net Position (In Thousands)

June 30, 2021

| | | |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents – current | $ | 36,618 |
| Restricted cash and cash equivalents – current | | 117,643 |
| Unrestricted investments | | 30,670 |
| Restricted investments | | 7,279 |
| Current portion of loans and mortgage notes receivable | | 7,138 |
| Due from the City, including $203,760 under contracts with the City | | 232,454 |
| Tenant receivables, net of allowance for uncollectible amounts of $54,083 | | 73,350 |
| Prepaid expenses and other current assets | | 4,461 |
| Other receivables | | 17,181 |
| Total current assets | | 526,794 |
| Non-current assets: | | |
| Restricted cash and cash equivalents | | 138,153 |
| Unrestricted investments | | 40,807 |
| Restricted investments | | 47,840 |
| Loans and mortgage notes receivable, less current portion (less allowance for loan losses of $10,912) | | 16,008 |
| Capital assets, net | | 312,412 |
| Land held for development, at cost | | 132,387 |
| Other assets | | 10,895 |
| Total non-current assets | | 698,502 |
| Total assets | | 1,225,296 |
| **Deferred outflows of resources** | | |
| Deferred outflows of resources related to OPEB | | 2,961 |
| Total deferred outflows of resources | | 2,961 |
| **Liabilities** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses, including $140,529 under contracts with the City | | 219,346 |
| Deposits received on pending sales of real estate | | 8,751 |
| Due to the City: real estate obligations and other | | 15,690 |
| Unearned revenue | | 32,686 |
| Other liabilities | | 2,658 |
| Total current liabilities | | 279,131 |
| Non-current liabilities: | | |
| Tenant security and escrow deposits payable | | 42,495 |
| Obligation for OPEB | | 681 |
| Due to the City: real estate obligations | | 125,021 |
| Unearned revenue, including unearned grant revenue of $26,240 under contracts with the City | | 138,967 |
| Retainage payable | | 69,582 |
| Other liabilities | | 17,352 |
| Total non-current liabilities | | 394,098 |
| Total liabilities | | 673,229 |
| **Deferred inflows of resources** | | |
| Deferred inflows of resources related to OPEB | | 3,780 |
| Accumulated increase in fair value of hedging derivatives | | 4,784 |
| Total deferred inflows of resources | | 8,564 |
| Net position: | | |
| Restricted by law or under various agreements | | 87,647 |
| Unrestricted | | 146,405 |
| Net investment in capital assets | | 312,412 |
| Total net position | $ | 546,464 |

*See accompanying notes.*

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**PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY**

New York City Economic Development Corporation
(A Component Unit of the City of New York)

## Statements of Revenues, Expenses, and Changes in Net Position (In Thousands)

Year Ended June 30, 2021

| | |
|---|---|
| **Operating revenues:** | |
| Grants | $ 652,456 |
| Property rentals | 197,292 |
| Real estate sales, net | 5,000 |
| Fee income | 13,253 |
| Other income | 54,297 |
| Total operating revenues | 922,298 |
| **Operating expenses:** | |
| Project costs | 113,033 |
| Program costs | 549,559 |
| Property rentals and related operating expenses | 86,397 |
| Ferry related expenses, net | 32,518 |
| Personnel services | 70,195 |
| Contract and other expenses to the City | 28,767 |
| Office rent | 11,756 |
| Other general expenses | 55,994 |
| Total operating expenses | 948,219 |
| Operating loss | (25,921) |
| **Non-operating revenues:** | |
| Income from investments | 77 |
| Other non-operating income | – |
| Total non-operating revenues, net | 77 |
| Change in net position before capital contribution | (25,844) |
| Capital contribution | 8,061 |
| Change in net position | (17,783) |
| Net position, beginning of year | 564,247 |
| Net position, end of year | $ 546,464 |

*See accompanying notes.*

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New York City Economic Development Corporation
(A Component Unit of the City of New York)

# Statements of Cash Flow (In Thousands)

Year Ended June 30, 2021

| | |
|---|---|
| **Cash flows from operating activities** | |
| Real estate sales | $ 5,000 |
| Property rentals | 196,701 |
| Grants from the City | 636,890 |
| Fee income | 13,244 |
| Other income | 60,513 |
| Project costs | (150,789) |
| Program costs | (497,113) |
| Property rentals and related operating expenses | (98,731) |
| Ferry expenses | (31,067) |
| Personnel services | (72,583) |
| Office rent | (11,756) |
| Contract and other expenses to the City | (28,767) |
| Other general and administrative expenses | (39,385) |
| Repayments of loans and mortgage receivable | 465 |
| Tenant security and escrow deposits | (1,555) |
| Other | 7,488 |
| Net cash used in operating activities | (11,445) |
| | |
| **Cash flows from capital and related financing activities** | |
| Purchase of capital assets | (20,022) |
| Capital contribution | 78,585 |
| Net cash provided by capital and related financing activities | 58,563 |
| | |
| **Cash flows from investing activities** | |
| Sale of investments | 115,240 |
| Purchase of investments | (194,063) |
| Interest income | 77 |
| Net cash used in investing activities | (78,746) |
| | |
| Net decrease in cash and cash equivalents | (31,628) |
| Cash and cash equivalents, beginning of year | 324,042 |
| Cash and cash equivalents, end of year | $ 292,414 |

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New York City Economic Development Corporation
(A Component Unit of the City of New York)

Statements of Cash Flow (In Thousands) (continued)

| | |
|---|---|
| **Reconciliation of operating loss to net cash provided by operating activities** | |
| Operating loss | $ (25,921) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Depreciation and amortization | 17,556 |
| Straight-line revenue | (3,897) |
| Provision for COVID-19 | (5,761) |
| Provision for bad debts | 30,615 |
| Amortization of unearned revenues and prepaid expenses | (7,290) |
| Changes in operating assets, liabilities and deferred inflow/outflow of resources: | |
| Due to/from the City | (5,292) |
| Other non-current assets | (3,788) |
| Tenant receivables | (31,574) |
| Prepaid expenses and other receivables | 3,117 |
| Loans and mortgage notes receivable | (1,836) |
| Tenant security and escrow deposits payable | (1,555) |
| Accounts payable and accrued expenses | (8,126) |
| Deposits received on pending sales of real estate | (400) |
| Net OPEB liability | 2,388 |
| Unearned grant revenue | 15,981 |
| Deferred inflows of resources | (2,674) |
| Retainage payable | 17,579 |
| Other current liabilities | (517) |
| Other non-current liabilities | (50) |
| Net cash used in operating activities | $ (11,445) |
| | |
| **Supplemental disclosures of non-cash activities** | |
| Unrealized gain on investments | $ (108) |

*See accompanying notes.*

# New York City Economic Development Corporation
(A Component Unit of the City of New York)

## Statements of Fiduciary Net Position (In Thousands)

OPEB Trust Year Ended June 30, 2021

| | | |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ | 324 |
| Investments | | |
| Mutual funds | | 23,803 |
| Total investments | | 23,803 |
| Total assets | | 24,127 |
| | | |
| **Liabilities** | | |
| Accrued expenses | | 44 |
| Due to NYCEDC | | 148 |
| Total liabilities | | 192 |
| | | |
| **Net position – restricted for OPEB** | $ | 23,935 |

*See accompanying notes.*

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New York City Economic Development Corporation
(A Component Unit of the City of New York)

# Statements of Changes in Fiduciary Net Position (In Thousands)

OPEB Trust Year Ended June 30, 2021

| | |
|---|---|
| **Additions** | |
| Investment income: | |
| Interest and dividends | $ 673 |
| Net increase in fair value of investments | 621 |
| Net investment income | 1,294 |
| Total additions | 1,294 |
| | |
| **Deductions** | |
| Benefit payments | 330 |
| Administrative expenses | 98 |
| Total deductions | 428 |
| Net increase in fiduciary net position | 866 |
| | |
| **Net position – restricted for OPEB** | |
| Beginning of year | 23,069 |
| End of year | $ 23,935 |

*See accompanying notes.*

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## 1. Background and Organization

The accompanying financial statements include the assets, liabilities, net position and the financial activities of the New York City Economic Development Corporation (NYCEDC or the Corporation) and its blended component units (Note 17).

NYCEDC is a not-for-profit corporation organized under the New York State Not-for-Profit Corporation Law (the NPCL) that generates income that is exempt from federal taxation under section 115 of the Internal Revenue Code (IRC). NYCEDC's primary activities consist of rendering a variety of services to administer certain economic development programs on behalf of the City of New York (the City) relating to the attraction, retention and expansion of commerce and industry in the City. These services and programs include encouragement of construction, acquisition, rehabilitation and improvement of commercial and industrial enterprises within the City, and the provision of financial assistance to qualifying business enterprises as a means of helping to create and retain employment therein. These services are generally provided under two annual contracts with the City: the amended and restated contract (Master Contract) and the Maritime Contract. The services provided under these contracts and other related agreements with the City are herein referred to as the Contract Services.

In order to provide these services, NYCEDC primarily generates revenues from property rentals and real estate sales. To present the financial position and the changes in financial position of NYCEDC's rental portfolio in a manner consistent with the limitations and restrictions placed upon the use of resources and NYCEDC's contractual agreements with the City and other third parties, NYCEDC classifies its asset management operations into the following five portfolios:

*Commercial Leases Portfolio:* NYCEDC manages property leases between the City and various commercial and industrial tenants. For ground leases, these agreements include restrictions on the use of the land to the construction or development of commercial, manufacturing, industrial or residential facilities. The leases also generally provide for base rent payments plus provisions for additional rent.

*Brooklyn Army Terminal Portfolio:* The Brooklyn Army Terminal (BAT) is an industrial property owned by the City that is leased to NYCEDC. Under the terms of the BAT lease, a reserve account of $500,000 was established from net BAT revenues for property operating and capital expenses.

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## 1. Background and Organization (continued)

*Maritime Portfolio:* This portfolio was established to account for NYCEDC's management and maintenance of wharf, waterfront, public market, public aviation, and intermodal transportation properties and the NYC Ferry system on the City's behalf pursuant to the Maritime Contract.

*Other Properties Portfolio:* This portfolio was established to account for the activities of certain City-owned properties and other assets for which NYCEDC assumed management responsibilities. Pursuant to various agreements between NYCEDC and the City, the net revenue from three of the properties is retained for property operating and capital expenses or for expenses of projects in the area.

*42nd Street Development Project Portfolio:* This portfolio was established as a joint effort between the City and the State to redevelop the 42nd Street district into a vibrant office and cultural center. Ownership of all the properties was transferred from the State to the City by October 31, 2012. NYCEDC then assumed management and administrative responsibilities for all leases in connection with the 42nd Street Development Project (Note 14).

## 2. Summary of Significant Accounting Policies

### Basis of Accounting and Presentation

NYCEDC follows enterprise fund reporting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. In its accounting and financial reporting, the Corporation follows the pronouncements of the Governmental Accounting Standards Board (GASB).

### Upcoming Accounting Pronouncements

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative* Guidance (GASB 95). The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of this Statement are effective immediately. The Corporation has adopted this standard and will delay implementation of relevant GASB statements covered by GASB 95 until their new respective effective dates.

**2. Summary of Significant Accounting Policies (continued)**

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. With the adoption of GASB 95, provisions of this Statement are effective for fiscal years beginning after June 15, 2021. The Corporation is evaluating the impact this standard will have on its financial statements.

In January 2020, GASB issued Statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Paragraphs 4, 5, 11 and 13 were effective immediately upon issuance of this Statement and did not have a significant impact to the Agency's financial statements. With the adoption of GASB 95, provisions of this Statement, other than those stated in paragraphs 4, 5, 11 and 13, are effective for fiscal years beginning after June 15, 2021. The Corporation is evaluating the impact this standard will have on its financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). Provisions of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Corporation is evaluating the impact this standard will have on its financial statements.

In June 2020, GASB issued Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and Supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit

## 2. Summary of Significant Accounting Policies (continued)

(OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The Corporation has evaluated the impact of this standard in conjunction with the adoption of GASB Statement No. 84. This statement is not anticipated to have a significant impact on the Corporation's financial statements.

### Impact of New Accountings Standard Adopted

GASB Statement No. 84, *Fiduciary Activities* (GASB 84), was issued in January 2017. The primary objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

With the adoption of GASB 95, provisions of this Statement are effective for fiscal years beginning after December 15, 2019. The adoption of this standard as of July 1, 2020 resulted in the reporting of the Corporation's other post-employment benefits trust fund as a fiduciary activity. The cumulative effect of adopting GASB 84 was the establishment of beginning net position of $21.2 million restricted for other-post employment benefits other than pension. Prior to the adoption of GASB 84, the OPEB trust fund was not required to be reported in the Corporation's financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. With the adoption of GASB 95, provisions of this Statement are effective for fiscal years beginning after December 15, 2019. The adoption of this standard did not have an impact on the Corporation's financial statements as the Corporation does not own majority equity interest in a legally separate organization that meets the definition of an investment.

### Revenue and Expense Classification

NYCEDC distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing the Contract Services to the City in connection with NYCEDC's principal on-going operations. The principal operating revenues are grants from and through the City, rentals of City-owned property, and sales of property (see Real Estate Sales under this Note). NYCEDC's operating expenses include project and program costs, property maintenance charges, and general administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is NYCEDC's policy to use restricted resources first, and then unrestricted resources as needed.

### Grants

NYCEDC administers certain reimbursement and other grant funds from and through the City under its contracts with the City.

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**2. Summary of Significant Accounting Policies (continued)**

A reimbursement grant is a grant awarded for a specifically defined project and is generally administered such that NYCEDC is reimbursed for any qualified expenditures associated with such projects.

NYCEDC records reimbursement grants from and through the City as revenue when the related program costs are incurred. Differences between the program costs incurred on specific projects and the related receipts are reflected as due from the City or as a part of unearned revenue in the accompanying statements of net position.

Other grants are recorded as revenue when earned.

**Property Rental Revenue**

Property rental revenue is recognized on a straight-line basis over the term of the leases.

**Real Estate Sales**

Proceeds from sales of City-owned properties, other than proceeds in the form of a promissory note from the purchaser in favor of NYCEDC, are recognized as income at the time of closing of the sale. For property sales in which NYCEDC accepts a long-term promissory note from a purchaser in lieu of cash, in addition to the note receivable, the corresponding unearned revenue is recorded at the time of closing. Due to collectability risks associated with these promissory notes, such unearned revenue is amortized into income ratably as payments are made.

Deposits received from prospective purchasers prior to closing are included in the accompanying statements of net position as deposits received on pending sales of real estate.

**Retainage Payable**

Retainage payable is treated as non-current due to the long-term nature of the related contracts.

**2. Summary of Significant Accounting Policies (continued)**

**Loans and Mortgage Notes Receivable**

Loans to finance the acquisition of land and buildings are generally repayable over a 15 to 25 year period. Generally, all such loans for acquisition are secured by second mortgages or other security interests and carry below market interest rates. NYCEDC has also provided loans to City businesses to advance certain economic development objectives.

NYCEDC provides an allowance for loan losses based on an analysis of a number of factors, including the value of the related collateral. Based on established procedures, NYCEDC writes off the balances of those loans determined by management to be uncollectible.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash in banks and on hand, money market funds, money market deposit accounts, applicable certificates of deposit and highly liquid debt instruments with original maturities of three months or less. Cash equivalents are stated at fair value, other than certificates of deposit, which are valued at cost.

**Investments**

Investments held by NYCEDC are recorded at fair value.

**Restricted Cash and Investments**

Restricted cash and investments include amounts related to operations or programs administered on behalf of the City and, accordingly, such amounts are not available for use by NYCEDC for general corporate purposes.

**Capital Assets**

Assets purchased for internal use by NYCEDC in excess of $10,000 are capitalized and consist primarily of vessels operating under the NYC Ferry system, leasehold improvements and equipment. Vessels are depreciated over a useful life of 25 years. Leasehold improvements are depreciated using the straight-line method over the shorter of the life of the lease or the estimated useful life assigned. Accordingly, leasehold improvements have useful lives from 7 to 20 years.

## 2. Summary of Significant Accounting Policies (continued)

The Corporation also uses the straight-line method for depreciating or amortizing furniture and equipment over the estimated useful life assigned. The useful life of furniture and equipment varies from three to five years.

Disbursements made by NYCEDC on behalf of the City for, among other things, capital projects, tenant build-outs reimbursements, and leasing commissions in connection with rental operations are reflected as expenses in the year they are incurred.

### Tax Status

The currently reported income of NYCEDC qualifies for exclusion from gross income for federal income tax purposes under IRC Section 115.

### Capital Contributions

Capital contributions are realized at the time NYCEDC incurs costs for the acquisition and/or construction of City-funded capital assets managed and used by NYCEDC in its operations. During fiscal year 2021, NYCEDC recognized $8.1 million of capital contributions, primarily made up of $6.1 million for vessel acquisitions for the NYC Ferry system.

### Fiduciary Fund Statements

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position provide information on the Corporation's fiduciary activities in its Other Post-Employment Benefits (OPEB) Trust Fund. The OPEB Trust Fund reports resources that are required to be held in trust for members and beneficiaries of the Corporation's OPEB plan.

### Net Position

In order to present the financial condition and operating results of NYCEDC in a manner consistent with the limitations and restrictions placed upon the use of resources, NYCEDC classifies its net position into three categories: restricted net position, unrestricted net position and net investment in capital assets. The restricted net position includes net position that has been restricted in use in accordance with the terms of an award or agreement (other than the net position generally available for City program activities under the Master Contract and the Maritime Contract) or by law.



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## 3. Contracts With the City of New York

Net investment in capital assets includes capital assets net of accumulated depreciation used in NYCEDC's operations. The unrestricted net position includes all net position not included above.

The Master Contract and the Maritime Contract limit the use of all unrestricted net position to City program activities except for unrestricted net position resulting from income self-generated by NYCEDC.

### NYCEDC Master Contract

The City and NYCEDC have entered into the Master Contract under which NYCEDC has been retained to perform various services primarily related to the retention and expansion of industrial and commercial development within the City, including among other activities (1) facilitating commercial and industrial development projects, (2) stabilizing and improving industrial areas (3) administering public loan, grant, and subsidy programs, (4) encouraging development of intrastate, interstate and international commerce, and (5) managing and maintaining certain City owned- properties.

In partial consideration of the services rendered by NYCEDC pursuant to the Master Contract, NYCEDC may retain (1) net revenues resulting from the sale or lease of City-owned properties, and (2) certain interest and other related income received by NYCEDC for financing programs administered on behalf of the City, up to a cap. Income self-generated by NYCEDC, including interest earned on all cash accounts related to unrestricted operations and certain fees earned for services, may be retained by NYCEDC under the Master Contract without regard to the contract cap.

Pursuant to section 11.05 of the Master Contract, at any time upon written request of the Mayor of the City or his designee, NYCEDC must remit to the City assets having a fair market value up to the amount, if any, by which NYCEDC's unrestricted net position exceeds $7 million. At the direction of the City, NYCEDC remitted $3.4 million from its unrestricted net position in fiscal year 2021, which is accounted for under contract and other expenses to the City in the statements of revenues, expenses and changes in net position.

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**3. Contracts With the City of New York (continued)**

The term of the Master Contract is one year commencing on July 1 and may be extended by the City for up to one year. The City may terminate this contract at its sole discretion upon 90 days written notice. Upon termination of this contract, NYCEDC must remit to the City all program funds or other assets subject to certain prescribed limitations.

**Maritime Contract**

The City and NYCEDC have entered into the Maritime Contract under which NYCEDC has been retained to perform various services primarily related to the retention and expansion of waterfront, intermodal transportation, market, freight and aviation development and commerce.

The services provided under this contract include (1) retaining maritime business and attracting maritime business to the City, (2) managing, developing, maintaining, and promoting the City's waterfront, markets, aviation, freight and intermodal transportation, including the NYC Ferry system, and (3) administering leases, permits, licenses, and other occupancy agreements pertaining to such related properties.

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## 3. Contracts With the City of New York (continued)

In the performance of its services under the Maritime Contract, NYCEDC collects monies, including but not limited to, rents and other revenues from tenants of certain City-owned properties managed by NYCEDC in connection with its maritime program. In consideration of the services rendered by NYCEDC pursuant to the Maritime Contract, the City has agreed to pay NYCEDC for all costs incurred in the furtherance of the City's objectives under this contract, to the extent such costs have been provided for in the City-approved budget (the Budget) as called for by the Maritime Contract. Any Reimbursable Expenses, as defined in the Maritime Contract, may be retained by NYCEDC out of the net revenues generated on the City's behalf, to the extent such expenses are not provided for in the Budget (the Reimbursed Amount). Net revenues generated on the City's behalf for services under the Maritime Contract in excess of the Reimbursed Amount must be remitted to the City on a periodic basis. Historically, at the direction of the City, NYCEDC was required to remit $16.7 million for each fiscal year pursuant to the Maritime Contract, and such amounts were included in contract and other expenses to the City. Beginning in fiscal year 2017, to partially offset the cost of establishing and operating the NYC Ferry service (Note 12), this amount was not required to be remitted to the City.

Pursuant to section 9.06 of the Maritime Contract, at any time upon written request of the Mayor of the City or his designee, NYCEDC must remit to the City assets having a fair market value up to the amount, if any, by which NYCEDC's maritime net position exceeds $7 million.

The term of the Maritime Contract is one year commencing on July 1, and may be extended by the City for up to one year. The City may terminate this contract at its sole discretion upon 90 days written notice. Upon termination of this contract, NYCEDC must remit to the City all program funds or other assets subject to certain prescribed limits.

### Other Agreements

In addition, NYCEDC remits to the City certain amounts collected from the 42nd Street Development Project. The amount remitted from this source for fiscal year 2021 was $25.4 million (Note 14).

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## 4. Grants

NYCEDC receives grants for specifically defined projects. For the year ended June 30, 2021, grant revenue was $652.5 million, of which $585.2 million comprised of reimbursement grants from and through the City, and the remaining $67.2 million was provided by other sources.

## 5. Land Held for Development and Real Estate Obligations Due to the City

NYCEDC may purchase land to help achieve the City's and NYCEDC's redevelopment goals. In fiscal year 2021, the land held for development totaled $132.4 million. Several acquisitions were obtained using capital funds from the City and these amounts are reflected as real estate obligations due to the City on the statement of net position. As of June 30, 2021, real estate obligations due to the City was $125.0 million.

The following table summarizes land held for development and real estate obligations due to the City for the fiscal year ended June 30, 2021 (dollars in thousands):

| | |
|---|---|
| 225 125th Street, B1790, L12 | $ 1,972 |
| 2309-2313 3rd Avenue, B1790, L3, 49 | 858 |
| 236 East 126th Street, B1790 L31 | 183 |
| 246 E. 127th Street, B1791, L25 | 4,300 |
| Springfield Gardens, Queens, B13432, L57 | 54 |
| Land held for development | 7,367 |
| | |
| Boardwalk, Coney Island | 105,345 |
| 1047 Home Street, Bronx, B3006, L21 | 800 |
| 1051 Home Street, Bronx, B3006, L19 | 1,200 |
| 1057 Home Street, Bronx, B3006, L17 | 500 |
| 1174 Longfellow Avenue, Bronx, B2758, L14 | 4,000 |
| 3050 W. 21st Street, Brooklyn, B7071, L123 | 13,175 |
| Due to the City: real estate obligations | 125,020 |
| Total land held for development | $ 132,387 |

## 6. Other Income

The following table summarizes other income for the fiscal year ended June 30, 2021 (dollars in thousands):

| | |
|---|---|
| Tenant reimbursements | $ 10,483 |
| Developer contributions | 2,331 |
| Service agreements | 759 |
| Interest income from loans | 585 |
| Loan/bad debt recovery income | 1,438 |
| Other third party reimbursements | 28,718 |
| Tenant liquidated damages | 1,955 |
| 138 Willoughby LLC | 2,138 |
| Other miscellaneous income | 5,890 |
| Total | $ 54,297 |

## 7. Loans and Mortgage Notes Receivable

NYCEDC has received installment notes from purchasers of certain real property sold by NYCEDC following NYCEDC's purchase of such property from the City. The installment notes are secured by separate purchase money mortgages on the properties sold. At June 30, 2021, these mortgage notes totaled $7.6 million exclusive of any interest receivable.

NYCEDC has also provided loans to City businesses to advance certain economic development objectives consistent with its corporate mission and contractual obligations with the City. These loans were made to borrowers whose business operations are likely to generate employment, increase tax revenue, improve the physical environment of areas, stabilize neighborhoods, or provide other benefits to the City. Collectively, the installment notes and loans form the Finance Programs.

At June 30, 2021, the loan and mortgage notes portfolio consisted of 15 loans that bear interest at rates ranging from 0% to 8% and mature at various dates through October 1, 2046.

## 7. Loans and Mortgage Notes Receivable (continued)

Scheduled maturities of principal for these loans for the next five years and thereafter are as follows (dollars in thousands):

| | Principal Maturity | Interest |
|---|---|---|
| Fiscal Year: | | |
| 2022 | $ 7,138 | $ 403 |
| 2023 | 629 | 345 |
| 2024 | 522 | 338 |
| 2025 | 440 | 463 |
| 2026 | 392 | 325 |
| 2027–2031 | 12,071 | 1,514 |
| 2032–2036 | 5,976 | 1,287 |
| 2037–2041 | 4,753 | 703 |
| 2042–2046 | 1,992 | 158 |
| 2047–2048 | 145 | – |
| | 34,058 | 5,536 |
| Allowance for uncollectible amounts | (10,912) | |
| Loans and mortgage notes receivable, net | $ 23,146 | |

The seven largest loans in fiscal year 2021 represent approximately 97% of the loan portfolio balance. The composition of the entire portfolio, by industry type, at June 30, 2021, was as follows: real estate development 22% and other services 78%.

## 8. Due to/From the City of New York

NYCEDC is required to remit certain amounts to the City under the Master Contract (Note 3). The unremitted portion of such amounts at June 30, 2021 amounted to $16 million.

Pursuant to the Master Contract with the City, NYCEDC recorded total grants from and through the City in the amount of $585.2 million during fiscal year 2021, of which $203.8 million in capital funds were unpaid by the City. These unpaid amounts are included in the accompanying statements of net position as due from the City.

## 9. Capital Assets

Changes in capital assets for the year ending June 30, 2021, consisted of the following (dollars in thousands):

| | June 30, 2020 | Additions/ Depreciation | Disposals | June 30, 2021 |
|---|---|---|---|---|
| Equipment | $ 17,384 | **$ 286** | **$ –** | **$ 17,670** |
| Leasehold improvements | 84,253 | **–** | **–** | **84,253** |
| Vessels | 227,424 | **11,621** | **–** | **239,045** |
| Computer software | 2,510 | **–** | **–** | **2,510** |
| Work-in-progress – vessels | 5,567 | **(5,567)** | **–** | **–** |
| Work-in-progress – other | 11,534 | **2,378** | **–** | **13,912** |
| Capital assets | 348,672 | **8,718** | **–** | **357,390** |
| Less: Accumulated depreciation/amortization | (27,422) | **(17,556)** | **–** | **(44,978)** |
| Capital assets, net | $ 321,250 | **$ (8,838)** | **$ –** | **$ 312,412** |

Depreciation and amortization of capital assets and obligations for the fiscal year ended June 30, 2021 was $17.6 million.

## 10. Deposits and Investments

### Deposits

At year-end, NYCEDC's cash and cash equivalents bank balance was $292.4 million, of which $13.5 million was FDIC insured. Of the remaining balance, $118.7 million was invested in money market funds. Emergency funds on hand amounted to $10,000 at June 30, 2021.

### Investments

NYCEDC's investment policy permits the Corporation to invest in obligations of the United States of America, where the payment of principal and interest is guaranteed, or in obligations issued by an agency or instrumentality of the United States of America. Other permitted investments include short-term commercial paper, certificates of deposit and bankers' acceptances.

## 10. Deposits and Investments (continued)

As of June 30, the Corporation had the following investments. Investments maturities are shown for June 30, 2021, only (in thousands):

| | Fair Value | Investment Maturities at June 30, 2021, in Years | | |
|---|---|---|---|---|
| | **2021** | **Less Than 1** | **1 to 2** | **Greater than 2** |
| Money market mutual funds | $ 113,477 | $ 113,477 | $ – | $ – |
| Money market deposit account | 5,250 | 5,250 | – | – |
| FHLB notes | 40,005 | 10,004 | – | 30,001 |
| FHLMC notes | 1,023 | 1,023 | – | – |
| Commercial paper | 19,490 | 19,490 | – | – |
| FFCB notes | 58,647 | – | 37,958 | 20,689 |
| U.S. Treasuries | 7,229 | 7,229 | – | – |
| Certificates of deposit | 201 | 201 | – | – |
| | 245,322 | $ 156,674 | $ 37,958 | $ 50,690 |
| Less amount classified as cash equivalents | (118,726) | | | |
| Total investments | $ 126,596 | | | |

*Fair Value Measurements* – Fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into these levels: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Money market funds, categorized as Level 1, are valued at the unadjusted prices quoted in active principal markets for identical assets. U.S. Treasury and Agency securities and commercial paper, categorized as Level 2, are valued based on models using observable inputs. Certificates of deposit are valued at cost.

*Interest Rate Risk* – As a means of limiting its exposure to fair value losses arising from increasing interest rates, the Corporation limits 80% of its investments to instruments maturing within two years of the date of purchase. The remaining 20% of the portfolio may be invested in instruments with maturities up to a maximum of seven years.

**10. Deposits and Investments (continued)**

*Credit Risk* – It is the Corporation's policy to limit its investments in debt securities to those rated in the highest rating category by at least two nationally recognized bond rating agencies or other securities guaranteed by the U.S. government or issued by its agencies. As of June 30, 2021, the Corporation's investments in Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Bank (FFCB), and U.S. Treasuries were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch Ratings. Commercial papers held were rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Investor's Service, Inc.

*Custodial Credit Risk* – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the Corporation and are held by the counterparty, the counterparty's trust department or agent.

The Corporation manages custodial credit risk by limiting possession of its investments to highly rated institutions and/or requiring that high-quality collateral be held by the counterparty in the name of the Corporation. At June 30, 2021, the Corporation was not subject to custodial credit risk.

*Concentration of Credit Risk* – The Corporation places no limit on the amount the Corporation may invest in any United States of America government backed securities. The following table shows investments that represent 5% or more of total investments as of June 30, 2021 (dollars in thousands):

| | Dollar Amount and Percentage of Total Investments | |
|---|---|---|
| **Issuer** | **June 30, 2021** | |
| Federal Farm Credit Bank | $58,647 | 23.9% |
| Federal Home Loan Bank | 40,005 | 16.3 |

## 10. Deposits and Investments (continued)

### Investment Income

Investment income includes unrealized gains and losses on investments as well as interest earned on bank accounts, certificates of deposit and securities. Investment income amounted to $0.1 million for the fiscal year ended June 30, 2021.

## 11. Ground Leases and Properties Managed by NYCEDC on Behalf of the City

NYCEDC is contracted by the City to manage and maintain properties on behalf of the City, including certain City-owned properties that are leased to NYCEDC and City-owned properties that are leased to private parties. In the case of properties leased to NYCEDC, NYCEDC in turn, leases the properties to commercial and industrial tenants. In the case of properties that are covered by ground leases, the ground leases generally include restrictions on the use of the land to the construction or development of commercial, manufacturing, industrial or residential facilities. All managed leases generally provide for base rents plus provisions for additional rent. Certain agreements also provide for renewals at the end of the initial lease term for periods ranging from 10 to 50 years.

The future minimum rental income as of June 30, 2021, payable by the tenants under the leases and subleases, all of which are accounted for as operating leases, are as follows (dollars in thousands):

| Fiscal Year | Minimum Rental Income From BAT Tenants | Minimum Rental Income From Commercial Tenants | Minimum Rental Income From Maritime Tenants | Minimum Rental Income From 42nd St Development Proj. Tenants | Minimum Rental Income From Other Tenants | Total |
|---|---|---|---|---|---|---|
| 2022 | $ 21,359 | $ 44,162 | $ 36,795 | $ 19,877 | $ 809 | $ 123,002 |
| 2023 | 18,276 | 43,423 | 35,952 | 19,877 | 723 | 118,251 |
| 2024 | 16,044 | 43,309 | 34,161 | 19,877 | 723 | 114,114 |
| 2025 | 14,094 | 42,858 | 33,223 | 19,878 | 722 | 110,775 |
| 2026 | 11,539 | 42,581 | 32,265 | 19,877 | 597 | 106,859 |
| 2027–2031 | 40,555 | 210,554 | 121,345 | 99,388 | 1,779 | 473,621 |
| 2032–2036 | 5,828 | 208,974 | 65,950 | 99,388 | – | 380,140 |
| 2037–2041 | 4,148 | 206,089 | 45,076 | 99,388 | – | 354,701 |
| 2042–2046 | 4,148 | 201,806 | 35,453 | 97,644 | – | 339,051 |
| 2047–2051 | 4,148 | 199,469 | 35,453 | 94,405 | – | 333,475 |
| Thereafter | 2,143 | 1,398,084 | 48,025 | 720,095 | – | 2,168,347 |
| Total | $ 142,282 | $ 2,641,309 | $ 523,698 | $ 1,309,694 | $ 5,353 | $ 4,622,336 |

## 11. Ground Leases and Properties Managed by NYCEDC on Behalf of the City (continued)

The thereafter category includes 38 leases with expiration dates between July 1, 2051 and December 31, 2100.

## 12. NYC Ferry System

In 2016, NYCEDC contracted with HNY Ferry, LLC (HNY) for the provision of ferry services under the new NYC Ferry system. The system is currently made up of five routes and a seasonal shuttle that were designed to meet the transportation needs of neighborhoods traditionally underserved by public transportation. HNY assumed operational responsibility for the then-existing East River Ferry route in December 2016 to incorporate that route into the NYC Ferry system. The initial NYC Ferry routes began operations between 2017 and 2018.

The net cost of these operations as of June 30, 2021 was $32.5 million. To partially offset the costs to NYCEDC for establishing and operating the ferry system, NYCEDC was not required to remit to the City $16.7 million under the Maritime Contract or commercial rents received from the 42nd Street Development Project (Notes 3 and 14).

## 13. Future Tenant Receivables

Pursuant to the ground leases with Brookfield Asset Management (formerly, Forest City companies), costs incurred to acquire the properties prior to execution of these leases are to be reimbursed by the developer. The total to be repaid for these properties is $28.8 million, of which $16.3 million is for Jay Street (One Metrotech Center), $3.6 million is for Bridge Street (Two Metrotech Center), $5.1 million is for Tech Place (11 Metrotech Center) and $3.8 million is for Myrtle Avenue (Nine Metrotech Center). These receivables will be collected over a period ranging from 4 years to 16 years and will be recognized as revenue over the life of the agreements.

## 14. 42nd Street Development Project

The 42nd Street Development Project (the Project) was conceived in the 1980s as a joint initiative of the City and the State to transform the properties in the 42nd Street area between 7th and 8th Avenues. For a number of years, NYCEDC has overseen the ground leases for the Project on behalf of the City. By October 2012, all title to the properties that comprise the Project transferred from the State to the City.

**14. 42nd Street Development Project (continued)**

Beginning in January 1, 2011, and in accordance with section 11.05 of the Master Contract, NYCEDC transferred to the City all payments in lieu of taxes, real estate taxes and substantially all rental revenues it collected on the Project. Beginning in fiscal year 2017, to partially offset the costs to NYCEDC for establishing and operating the NYC Ferry service (Note 12), NYCEDC has not been required to remit rental revenues from the Project to the City. NYCEDC is required to continue to pass through to the City all payments in lieu of taxes and real estate taxes collected from the Project.

**15. Pension Plan**

NYCEDC maintains a 401(a) defined contribution pension plan, which covers substantially all full time employees. The pension plan provides for variable contribution rates by NYCEDC ranging from 6% to 18% of the employees' eligible wages, as defined in the IRC. NYCEDC employees receive a non-matching contribution in the amount of 6% of wages at the beginning of the 2nd year of employment. This amount increases to 10% at the beginning of the 4th year of employment; 12% at the beginning of the 5th year of employment; 14% at the beginning of the 6th year of employment; 16% at the beginning of the 11th year of employment; and 18% at the beginning of the 16th year of employment. Employees are 100% vested at the time of contribution. Contributions are made quarterly and are current. The plan is administered at the direction of the NYCEDC Retirement Plan Investment Committee. Pension expense for the fiscal year ended June 30, 2021 amounted to $6.0 million and is included in personnel services in the accompanying statements of revenues, expenses, and changes in net position.

**16. Postemployment Benefits Other Than Pensions**

NYCEDC sponsors a single employer defined benefit health care plan that provides postemployment medical benefits for eligible retirees and their spouses. Commonly referred to as a plan for Other Post-Employment Benefits (OPEB), this plan was amended during February 2011 with an effective date of July 1, 2011, and again in July 2016 with an effective date of June 30, 2016. The amendments include revisions to the definition of what constitutes an eligible participant and the closure of the plan to new participants. As a result of these amendments, the plan maintains the current benefit structure, but plan participation will continue for only certain groups of members, who are (i) all retired members, (ii) all active employees hired prior to April 1, 1986, who are ineligible for Medicare coverage when they depart EDC, and (iii) all active



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## 16. Postemployment Benefits Other Than Pensions (continued)

employees who started working prior to January 1, 2011, with (a) at least 10 years of service as of that date, or (b) who will be age 60 or older by June 30, 2023 and will have at least 10 years of service by the time they retire.

Benefit provisions and contribution requirements for the plan are administered and managed by a committee consisting of NYCEDC employees and can be amended by NYCEDC. There is no statutory requirement for NYCEDC to continue this plan. The plan is a contributory plan with retirees subject to contributions established for either the Low or High version of the plan. Retirees receiving the post-employment health benefits pay a premium amount equal to what a current NYCEDC active employee pays, based on his or her family status. Under the Low option, retirees make contributions in the amount of $50 a month for single coverage and $100 a month for family coverage. Under the High option, retiree contributions are $100 a month for single coverage and $200 a month for family coverage. Additional costs may be incurred by the retiree under either the Low or High plan version.

On June 27, 2018, NYCEDC established and funded the New York City Economic Development Corporation OPEB Trust (the Trust), an irrevocable trust for the payments to fund this obligation. All of the plan assets are maintained within the Trust and detailed information about the OPEB plan's fiduciary net position is presented in the Corporation's Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

*Employees Covered by Benefit Terms.* At June 30, 2021, the following employees were covered by the benefit terms:

| | **2021** |
|---|---|
| Active employees | 60 |
| Inactive employees and/or beneficiaries currently receiving benefit payments | 39 |
| Future retirees and beneficiaries not currently receiving benefit payments | 6 |
| Total participants | 105 |

For fiscal year 2021, benefit payments amounting to approximately $181,000 was paid by NYCEDC and will be reimbursed by the Trust in the following year from net position available for plan benefits.

## 16. Postemployment Benefits Other Than Pensions (continued)

*Contributions.* NYCEDC has the right to establish and amend the contribution requirements. For the year ended June 30, 2021, the average contribution rate was 0% of covered payroll.

### Net OPEB Asset/Liability

The Corporation's net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019. Update procedures were used to roll forward the total OPEB liability to the measurement date.

*Actuarial Assumptions.* The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 3.0% per annum, compounded annually |
| Investment rate of return | 2020 – 4.6% per annum, compounded annually<br>2021 – 4.04% per annum, compounded annually |
| Salary increases | 4.25% |
| Healthcare costs trend rates | 7.4% grading down to an ultimate rate of 4.75% for <65,<br>6.8% grading down to an ultimate rate of 4.75% for >65 |

Mortality rates were based on the Pub-2010 Above Median Headcount Weighted General Mortality table published by the Society of Actuaries in 2019. The mortality improvement scale was updated to the MP-2020 scale.

*Long-Term Expected Rate of Return:* The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. The goals of the OPEB plan's investment policy are to invest for the sole purpose of funding the OPEB plan obligation in a prudent manner and to conserve and enhance the value of the trust assets through appreciation and income generation, while maintaining a moderate investment risk.

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**16. Postemployment Benefits Other Than Pensions (continued)**

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

*Discount Rate.* The discount rate used to measure the total OPEB liability was 3.34% at June 30, 2021. The projection of cash flows used to determine the discount rate does not assume any additional contributions. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees until 2058. After that time, benefit payments for current plan members will be funded on a pay-as-you-go basis.

**Investments**

*Investment Policy:* The Trust's investments are made in accordance with the provisions of the Trust's Investment Policy (the Investment Policy). The goals of the Investment Policy are to invest for the sole purpose of funding the OPEB Plan obligation of the Corporation in a prudent manner, and to conserve and enhance the value of the Trust assets through appreciation and income generation while maintaining a moderate investment risk.

The Trust has retained an investment consultant to ensure that strategic investment diversification is attained, to employ investment managers with expertise in their respective asset classes, and to closely monitor the implementation and performance of the respective investment strategies.

The investment policy was adopted in April 2019. The Trust is currently invested in the following securities within the current investment policy limitations.

| Asset Class | Allocation |
|---|---|
| US Large Cap | 8% |
| Non-US Equity | 4 |
| Absolute Return | 8 |
| Long Term Bond | 40 |
| Aggregate Bond | 40 |
| | 100% |

## 16. Postemployment Benefits Other Than Pensions (continued)

The investment policy limits the Trust from investing no more than five percent of the total portfolio in the common stock of any one corporation. The Trust may not hold more than five percent of the outstanding shares of any one company. Fixed-income securities of any one issuer shall not exceed five percent of the total fixed income portfolio at the time of purchase if held in a separate account. Holdings of any individual issue, other than issues of the United States government, may not exceed five percent of the value of the total issue. Commingled investment vehicles such as mutual funds or common trust or collective investment funds will be evaluated based on their diversification characteristics as presented in their investment strategy and discipline.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 – value based on quoted prices in active markets for identical assets.

Level 2 – value based on significant other observable inputs such as a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Level 3 – value based on inputs that are unobservable and significant to the fair value measurement such as discounted cash flows.

The following summarizes the Trust's investments by type held at June 30, 2021 (in thousands):

| | | June 30, 2021 | | | |
|---|---|---|---|---|---|
| **Investment Type** | **Level** | **Fair Value** | **Investments Less than 1 Year** | **Maturities 1-5 Years** | **Maturities 6-10 Years** |
| **Investments by fair value level** | | | | | |
| Money market fund | 1 | $ 324 | $ 324 | $ – | $ – |
| Mutual funds | 1 | 23,803 | 23,803 | – | – |
| Total investments by fair value level | | 24,127 | $ 24,127 | $ – | $ – |
| Less amounts reported as cash equivalents per the financial statements | | (324) | | | |
| Total investments per the financial statements | | $ 23,803 | | | |

## 16. Postemployment Benefits Other Than Pensions (continued)

The following discusses the Trust's exposure to common deposit and investment risks related to custodial credit, credit, concentration of credit, interest rate and foreign currency risks as of June 30, 2021.

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of a failure of a depository financial institution, the Trust's deposits may not be returned. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Trust and are held by either the depository financial institution or the depository financial institution's trust department or agent but not in the Trust's name.

The Trust manages custodial credit risk by limiting its investments to highly rated institutions and/or require that high-quality collateral be held by the counterparty in the name of the Corporation.

*Credit Risk:* Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Trust has an investment policy regarding the management of Credit Risk, as outlined above. GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government.

At June 30, 2021, the Trust did not have any investment in debt securities.

*Concentration of credit risk:* Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the Trust's investment in a single issuer. Investments of Trust assets are diversified in accordance with the Corporation's investment policy that defines guidelines for the investment holdings. The asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy and the securities markets. At June 30, 2020, no more than 5% of the Trust's investments were in a single issuer.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Within cash portions of the portfolio it is managed using the effective duration methodology. This methodology is widely used in the management of cash and fixed income portfolios in that it quantifies with greater precision the amount of risk due to interest rate changes. Interest rate risk is managed by investing in mutual funds that limit risk by diversifying holdings and purchasing companies of lower risk.

## 16. Postemployment Benefits Other Than Pensions (continued)

*Rate of return:* As required by GASB Statement 74, the annual money weighted rate of return on trust investments, net of investment expenses was 5.6% for the year ended June 30, 2021. The calculation is based on monthly income and average monthly investment balances.

### Changes in Net OPEB Asset/Liability

For the year ended June 30, 2021, in (dollars in thousands):

| | Increase (Decrease) | | |
|---|---|---|---|
| | **Total OPEB Liability** | **Plan Fiduciary Net Position** | **Net OPEB Liability/ (Asset)** |
| Balances at beginning of the year | $ 21,362 | $ 23,069 | $ (1,707) |
| Changes for the year: | | | |
| Service cost | 407 | – | 407 |
| Interest | 897 | – | 897 |
| Changes of benefit terms | – | – | – |
| Difference between expected and actual experience | (99) | – | (99) |
| Changes of assumptions | 2,379 | – | 2,379 |
| Contributions – Employer | – | – | – |
| Net investment income | – | 1,294 | 1,294 |
| Benefit payments | (330) | (330) | – |
| Plan expense | – | (98) | 98 |
| Net changes | 3,254 | 866 | 2,388 |
| Net OPEB liability/(asset) at end of year | $ 24,616 | $ 23,935 | $ 681 |

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## 16. Postemployment Benefits Other Than Pensions (continued)

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate.* The following presents the net OPEB (asset)/liability of the Corporation, as well as what the Corporation's net OPEB (asset)/liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.34 percent) or 1-percentage-point higher (4.34 percent) than the current discount rate:

| | 1% Decrease | Discount Rate (3.34%) | 1% Increase |
|---|---|---|---|
| Net OPEB (asset)/liability, June 30, 2021 | $ 4,556 | $ 681 | $ (2,530) |

*Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend rates*. The following presents the net OPEB (asset)/liability of the Corporation, as well as what the Corporation's net OPEB (asset)/liability would be if it were calculating using healthcare cost trend rates that are 1 percentage point lower or 1 percent point higher (dollars in thousands):

| | 1% Decrease | Healthcare Cost Trend Rates | 1% Increase |
|---|---|---|---|
| Net OPEB (asset)/liability, June 30, 2021 | $ (3,316) | $ 681 | $ 5,731 |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2021, NYCEDC recognized OPEB income of $0.3 million. OPEB income and expense is reported in the NYCEDC's financial statements as part of Personnel Services expense. At June 30, 2021, NYCEDC reported deferred inflows of resources related to OPEB from the following sources:

| | Deferred Inflows | Deferred Outflows |
|---|---|---|
| Difference between expected and actual experience | $ 212 | $ 970 |
| Changes in assumptions | 2,350 | 1,991 |
| Difference between projected and actual investment earnings | 1,218 | – |
| | $ 3,780 | $ 2,961 |

## 16. Postemployment Benefits Other Than Pensions (continued)

Amounts reported will be recognized in OPEB expense as follows (dollars in thousands):

| | | |
|---|---|---|
| Year ended June 30: | | |
| 2022 | $ | 632 |
| 2023 | | 620 |
| 2024 | | 360 |
| 2025 | | (367) |
| 2026 and thereafter | | (426) |
| | $ | 819 |

## 17. Blended Component Units

### CLIC Captive Insurance

In 2016, NYCEDC established the City Lights Insurance Company (CLIC) as a single parent captive insurance company wholly owned by NYCEDC. CLIC was incorporated on May 26, 2016 and is domiciled in the State of New York. It commenced business operations on July 1, 2016.

At June 30, 2021, CLIC had no investments and maintained a cash balance of approximately $3.4 million with JP Morgan Chase.

CLIC continues to provide coverage for two lines of insurance, cyber insurance and additional terrorism insurance. CLIC provides excess cyber coverage to NYCEDC and each company that is more than 50% owned and controlled by NYCEDC, with limits of $9 million per claim and in the aggregate, in excess of $5 million of underlying insurance and self-insured retentions.

CLIC also began directly providing terrorism insurance for acts of Nuclear, Biological, Chemical or Radiological terrorism, with limits of $6 million per occurrence and in the aggregate for any one certified act of terrorism.

All policies provided by CLIC cover certified terrorism losses as defined under the Terrorism Risk Insurance Act of 2002 (TRIA) and subsequent extensions. Under the TRIA coverage, the United States Government provides a backstop on a quota share basis for 85% (beginning on January 1, 2016 and decreasing by 1% per calendar year until equal to 80%) if the total loss affecting all involved insurers exceeds $100 million.

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

## 17. Blended Component Units (continued)

Effective December 10, 2018, CLIC began directly providing flood deductible and self-insured retention reimbursement coverage for locations not covered by a National Flood Insurance Program or located in Special Flood Hazard Areas as defined by the Federal Emergency Management Agency to NYCEDC and its affiliates, with limits ranging from $500,000 to $1,000,000 in excess of a $25,000 deductible per occurrence, with no aggregate limits.

*Statements of Net Position*

The following table summarizes CLIC's financial position at June 30, 2021 (dollars in thousands):

| | 2021 |
|---|---|
| Total assets | $ 3,375 |
| Total liabilities | 20 |
| Total net position | $ 3,355 |

*Statement of Revenues, Expenses and Changes in Net Position*

The following table summarizes CLIC's change in net position for the fiscal year ended June 30, 2021 (dollars in thousands):

| | 2021 |
|---|---|
| Operating revenues | $ 532 |
| Operating expenses | 87 |
| Operating income | 445 |
| Change in net position | 445 |
| Total net position, beginning of year | 2,910 |
| Total net position, end of year | $ 3,355 |

## 17. Blended Component Units (continued)

### City of New York Early Stage Life Sciences Fund LLC

The City of New York Early Stage Life Sciences Fund LLC (ESLSF) was formed in December of 2013, as a result of an initiative designed to champion New York City's early-stage life sciences ecosystem. It is designed to support the development of new technologies and products for patients and researchers, including therapeutics, medical devices, diagnostics, research and development instrumentation, and digital life sciences technologies.

*Statements of Net Position*

The following table summarizes ESLSF's financial position at June 30, 2021 (dollars in thousands):

| | 2021 |
|---|---|
| Total assets | $ 3,494 |
| Total liabilities | – |
| Total net position | $ 3,494 |

*Statement of Revenues, Expenses and Changes in Net Position*

The following table summarizes ESLSF's change in net position for the fiscal year ended June 30, 2021 (dollars in thousands):

| | 2021 |
|---|---|
| Operating revenues | $ – |
| Operating expenses | – |
| Operating loss | – |
| Non-operating income | 1 |
| Change in net position | 1 |
| Total net position, beginning of year | 3,493 |
| Total net position, end of year | $ 3,494 |

## 17. Blended Component Units (continued)

### New York City Entrepreneurial Fund LLC

The New York City Entrepreneurial Fund (NYCEF) LLC was formed in February of 2010 to facilitate the expansion of the City's entrepreneurial sector by incentivizing new private sector seed and early stage financing for companies based in the City.

*Statements of Net Position*

The following table summarizes NYCEF's financial position at June 30, 2021 (dollars in thousands):

| | 2021 |
|---|---|
| Total assets | $ 1,309 |
| Total liabilities | – |
| Total net position | $ 1,309 |

*Statement of Revenues, Expenses and Changes in Net Position*

The following table summarizes NYCEF's change in net position for the fiscal year ended June 30, 2021 (dollars in thousands):

| | 2021 |
|---|---|
| Operating revenues | $ – |
| Operating expenses | – |
| Operating income | – |
| Non-operating income | – |
| Interfund transfers | – |
| Change in net position | – |
| Total net position, beginning of year | 1,309 |
| Total net position, end of year | **$ 1,309** |

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

## 17. Blended Component Units (continued)

### NYC Ferry Fleet, LLC

The NYC Ferry Fleet, LLC (NYCFF) was formed in October of 2018 to take title of purchased ferry vessels operating in the NYC Ferry system. Depreciation expense of titled vessels are reflected as operating costs of NYCFF.

*Statements of Net Position*

The following table summarizes NYCFF's financial position at June 30, 2021 (dollars in thousands):

| | 2021 |
|---|---|
| Total assets | $ 216,433 |
| Total liabilities | – |
| Total net position | $ 216,433 |

*Statement of Revenues, Expenses and Changes in Net Position*

The following table summarizes NYCFF's change in net position for the fiscal year ended June 30, 2021 (dollars in thousands):

| | 2021 |
|---|---|
| Operating revenues | $ – |
| Operating expenses | 9,225 |
| Operating loss | (9,225) |
| Capital contribution | 11,620 |
| Change in net position | 2,395 |
| Total net position, beginning of year | 214,038 |
| Total net position, end of year | $ 216,433 |

**17. Blended Component Units (continued)**

**NYC COVID-19 Emergency Services, LLC**

The NYC COVID-19 Emergency Services LLC (NYCCES) was formed in April of 2020 to take all appropriate and necessary steps to render all required and available assistance to protect the security, wellbeing and health of the residents of the City and property in which the City or NYCEDC has an interest. Such services may include, but are not limited to, making emergency procurements of goods and services for such purposes.

The following table summarizes NYCCES's financial position at June 30, 2021 (dollars in thousands):

| | 2021 |
|---|---|
| Total assets | $ 2,260 |
| Total liabilities | 2,251 |
| Total net position | $ 9 |

*Statement of Revenues, Expenses and Changes in Net Position*

The following table summarizes NYCCES's change in net position for the fiscal year ended June 30, 2021 (dollars in thousands):

| | 2021 |
|---|---|
| Operating revenues | $ 26,868 |
| Operating expenses | 26,868 |
| Operating income (loss) | – |
| Non-operating income (loss) | 9 |
| Change in net position | 9 |
| Total net position, beginning of year | – |
| Total net position, end of year | $ 9 |

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## 17. Blended Component Units (continued)

### NYC COVID-19 Response, LLC

The NYC COVID-19 Response LLC (NYCCR) was formed in May of 2021 to establish a program that will facilitate funding to address the needs of hospitals in the City caused by the COVID-19 pandemic and the emerging new variants of the COVID-19 virus.

The following table summarizes NYCCR's financial position at June 30, 2021 (dollars in thousands):

| | 2021 |
|---|---|
| Total assets | $ 788 |
| Total liabilities | 788 |
| Total net position | $ – |

*Statement of Revenues, Expenses and Changes in Net Position*

The following table summarizes NYCCR's change in net position for the fiscal year ended June 30, 2021 (dollars in thousands):

| | 2021 |
|---|---|
| Operating revenues | $ 4 |
| Operating expenses | 4 |
| Operating income (loss) | – |
| Non-operating income (loss) | – |
| Change in net position | – |
| Total net position, beginning of year | – |
| Total net position, end of year | $ – |

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## 18. Other Related-Party Transactions

### New York City Land Development Corporation (LDC)

On May 8, 2012, the City formed LDC as a local development corporation organized under section 1411 of the NPCL. LDC is engaged in economic development activities by means of assisting the City with the leasing and selling of certain properties. No fees were established between NYCEDC and LDC in the current fiscal year. Instead, NYCEDC provides LDC with operating grant funding for LDC's general and administrative expenses. For the year ended June 30, 2021 the amount of $1,822 was provided to LDC for such expenses.

### New York City Industrial Development Agency (IDA)

NYCEDC is responsible for administering the economic development programs of IDA. For fiscal year ended June 30, 2021, NYCEDC earned management fee income from IDA of $4.4 million. At June 30, 2021 the amount due from IDA totaled $0.6 million.

### Build NYC Resource Corporation (Build NYC)

Build NYC was incorporated under section 1411 of the NPCL in 2013. Pursuant to an annual agreement between NYCEDC and Build NYC, NYCEDC provides management services to Build NYC and administers Build NYC's financial books and records. For fiscal year ended June 30, 2021, NYCEDC earned management fee income from Build NYC of $2.2 million. At June 30, 2021, the amount due from Build NYC totaled $0.4 million.

### The Trust for Cultural Resources of New York City (TCR)

Pursuant to an annual agreement between NYCEDC and TCR, NYCEDC collects fees from TCR for management services. For the fiscal year ended June 30, 2021, NYCEDC earned management fees of $0.3 million from TCR. At June 30, 2021, there were no amounts due from TCR.

### New York City Neighborhood Capital Corporation (NCC)

NCC is a not-for-profit corporation organized under the NPCL. NCC has all power and authority to make qualified low-income community investments in the City of New York, and to allocate federal tax credits for this purpose. NYCEDC provided full management services to NCC, and no

## 18. Other Related-Party Transactions (continued)

fees were charged for these services for the year ended June 30, 2021. At June 30, 2021, the amounts due from NCC for the reimbursement of costs paid by NYCEDC on behalf of NCC, totaled $7,522.

### Public Realm Improvement Fund Governing Group Inc. (PRIF)

PRIF was incorporated under NPCL and commenced operation in 2017. PRIF was created to administer the Public Realm Improvement Fund (the Fund) for the exclusive charitable and public purpose of lessening the burdens of government for the City and acting in the public's interest. Specifically, this is done by allocating funds from the Fund to implement public realm improvement projects in East Midtown. NYCEDC provided full management services to PRIF, and no fees were charged for these services for the year ended June 30, 2021. At June 30, 2021, the amounts due from PRIF for the reimbursement of costs paid by NYCEDC on behalf of PRIF, totaled $13,215.

## 19. Accounting for Derivatives and Fuel Hedging Activity

As described in Note 12, NYCEDC, on behalf of the City, contracted in June 2016 with HNY for the provision of ferry services for the new NYC Ferry system. NYCEDC was initially responsible for the cost of up to 3.3 million gallons of ultra-low sulfur diesel fuel per annum under the six-year operating agreement with HNY. Due to the unexpected increase in demand for ferry services that occurred immediately after the launch of the program, NYCEDC contracted to increase the number of vessels in service, and the related annual fuel cap for future years. The cap will increase gradually to reach 8.3 million gallons by fiscal year 2023. COVID-19 has significantly reduced ridership, prompting reductions to ferry service and related fuel usage. It is not known if, or for how long these conditions will persist. Although the contract caps the number of gallons that NYCEDC is responsible for, the price per gallon is subject to market conditions. Consequently, NYCEDC was authorized by its Board of Directors to implement an energy price risk management program to manage NYCEDC's exposure to the cost of fuel for NYC Ferry.

NYCEDC enters into all fuel hedging arrangements for the sole purpose of hedging against cash flow fluctuations and increasing budgetary certainty. NYCEDC is represented in these transactions by an advisor and designated evaluation agent also known as a Qualified Independent Representative (QIR).

**19. Accounting for Derivatives and Fuel Hedging Activity (continued)**

The following risks are generally associated with hedging instruments:

*Basis risk*: a systemic risk that arises from variations between hedge relative price and cash/spot price of the hedged commodity at any given point of time. However, NYCEDC uses the NY harbor low-sulfur diesel futures pricing index as the reference for both the hedging instruments and the delivery contracts so there is a high correlation between the prices paid for the commodity and the futures contracts pricing.

*Cash flow risk:* the risk of experiencing outflow of cash to meet margin calls for future contracts due to falling prices for future contracts. This risk is naturally mitigated by the opposite movement of the actual prices paid as compared to the futures contract prices.

*Counterparty risk*: the risk that the counterparty will not fulfill its obligations under the option contracts. To minimize such exposure, NYCEDC diversifies and executes transactions with multiple counterparties.

*Termination risk*: the risk that the underlying hedge transactions will not run to maturity due to a counterparty event. To minimize this risk, NYCEDC will not purchase contracts where the counterparty has an option to terminate while NYCEDC is performing.

Beginning in September 2017, NYCEDC executed International Swaps and Derivatives Association (ISDA) master agreements with Chase Bank, N.A. (JPMorgan) and Citibank, N.A. (Citibank) paving the way to use swap and call option contracts for fuel hedging purposes. Subsequently, NYCEDC purchased call option contracts from JPMorgan, with a notional volume of 2.8 million gallons to hedge against the fuel cap for calendar year 2018 and a call option contract from Citibank, with a notional volume of 1.6 million gallons, covering the first half of calendar year 2019. These call options expired as of June 30, 2019. NYCEDC did not purchase any call options during fiscal year 2021.

Additionally, NYCEDC continued to use futures contracts as a hedging vehicle. On June 30, 2021, NYCEDC maintained a position of 274 futures contracts for ultra-low sulfur diesel and crude oil. These contracts cover a percentage of the fuel commitment for the next two years of the HNY operating contract period.

## 19. Accounting for Derivatives and Fuel Hedging Activity (continued)

As of June 30, 2021, the fair values of NYCEDC's commodity futures contracts, based on average daily rates are listed below. These contracts fall within the Level 2 category investments of the fair value hierarchy.

| Diesel Fuel | Notional Amount-Gallon | Number of Contracts | Maturity Date | Fair Value June 30, 2021 | Average Futures Price $/Gallon |
|---|---|---|---|---|---|
| | 546,000 | 13 | Aug–21 | $ 135,979 | $ 1.88 |
| | 504,000 | 12 | Sep–21 | 113,959 | 1.90 |
| | 462,000 | 11 | Oct–21 | 132,413 | 1.84 |
| | 462,000 | 11 | Nov–21 | 155,379 | 1.79 |
| | 462,000 | 11 | Dec–21 | 181,705 | 1.74 |
| | 462,000 | 11 | Jan–22 | 175,455 | 1.75 |
| | 420,000 | 10 | Feb–22 | 209,231 | 1.62 |
| | 462,000 | 11 | Mar–22 | 239,580 | 1.59 |
| | 504,000 | 12 | Apr–22 | 254,776 | 1.59 |
| | 546,000 | 13 | May–22 | 261,475 | 1.60 |
| | 588,000 | 14 | Jun–22 | 273,983 | 1.60 |
| | 630,000 | 15 | Jul–22 | 287,398 | 1.61 |
| | 588,000 | 14 | Aug–22 | 271,618 | 1.60 |
| | 546,000 | 13 | Sep–22 | 238,728 | 1.63 |
| | 546,000 | 13 | Oct–22 | 251,584 | 1.60 |
| | 462,000 | 11 | Nov–22 | 199,223 | 1.63 |
| | 462,000 | 11 | Dec–22 | 207,043 | 1.61 |
| | 462,000 | 11 | Jan–23 | 199,534 | 1.62 |
| | 420,000 | 10 | Feb–23 | 184,531 | 1.61 |
| | 462,000 | 11 | Mar–23 | 217,535 | 1.56 |
| | 504,000 | 12 | Apr–23 | 215,804 | 1.59 |
| | 462,000 | 11 | May–23 | 191,243 | 1.59 |
| | 378,000 | 9 | Jun–23 | 137,706 | 1.63 |
| | 168,000 | 4 | Jul–23 | 48,577 | 1.70 |
| Total Fair Value | | | | $ 4,784,459 | |

## 20. Commitments and Contingencies

NYCEDC has an aggregate contractual commitment of $43.2 million at June 30, 2021 under different self-funded economic development initiatives and projects, including but not limited to the NYC Ferry system and the City of New York Early-Stage Life Sciences project.

Additionally, NYCEDC entered into a new lease agreement for its new headquarters effective March 2018 with an expiration date of May 31, 2039. The future minimum rental commitments, as of June 30, 2021, required under the operating lease are as follows (dollars in thousands):

| | |
|---|---|
| Fiscal year: | |
| 2022 | $ 11,840 |
| 2023 | 11,846 |
| 2024 | 11,951 |
| 2025 | 12,808 |
| 2026 | 12,980 |
| 2027 to 2031 | 67,152 |
| 2032 to 2036 | 72,900 |
| 2037 and thereafter | 44,590 |
| | $ 246,067 |

Accordingly, rent expense for office space amounted to $11.8 million for fiscal year ended June 30, 2021.

The Corporation's loan and loan guarantee finance programs are designed to provide financial assistance to certain eligible businesses with the expectation of spurring economic development benefits for the City. As of June 30, 2021, the Corporation's aggregate commitment for these programs is $104.0 million, of which $41.9 million has been put on hold to reallocate resources due to COVID-19.

## 20. Commitments and Contingencies (continued)

NYCEDC was the co-trustee along with 42nd Street Development Corporation (a subsidiary of New York State Urban Development Corporation d/b/a Empire State Development Corporation (ESDC)) for the use of certain development funds under the 42nd Street Development Project. The trustees jointly extended a loan to the New Amsterdam Development Corporation (NADC) for renovation of the New Amsterdam Theatre. The principal loan amount of $25.6 million was equally disbursed by the trustees and matures on January 31, 2027. Interest on the loan has ranged between 3% and 3.5%. NYCEDC's portion of the loan, $12.8 million, was reimbursed to NYCEDC by the City. The conduit loan payment constitutes both a receivable from NADC and a payable to the City. This transaction is not reflected in the financial statements as it does not have any impact on NYCEDC's financial position.

NYCEDC is party to a funding agreement among ESDC, the City and the Trustees of Columbia University (Columbia). The agreement was signed on November 20, 1992, as part of the Audubon building lease assignment for the benefit of Columbia. At inception Columbia received $10 million from the City, through NYCEDC, and $8 million directly from ESDC to pay for eligible site development costs. Under the lease agreement, Columbia was scheduled to repay the $18 million to NYCEDC no later than April 5, 2020. As of June 30, 2021, the amount due remains unpaid and the parties are negotiating a payment agreement. NYCEDC's responsibilities in this transaction are limited to redistributing the repayment to the City and ESDC upon collection from Columbia. This is a conduit loan payment from Columbia to the City and ESDC and is not reflected in the financial statements as it does not have any impact on NYCEDC's financial position.

NYCEDC, and in certain situations as co-defendant with the City, IDA, and/or LDC, is involved in personal injury, property damage, breach of contract, environmental and other miscellaneous claims and lawsuits in the ordinary course of business. NYCEDC believes it has meritorious defenses or positions with respect thereto. In management's opinion, such litigation is not expected to have a materially adverse effect on the financial position of NYCEDC.

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## 21. Risk Management

Given the diverse nature of projects, initiatives and assets managed by NYCEDC and its concentrated operational geography, the corporation is exposed to a variety of exposures and their potential risks. Based on NYCEDC's operations, the corporation's risk can largely be categorized as: theft of, damage to, and destruction of real assets; various types of injury or harm to employees and third parties; tort law and reputational. In response, NYCEDC diligently works to identify, understand and where possible, quantify these risks associated with current and potential operations, to ensure the appropriate action is implemented to properly address them. NYCEDC utilizes several methods to mitigate these risks, including but not limited to loss prevention/risk engineering, contractual risk transfer and the utilization of financial and commercial insurance products.

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# Required Supplementary Information

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# Schedule of Changes in Net OPEB Liability (In Thousands)

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Total OPEB liability: | | | | |
| Service cost | **$ 407** | $ 380 | $ 531 | $ 561 |
| Interest | **897** | 816 | 704 | 666 |
| Changes of benefit terms | **–** | 900 | – | – |
| Difference between expected and actual experience | **(99)** | 1,440 | (206) | (103) |
| Changes in assumptions | **2,379** | (1,177) | (3,180) | (147) |
| Benefit payments | **(329)** | (208) | (201) | (225) |
| Net change in total OPEB liability | **3,254** | 2,151 | (2,352) | 752 |
| Total OPEB liability – beginning | **21,362** | 19,211 | 21,563 | 20,811 |
| Total OPEB liability – ending (a) | **$ 24,616** | $ 21,362 | $ 19,211 | $ 21,563 |
| Total fiduciary net position: | | | | |
| Contributions – employer | **$ –** | $ – | $ – | $ 20,000 |
| Net investment income | **1,294** | 2,434 | 1,195 | – |
| Administrative expenses paid by the Trust | **(98)** | (36) | – | – |
| Benefit payments | **(329)** | – | – | – |
| Benefits and expenses payable | **–** | (524) | – | – |
| Net change in fiduciary net position | **866** | 1,874 | 1,195 | 20,000 |
| Trust fiduciary net position – beginning | **23,069** | 21,195 | 20,000 | – |
| Trust fiduciary net position – ending (b) | **$ 23,935** | $ 23,069 | $ 21,195 | $ 20,000 |
| Corporation's net OPEB (asset)/liability – end of year (a-b) | **$ 681** | $ (1,707) | $ (1,984) | $ 1,563 |
| Trust fiduciary net position as a percentage of the total OPEB liability | **97%** | 108% | 110% | 93% |

**Notes to Schedule:**
Changes of assumptions:
Discount rate was changed from 4.15% at June 30, 2020 to 3.34% at June 30, 2021.
Rate of return was changed from 4.60% at June 30, 2020 to 4.04% at June 30, 2021.
The mortality improvement scale was updated to use MP-2020 at June 30, 2021, from the MP-2019 at June 30, 2020.

*This schedule is intended to present information for 10 years. Additional years will be presented when available.*

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New York City Economic Development Corporation
(A Component Unit of the City of New York)

## Schedule of OPEB Contributions (In Thousands)

| | **2021** | **2020** | **2019** | **2018** |
|---|---|---|---|---|
| Actuarially determined contribution | **$ –** | $ – | $ – | $ – |
| Contributions in relation to the actuarially determined contribution | **–** | – | – | 20,000 |
| Contribution deficiency (excess) | **$ –** | $ – | $ – | $ (20,000) |
| Covered-employee payroll | **$ 8,031** | $ 8,405 | $ 8,018 | $ 8,231 |
| Contributions as a percentage of covered-employee payroll | **–%** | –% | –% | 243% |

| | |
|---|---|
| Valuation dates: | June 30, 2020. Results were rolled forward to June 30, 2021. |
| Actuarial cost method: | Entry age normal, level percent of pay. Service costs are attributed through all assumed ages of exit from active service. |
| Amortization method: | N/A |
| Asset valuation method: | Market values |
| Inflation: | 3.0% per annum |
| Salary increases: | 4.25% per annum |
| Investment rate of return: | 4.04% for 2021 |
| Health care trend rates: | 7.4% grading down to an ultimate rate of 4.75% for <65, 6.8% grading down to an ultimate rate of 4.75% for >65 |
| Mortality: | Based on the Pub-2010 Above Median Headcount Weighted General Mortality table published by the Society of Actuaries in 2019. The mortality improvement scale was updated to the MP-2020 scale. |
| Benefit changes: | Plan change adopted since the last full valuation which provides survivor coverage for a period of up to 5 years following the death of the retiree. |

*This schedule is intended to present information for 10 years. Additional years will be presented when available.*

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Schedule of Investment Returns

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Annual money-weighted rate of return, net of investment expense | **5.6%** | 11.5% | 6.0% | –% |

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available*

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# Supplementary Information

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# New York City Economic Development Corporation

## (A Component Unit of the City of New York)

# Combined Statement of Revenues, Expenses and Changes in Fund Net Position

| | Total Unrestricted | Maritime Fund | NYC Ferry | Adjustment | Total Maritime & NYC Ferry | NYC Ferry Fleet, LLC | Brooklyn Army | Other Properties | Finance Programs | Capital Programs | Public Purpose & Other Fund | Apple 42nd Street | June 30, 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | | | | | | | |
| Grants | $ 87,213,998 | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $ 549,222,002 | $ 16,020,175 | $ – | **$ 652,456,175** |
| Property rentals | 41,573,680 | 53,605,990 | – | – | 53,605,990 | – | 31,479,194 | 4,066,120 | – | – | – | 66,567,241 | **197,292,225** |
| Real estate sales, net | 4,999,999 | – | – | – | – | – | – | – | – | – | – | – | **4,999,999** |
| Ferry related revenues | – | – | 9,358,069 | (9,358,069) | – | – | – | – | – | – | – | – | **–** |
| Fee income | 13,126,787 | 2,792 | – | – | 2,792 | – | 28,998 | – | – | – | 12,000 | 82,497 | **13,253,074** |
| Other income | 10,898,969 | 35,300,603 | 3,478,742 | (3,478,742) | 35,300,603 | – | 4,205,994 | 771,548 | 350,879 | – | 2,375,959 | 392,396 | **54,296,348** |
| Other Income – 42nd Street | 35,268,601 | – | – | – | – | – | – | – | – | – | – | (35,268,601) | **–** |
| Total Operating revenues | 193,082,034 | 88,909,385 | 12,836,811 | (12,836,811) | 88,909,385 | – | 35,714,186 | 4,837,668 | 350,879 | 549,222,002 | 18,408,134 | 31,773,533 | **922,297,821** |
| Operating expenses: | | | | | | | | | | | | | |
| Project costs | 92,046,247 | – | – | – | – | – | – | – | – | – | 20,986,564 | – | **113,032,811** |
| Program costs | – | – | – | – | – | – | – | – | 336,976 | 549,222,002 | – | – | **549,558,978** |
| Property rentals and related operating expenses | 8,901,444 | 53,402,049 | – | – | 53,402,049 | – | 18,345,922 | 3,998,734 | – | – | – | 1,748,037 | **86,396,186** |
| Ferry related expenses | – | – | 45,349,876 | (12,831,561) | 32,518,315 | – | – | – | – | – | – | – | **32,518,315** |
| Personnel Services | 59,112,516 | 7,479,591 | 5,250 | (5,250) | 7,479,591 | – | 2,003,231 | 460,095 | 198,320 | – | 81,836 | 859,935 | **70,195,524** |
| Contract and other expenses to the City | 3,405,281 | – | – | – | – | – | – | – | – | – | – | 25,361,729 | **28,767,010** |
| Office rent | 11,755,919 | – | – | – | – | – | – | – | – | – | – | – | **11,755,919** |
| Other general expenses | 24,773,280 | 9,648,624 | – | – | 9,648,624 | 9,224,958 | 7,469,761 | 228,708 | 145,065 | 679,291 | 20,366 | 3,803,852 | **55,993,905** |
| Total operating expenses | 199,994,687 | 70,530,264 | 45,355,126 | (12,836,811) | 103,048,579 | 9,224,958 | 27,818,914 | 4,687,537 | 680,361 | 549,901,293 | 21,088,766 | 31,773,553 | **948,218,648** |
| Operating income | (6,912,653) | 18,379,121 | (32,518,315) | – | (14,139,194) | (9,224,958) | 7,895,272 | 150,131 | (329,482) | (679,291) | (2,680,632) | (20) | **(25,920,827)** |
| Nonoperating revenues (expenses): | | | | | | | | | | | | | |
| Income (Loss) from Investments | 82,529 | 3,324 | – | – | 3,324 | – | – | 5,869 | (13,577) | – | (1,028) | 20 | **77,137** |
| Non-operating income/(expense) | – | – | – | – | – | – | – | – | – | – | – | – | **–** |
| Total nonoperating revenues (expenses): | 82,529 | 3,324 | – | – | 3,324 | – | – | 5,869 | (13,577) | – | (1,028) | 20 | **77,137** |
| Income before transfers | (6,830,124) | 18,382,445 | (32,518,315) | – | (14,135,870) | (9,224,958) | 7,895,272 | 156,000 | (343,059) | (679,291) | (2,681,660) | – | **(25,843,690)** |
| Interfund transfers | 8,479,567 | (18,382,445) | 18,382,445 | – | – | – | (8,479,473) | – | – | – | (94) | – | **–** |
| Change in net position before capital contributions | 1,649,443 | – | (14,135,870) | – | (14,135,870) | (9,224,958) | (584,201) | 156,000 | (343,059) | (679,291) | (2,681,754) | – | **(25,843,690)** |
| Capital contribution | 2,007,192 | – | – | | – | 11,620,482 | – | – | – | (5,567,079) | – | – | **8,060,595** |
| Change in net position | 3,656,635 | – | (14,135,870) | – | (14,135,870) | 2,395,524 | (584,201) | 156,000 | (343,059) | (6,246,370) | (2,681,754) | – | **(17,783,095)** |
| Total net position, beginning of year | 302,876,550 | 7,000,000 | (76,215,364) | – | (69,215,364) | 214,038,400 | 19,165,144 | 1,600,848 | 54,269,755 | 10,378,092 | 31,133,846 | – | **564,247,271** |
| Total unrestricted net position, end of year | 234,262,480 | 4,073,598 | (91,931,206) | – | (87,857,608) | – | – | – | – | – | – | – | **146,404,872** |
| Total restricted net position, end of year | – | – | – | – | – | – | 500,000 | 1,756,848 | 53,926,696 | 3,012,072 | 28,452,092 | – | **87,647,708** |
| Total net investment in capital assets, end of year | 72,270,705 | 2,926,402 | 1,579,972 | – | 4,506,374 | 216,433,924 | 18,080,943 | – | – | 1,119,650 | – | – | **312,411,596** |
| Total net position, end of year | $ 306,533,185 | $ 7,000,000 | $ (90,351,234) | $ – | $ (83,351,234) | $ 216,433,924 | $ 18,580,943 | $ 1,756,848 | $ 53,926,696 | $ 4,131,722 | $ 28,452,092 | $ – | **$ 546,464,176** |

**PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY**

# I. Government Auditing Standards Section

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*

The Management and the Board of Directors
New York City Economic Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Investments of the New York City Economic Development Corporation (NYCEDC), a component unit of The City of New York, as of June 30, 2021, and the related notes to the Schedule of Investments, and have issued our report thereon dated September __, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the Schedule of Investments, we considered NYCEDC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule of Investments, but not for the purpose of expressing an opinion on the effectiveness of NYCEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of NYCEDC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Schedule of Investments will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether NYCEDC's Schedule of Investments is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and investment policies established by NYCEDC and the New York State Comptroller investment guideline requirements as presented in Section 201.3(c) of the *Accounting, Reporting and Supervision Requirements for Public Authorities*, noncompliance with which could have a direct and material effect on the Schedule of Investments. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

________, 2021

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**Summary Financial Information**

**SUMMARY STATEMENT OF NET ASSETS**

| | | | Amount |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| | Cash and cash equivalents | | $154,260,679.00 |
| | Investments | | $37,948,457.00 |
| | Receivables, net | | $330,123,224.00 |
| | Other assets | | $4,461,182.00 |
| | **Total Current Assets** | | $526,793,542.00 |
| **Noncurrent Assets** | | | |
| | Restricted cash and investments | | $226,800,681.00 |
| | Long-term receivables, net | | $16,008,352.00 |
| | Other assets | | $13,855,967.00 |
| | **Capital Assets** | | |
| | | Land and other nondepreciable property | $132,387,246.00 |
| | | Buildings and equipment | $357,389,672.00 |
| | | Infrastructure | $0.00 |
| | | Accumulated depreciation | $44,978,076.00 |
| | | Net Capital Assets | $444,798,842.00 |
| | Total Noncurrent Assets | | $701,463,842.00 |
| **Total Assets** | | | $1,228,257,384.00 |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| | Accounts payable | | $73,199,391.00 |
| | Pension contribution payable | | $0.00 |
| | Other post-employment benefits | | $0.00 |
| | Accrued liabilities | | $170,586,836.00 |
| | Deferred revenues | | $32,686,139.00 |
| | Bonds and notes payable | | $0.00 |
| | Other long-term obligations due within one year | | $2,658,158.00 |
| | Total Current Liabilities | | $279,130,524.00 |
| **Noncurrent Liabilities** | | | |

| | | | |
|---|---|---|---|
| | Pension contribution payable | | $0.00 |
| | Other post-employment benefits | | $681,050.00 |
| | Bonds and notes payable | | $0.00 |
| | Long Term Leases | | $0.00 |
| | Other long-term obligations | | $401,981,634.00 |
| | Total Noncurrent Liabilities | | $402,662,684.00 |
| **Total Liabilities** | | | $681,793,208.00 |
| **Net Asset (Deficit)** | | | |
| **Net Assets** | | | |
| | Invested in capital assets, net of related debt | | $312,411,596.00 |
| | Restricted | | $146,404,872.00 |
| | Unrestricted | | $87,647,708.00 |
| | Total Net Assets | | $546,464,176.00 |

**SUMMARY STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**

| | | | Amount |
|---|---|---|---|
| **Operating Revenues** | | | |
| | Charges for services | | $695,684,483.00 |
| | Rental & financing income | | $208,360,265.00 |
| | Other operating revenues | | $18,253,073.00 |
| | Total Operating Revenue | | $922,297,821.00 |
| **Operating Expenses** | | | |
| | Salaries and wages | | $56,662,123.00 |
| | Other employee benefits | | $13,533,401.00 |
| | Professional services contracts | | $810,269,830.00 |
| | Supplies and materials | | $310,142.00 |
| | Depreciation & amortization | | $17,556,228.00 |
| | Other operating expenses | | $49,886,924.00 |
| | Total Operating Expenses | | $948,218,648.00 |
| **Operating Income (Loss)** | | | ($25,920,827.00) |
| **Nonoperating Revenues** | | | |
| | Investment earnings | | $77,137.00 |
| | State subsidies/grants | | $0.00 |
| | Federal subsidies/grants | | $0.00 |
| | Municipal subsidies/grants | | $0.00 |
| | Public authority subsidies | | $0.00 |

| | | | |
|---|---|---|---|
| | Other nonoperating revenues | | $0.00 |
| | **Total Nonoperating Revenue** | | $77,137.00 |
| **Nonoperating Expenses** | | | |
| | Interest and other financing charges | | $0.00 |
| | Subsidies to other public authorities | | $0.00 |
| | Grants and donations | | $0.00 |
| | Other nonoperating expenses | | $0.00 |
| | **Total Nonoperating Expenses** | | $0.00 |
| | Income (Loss) Before Contributions | | ($25,843,690.00) |
| **Capital Contributions** | | | $8,060,595.00 |
| **Change in net assets** | | | ($17,783,095.00) |
| **Net assets (deficit) beginning of year** | | | $564,247,271.00 |
| **Other net assets changes** | | | $0.00 |
| **Net assets (deficit) at end of year** | | | $546,464,176.00 |

**EXHIBIT C**

**ANNUAL INVESTMENT REPORT**
**Board of Directors Meeting**
**September 28, 2021**

WHEREAS, pursuant to the requirements of the Public Authorities Accountability Act of 2005, as amended, the Board of Directors of NYCEDC adopted investment policies, procedures and guidelines (the “investment guidelines”); and

WHEREAS, the adopted investment guidelines require the Board to approve an Annual Investment Report containing specified information and to submit the report to the City’s Mayor and Comptroller and the New York State Department of Audit and Control; and

WHEREAS, attached hereto is the Annual Investment Report for NYCEDC for the fiscal year ended June 30, 2021; and

WHEREAS, there are certain blank dates in the reports of the auditors included in the attached Schedule of Investments, which dates will be filled in after the Board approves the Annual Investment Report;

NOW, THEREFORE, RESOLVED that the Board approves the Annual Investment Report attached hereto, with the understanding that the blank dates in the reports of the auditors will be filled in after the Board approves the Annual Investment Report and that the Annual Investment Report will be submitted to the required officials with the dates filled in.

**Staff:** Spencer Hobson, Executive Vice President and Treasurer
Amy Chan, Senior Vice President and Assistant Treasurer

**NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION**
**ANNUAL INVESTMENT REPORT**
**FOR THE YEAR ENDED JUNE 30, 2021**

## Investment Guidelines and Amendments

Attached hereto as Schedule 1 is the current investment policies, procedures and guidelines (the “Investment Guidelines”) of New York City Economic Development Corporation (“NYCEDC”). In the fiscal year ended June 30, 2021, the Board did not approve any changes to the Investment Guidelines previously adopted.

## Summary of Investment Guidelines

The portfolio is managed to accomplish the following objectives:

A. Preservation of Principal – The single most important objective of NYCEDC’s investment program is the preservation of principal of funds within the portfolio.
B. Maintenance of Liquidity – The portfolio shall be managed in such a manner that assures that funds are available as needed to meet immediate and/or future operating requirements of NYCEDC.
C. Maximize Return – The portfolio shall be managed in such a fashion as to maximize income through the purchase of authorized investments, taking into account the other investment objectives.

The portfolio is structured to diversify investments to reduce risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific type of security. The types of investments permitted are based on those permitted for the investment of City funds.

## Independent Audit Report

Attached hereto as Schedule 2 is the annual audit report on investments for the fiscal year ended June 30, 2021 by Ernst & Young LLP.

## Investment Income Record

Investment income from interest earned on bank accounts, certificates of deposit and securities was approximately $0.2 million for the fiscal year ended June 30, 2021.

## Fees, Commissions and Other Charges

NYCEDC did not pay any fees, commissions or other charges to an investment banker, broker, agent, dealer or advisor during the fiscal year.

SCHEDULE 1

## NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
## INVESTMENT GUIDELINES

### I. Purpose

The purpose of this document is to establish policies, procedures and guidelines regarding the investing, monitoring and reporting of funds of the Corporation.

### II. Scope of the Investment Policy

This policy applies to the funds of the Corporation, which for purposes of these guidelines consist of all moneys and other financial resources available for investment by the Corporation on its own behalf or on behalf of any other entity or individual.

### III. Investment Objectives

The portfolio shall be managed to accomplish the following objectives:

A. Preservation of Principal – The single most important objective of the Corporation's investment program is the preservation of principal of funds within the portfolio.
B. Maintenance of Liquidity – The portfolio shall be managed in such a manner that assures that funds are available as needed to meet immediate and/or future operating requirements of the Corporation.
C. Maximize Return – The portfolio shall be managed in such a fashion as to maximize income through the purchase of authorized investments as stated below, taking into account the other investment objectives.

### IV. Implementation of Guidelines

The Chief Financial Officer shall be responsible for the prudent investment of funds and for the implementation of the investment program and the establishment of investment procedures and a system of controls to regulate the activities of subordinate staff, consistent with these guidelines.

### V. Authorized Investments

A. The Treasurer or an Assistant Treasurer of the Corporation is authorized to invest funds of the Corporation as summarized and restricted below:

   1. U.S. Treasury Obligations. United States Treasury bills and notes, and any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States.

2. Federal Agency Obligations. Bonds, notes, debentures, or other obligations or securities issued by any agency or instrumentality of the United States.

3. Repurchase Agreements. The repurchase agreements must be collateralized by U.S. Government guaranteed securities, U.S. Government agency securities, or commercial paper (of a type defined below) in a range of 100% to 102% of the matured value of the repurchase agreements and have a term to maturity of no greater than ninety (90) days. They must be physically delivered for retention to the Corporation or its agent (which shall not be an agent of the party with whom the Corporation enters into such repurchase agreement), unless such obligations are issued in book-entry form, in which case the Corporation shall take such other action as may be necessary to obtain title to or a perfected security interest in such obligations.

4. Commercial Paper. Commercial paper rated A1 or P1 by Standard & Poor's Corporation or Moody's Investor's Service, Inc. or Fitch.

5. Bankers' Acceptances and Time Deposits of banks with worldwide assets in excess of $50 million that are rated with the highest categories of the leading bank rating services and regional banks also rated within the highest categories.

6. Certificates of Deposit with New York banks, including minority-owned banks. All such certificates of deposit in these banks must be Federal Deposit Insurance Corporation ("FDIC") insured, except when otherwise collateralized.

7. Other investments approved by the Comptroller of New York City for the investment of City funds.

B. In addition to the above investments, the Corporation may deposit funds in the following ("Deposit Accounts"), with respect to funds needed for operational expenses and funds awaiting investment or disbursement:

1. High quality no-load money market mutual funds that restrict their investments to short term, highly rated money market instruments.

2. Other interest bearing accounts, if permitted by applicable laws, rules and regulations, with New York City financial institutions designated by the New York City Banking Commission or such other financial institutions approved by the Deputy Mayor for Economic Development or his successor in function.

## VI. Written Contracts

The Corporation shall enter into written contracts pursuant to which investments are made which conform with the requirements of these guidelines and Section 2925.3(c) of the Public Authorities Law unless the Board or Executive Committee determines by resolution that a written contract containing such provisions is not practical or that there is not a regular business practice of written contracts containing such provisions with respect to a specific investment or transaction, in which case the Board or Executive Committee shall adopt procedures covering such investment or transaction.

## VII. Diversification

The portfolio shall be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific type of security. The maximum percentage of the total portfolio permitted in the indicated type of eligible security is as follows:

| | | |
|---|---|---|
| A. | U.S. Treasury | 100% maximum |
| B. | Federal Agency | 100% maximum |
| C. | Repurchase Agreements | 5% maximum |
| D. | Commercial Paper | 25% maximum |
| E. | Bankers Acceptances and Time Deposits | 25% maximum |
| F. | Certificates of Deposit | 20% maximum |
| G. | Other Investments Approved by Comptroller for City Funds | A percentage deemed prudent by CFO |

## VIII. Maximum Maturity

Maintenance of adequate liquidity to meet the cash flow needs of the Corporation is essential. Accordingly, the portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Selection of investment maturities must be consistent with cash requirements in order to avoid the forced sale of securities prior to maturity.

For purposes of this investment policy, assets of the portfolio shall be segregated into two categories based on expected liquidity needs and purposes – Cash equivalents and Investments. Assets categorized as Cash equivalents will be invested in permitted investments maturing in ninety (90) days or less or deposited in Deposit Accounts. Generally, assets categorized as Investments will be invested in permitted investments with a stated maturity of no more than two (2) years from the date of purchase. However, up to twenty percent (20%) of assets categorized as Investments may be invested in permitted investments with a stated maturity of no more than seven (7) years from the date of purchase.

## IX. Monitoring and Adjusting the Portfolio

Those responsible for the day-to-day management of the portfolio will routinely monitor the contents of the portfolio, the available markets and the relative values of competing instruments, and will adjust the portfolio as necessary to meet the investment objectives listed above. It is recognized and understood that the non-speculative active management of portfolio holdings may cause a loss on the sale of an owned investment.

## X. Internal Controls

The Treasurer or an Assistant Treasurer, under the direction of the Chief Financial Officer, shall establish and be responsible for monitoring a system of internal controls governing the administration and management of the portfolio. Such controls shall be designed to prevent and control losses of the portfolio funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by any personnel.

## XI. Eligible Brokers, Agents, Dealers, Investment Advisors, Investment Bankers and Custodians

The following are the standards for the qualifications of brokers, agents, dealers, investment advisors, investment bankers and custodians:

A. Brokers, Agents, Dealers

1. In Government Securities: any bank or trust company organized or licensed under the laws of any state of the United States of America or of the United States of America or any national banking association or any registered broker/dealer or government securities dealer.

2. In Municipal Securities: any broker, dealer or municipal securities dealer registered with the Securities and Exchange Commission (the "SEC").

B. Investment Advisors: any bank or trust company organized under the laws of any state of the United States of America or any national banking association, and any firm or person which is registered with the SEC under the Investment Advisors Act of 1940.

C. Investment Bankers: firms retained by the Corporation to serve as senior managing underwriters for negotiated sales must be registered with the SEC.

D. Custodians: any bank or trust company organized under the laws of any state of the United States of America or any national banking association with capital and surplus of not less than $50,000,000.

## XII. Reporting

A. Quarterly

The Treasurer or an Assistant Treasurer, under the direction of the Chief Financial Officer, shall prepare and deliver to the Board of Directors once for each quarter of the Corporation's fiscal year a report setting forth a summary of new investments made during that quarter, the inventory of existing investments and the selection of investment bankers, brokers, agents, dealers, investment advisors and auditors.

B. Annually

1. Audit – the Corporation's independent accountants shall conduct an annual audit of the Corporation's investments for each fiscal year of the Corporation, the results of which shall be made available to the Board of Directors at the time of its annual review and approval of these Guidelines.

2. Investment Report – Annually, the Treasurer or an Assistant Treasurer, under the direction of the Chief Financial Officer, shall prepare and the Board of Directors shall review and approve an Investment Report, which shall include:

    a. The Investment Guidelines and amendments thereto since the last report;
    b. An explanation of the Guidelines and any amendments made since the last report;
    c. The independent audit report required by Subsection (1) above;
    d. The investment income record of the Corporation for the fiscal year; and
    e. A list of fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the Corporation since the last report.

The Investment Report shall be submitted to the Mayor and the Comptroller of the City of New York and to the New York State Department of Audit and Control. Copies of the report shall also be made available to the public upon reasonable request.

## XIII. Applicability

Nothing contained in these Guidelines shall be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investments of funds made or entered into in violation of, or without compliance with, the provisions of these Guidelines.

## XIV. Conflict of Law

In the event that any portion of this policy is in conflict with any State, City or federal law, that law will prevail.

## XV. No Conflict With Other Policies of the Corporation

These Investment Guidelines do not modify the powers given by the Corporation's Board of Directors which authorized and resolved that (i) officers of the Corporation are authorized and directed to obtain and maintain any bank, investment, securities and other financial accounts as may be necessary or useful to the Corporation in furtherance of the Corporation's operations (the "Accounts"); (ii) the Treasurer and Assistant Treasurer are authorized and directed to engage in trading or otherwise deal in securities and other investments on behalf of the Corporation and to the extent authorized pursuant to these Guidelines; (iii) the officers of the Corporation are authorized and directed to perform those tasks necessary or useful to ensure that the Corporation, acting through those authorized officers listed in the Bylaws of the Corporation, has access to and control over the Accounts; (iv) the Directors adopted the standard forms of banking resolutions and incumbency certificates ordinarily used by such financial institutions selected by the officers of the Corporation; and (v) any officer of the Corporation was authorized to certify, to the due adoption of such banking resolutions and incumbency certificates. Empowered officers may enter into agreements with banks and financial institutions for bank accounts and to purchase investments of the type indicated in these Investment Guidelines and other investments specifically approved by the Corporation's Board of Directors.

These Investment Guidelines do not modify any restriction, if any, otherwise imposed on various types of funds held by the Corporation, such as any restrictions set forth in any third party contracts with the City, or resulting from the source of funds (e.g. federal funds). Those other restrictions, to the extent inconsistent with these Investment Guidelines, shall govern. If possible, all sets of restrictions should be complied with. Furthermore, by adopting these Investment Guidelines, the Board is not amending or superseding any approval given or hereafter given for investments related to particular projects.

**Schedule 2**

# Schedule of Investments

New York City Economic Development Corporation
(A Component Unit of the City of New York)
Year Ended June 30, 2021
With Report of Independent Auditors

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**PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY**

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Schedule of Investments

Year Ended June 30, 2021

## Contents



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**PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY**

# Report of Independent Auditors

The Management and the Board of Directors
New York City Economic Development Corporation

## Report on the Schedule of Investments

We have audited the accompanying Schedule of Investments for the New York City Economic Development Corporation (NYCEDC), a component unit of The City of New York, as of June 30, 2021, and the related notes.

### *Management's Responsibility for the Financial Schedule*

Management is responsible for the preparation and fair presentation of the Schedule of Investments in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule of Investments that is free of material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the Schedule of Investments based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Investments is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule of Investments. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule of Investments, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule of Investments in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule of Investments.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the Schedule of Investments referred to above presents fairly, in all material respects, the investments of NYCEDC as of June 30, 2021, in conformity with U.S. generally accepted accounting principles.

***Report on the Financial Statements as of June 30, 2021***

We have audited, in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards,* the financial statements of NYCEDC as of and for the year ended June 30, 2021, and our report thereon, dated September __, 2021, expressed an unmodified opinion on those financial statements.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated September __, 2021, on our consideration of NYCEDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters with respect to the Schedule of Investments. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NYCEDC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NYCEDC's internal control over financial reporting and compliance with respect to the Schedule of Investments.

________, 2021

**PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY**

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Schedule of Investments
*(In Thousands of Dollars)*

| | June 30, 2021 |
|---|---|
| Operating | $ 86,902 |
| Restricted | 158,420 |
| Total investments | $ 245,322 |

*The accompanying notes are an integral part of this schedule.*

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New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Schedule of Investments

June 30, 2021

**1. Background and Organization**

NYCEDC is a not-for-profit corporation organized under the New York State Not-for-Profit Corporation Law (the NPCL) that generates income that is exempt from federal taxation under section 115 of the Internal Revenue Code (IRC). NYCEDC's primary activities consist of rendering a variety of services to administer certain economic development programs on behalf of the City of New York (the City) relating to the attraction, retention and expansion of commerce and industry in the City. These services and programs include encouragement of construction, acquisition, rehabilitation and improvement of commercial and industrial enterprises within the City, and the provision of financial assistance to qualifying business enterprises as a means of helping to create and retain employment therein. These services are generally provided under two annual contracts with the City: the amended and restated contract (Master Contract) and the Maritime Contract. The services provided under these contracts and other related agreements with the City are herein referred to as the Contract Services.

In order to provide these services, NYCEDC primarily generates revenues from property rentals and real estate sales. To present the restricted assets of NYCEDC's rental portfolio in a manner consistent with the limitations and restrictions placed upon the use of resources and NYCEDC's contractual agreements with the City and other third parties, NYCEDC classifies its asset management operations into the following five portfolios:

*Commercial Leases Portfolio:* NYCEDC manages property leases between the City and various commercial and industrial tenants. For ground leases, these agreements include restrictions on the use of the land to the construction or development of commercial, manufacturing, industrial or residential facilities. The leases also generally provide for base rent payments plus provisions for additional rent.

*Brooklyn Army Terminal Portfolio:* The Brooklyn Army Terminal (BAT) is an industrial property owned by the City that is leased to NYCEDC. Under the terms of the BAT lease, a reserve account of $500,000 was established from net BAT revenues for property operating and capital expenses.

*Maritime Portfolio:* This portfolio was established to account for NYCEDC's management and maintenance of wharf, waterfront, public market, public aviation, and intermodal transportation properties and the NYC Ferry system on the City's behalf pursuant to the Maritime Contract.

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**1. Background and Organization (continued)**

*Other Properties Portfolio:* This portfolio was established to account for the activities of certain City-owned properties and other assets for which NYCEDC assumed management responsibilities. Pursuant to various agreements between NYCEDC and the City, the net revenue from three of the properties is retained for property operating and capital expenses or for expenses of projects in the area.

*42nd Street Development Project Portfolio:* This portfolio was established as a joint effort between the City and the State to redevelop the 42nd Street district into a vibrant office and cultural center. Ownership of all the properties was transferred from the State to the City by October 31, 2012. NYCEDC then assumed management and administrative responsibilities for all leases in connection with the 42nd Street Development Project.

**2. Summary of Significant Accounting Policies**

**Investments**

Investments held by NYCEDC are recorded at fair value.

**3. Investments**

NYCEDC's investment policy permits the Corporation to invest in obligations of the United States of America, where the payment of principal and interest is guaranteed, or in obligations issued by an agency or instrumentality of the United States of America. Other permitted investments include short-term commercial paper, certificates of deposit and bankers' acceptances.

**3. Investments (continued)**

As of June 30, 2021, the Corporation had the following investments.

| | Fair Value | Investment Maturities at June 30, 2021 (In Years) | | |
|---|---|---|---|---|
| | **2021** | **Less Than 1** | **1 to 2** | **Greater than 2** |
| Money market mutual funds | $ 113,477 | $ 113,477 | $ – | $ – |
| Money market deposit account | 5,250 | 5,250 | – | – |
| FHLB notes | 40,005 | 10,004 | – | 30,001 |
| FHLMC notes | 1,023 | 1,023 | – | – |
| Commercial paper | 19,490 | 19,490 | – | – |
| FFCB notes | 58,647 | – | 37,958 | 20,689 |
| U.S. Treasuries | 7,229 | 7,229 | – | – |
| Certificates of deposit | 201 | 201 | – | – |
| | $ 245,322 | $ 156,674 | $ 37,958 | $ 50,690 |

*Fair Value Measurements* – Fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into these levels: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Money market funds, categorized as Level 1, are valued at the unadjusted prices quoted in active principal markets for identical assets. U.S. Treasury and Agency securities and commercial paper, categorized as Level 2, are valued based on models using observable inputs. Certificates of deposit are valued at cost.

*Interest Rate Risk* – As a means of limiting its exposure to fair value losses arising from increasing interest rates, the Corporation limits 80% of its investments to instruments maturing within two years of the date of purchase. The remaining 20% of the portfolio may be invested in instruments with maturities up to a maximum of seven years.



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**3. Investments (continued)**

*Credit Risk* – It is the Corporation's policy to limit its investments in debt securities to those rated in the highest rating category by at least two nationally recognized bond rating agencies or other securities guaranteed by the U.S. government or issued by its agencies. As of June 30, 2021, the Corporation's investments in Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Bank (FFCB), and U.S. Treasuries were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch Ratings. Commercial papers held were rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Investor's Service, Inc.

*Custodial Credit Risk* – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the Corporation and are held by the counterparty, the counterparty's trust department or agent.

The Corporation manages custodial credit risk by limiting possession of its investments to highly rated institutions and/or requiring that high-quality collateral be held by the counterparty in the name of the Corporation. At June 30, 2021, the Corporation was not subject to custodial credit risk.

*Concentration of Credit Risk* – The Corporation places no limit on the amount the Corporation may invest in any United States of America government backed securities. The following table shows investments that represent 5% or more of total investments as of June 30, 2021 (dollars in thousands).

| Issuer | Dollar Amount and Percentage of Total Investments June 30, 2021 | |
|---|---|---|
| Federal Farm Credit Bank | **$ 58,647** | **23.9%** |
| Federal Home Loan Bank | **40,005** | **16.3** |

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Investments Performed in Accordance with *Government Auditing Standards*

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The Management and the Board of Directors
New York City Economic Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Investments of the New York City Economic Development Corporation (NYCEDC), a component unit of The City of New York, as of June 30, 2021, and the related notes to the Schedule of Investments, and have issued our report thereon dated September __, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the Schedule of Investments, we considered NYCEDC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule of Investments, but not for the purpose of expressing an opinion on the effectiveness of NYCEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of NYCEDC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Schedule of Investments will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether NYCEDC's Schedule of Investments is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and investment policies established by NYCEDC and the New York State Comptroller investment guideline requirements as presented in Section 201.3(c) of the *Accounting, Reporting and Supervision Requirements for Public Authorities*, noncompliance with which could have a direct and material effect on the Schedule of Investments. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

________, 2021

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**EXHIBIT D**

**AMENDED AND RESTATED SUBLEASE AND NON-DISTURBANCE AND CONSENT AGREEMENT FOR SOUTH BROOKLYN MARINE TERMINAL**
**Board of Directors Meeting**
**September 28, 2021**

**OVERVIEW:** On August 13, 2019 NYCEDC's Board of Directors approved NYCEDC to enter into a sublease for the South Brooklyn Marine Terminal ("SBMT"), a marine terminal located between 29th and 39th Streets, west of 2nd Avenue, in Sunset Park, Brooklyn, on terms which modified the Board approval of this sublease on May 9, 2018. The sublease was executed as of September 12, 2019 (the "Original Sublease") with SSBMT, L.P. ("Subtenant") on substantially the terms approved on August 13, 2019.

NYCEDC is seeking the Board's approval to amend and restate the Original Sublease to reflect the terms of the transaction modified substantially as described below. The premises contains the 35th Street Pier, the 39th Street Pier and an open upland area (together, with the Additional Premises as described below, containing approximately 72 acres) and some adjacent land under water (together, the "Site"). Additionally, NYCEDC is seeking the Board's approval to enter into a Non-Disturbance and Consent Agreement ("NDA") with an entity ("Equinor") that is fifty percent (50%) owned by Equinor US Holdings Inc. and fifty percent (50%) owned by bp Wind Energy North America Inc. or one hundred percent (100%) owned by Equinor US Holdings Inc., a potential sub-sublessee of Subtenant.

The Site is primarily identified as Block 662, Lot 136 and portions of Block 662, Lots 1, 130 and 155 on the Tax Map of the Borough of Brooklyn. The Site is approximately depicted in Attachment A.

SBMT has been identified by the New York State Energy Research and Development Authority ("NYSERDA") as a potential port facility for offshore wind activities. NYCEDC and Subtenant have been working on reactivating SBMT for offshore wind activities. Equinor has committed to using SBMT as a port facility in New York City to service recently awarded procurements to supply New York State with renewable energy.

NYCEDC is proposing to modify the Original Sublease with Subtenant ("Amended Sublease") to better reflect the proposed use of the terminal for the offshore wind power industry. In the event that neither the sub-sublease being entered into with Equinor or any participant in the offshore wind power industry ("Wind Subtenant") is entered into or all such sub-sublease(s) are terminated prior to the rent commencement date the modified sublease will be null and void and the Original Sublease will be reinstated in full force and effect.

## MODIFIED SUBLEASE TERMS

**PREMISES:** The Site will be modified to include an additional approximately 7.5 acres (the "Additional Premises") identified as Brooklyn Block 662, part of Lot 1 conditioned on Subtenant leasing the Site to a Wind Subtenant. The total Site, including the Additional Premises, other than adjacent land under water, will be approximately 72 acres.

**LANDLORD CAPITAL WORK:** Under the approval for the Original Sublease NYCEDC was to make certain infrastructure improvements to the Site for an amount not to exceed $57,325,000, which now may include improvements to the Additional Premises. Under the Amended Sublease such NYCEDC capital contribution shall either be (i) work done by NYCEDC, including through contractors and/or (ii) made pursuant to a funding agreement that contains a mechanism for disbursement of the capital contribution to Subtenant or Equinor or an affiliate of either for it to undertake the work.

**RENT:** **T**he commencement of the base rent under the Amended Sublease for the Site will be the date on which rent is payable to Subtenant by a Wind Subtenant. Until such time, an interim base rent will be payable in an amount equal to the greater of (x) fifteen percent (15%) of Subtenant's gross revenue or (y) fifty percent (50%) of Subtenant's net income. The amount of base rent for the Additional Premises shall be calculated in the same manner as the premises under the Original Sublease. If a portion of the Site is unavailable due to NYCEDC's short-term users, rent will be correspondingly abated for such portion of the Site which is unavailable. Under the Amended Sublease the participation rent for the Original Sublease premises (other than the Additional Premises) will begin from the date on which rent is payable to Subtenant by a Wind Subtenant and will be calculated as a percentage of annual gross revenue received by the Subtenant (in an amount as previously approved by the Board). However, participation rent for the Additional Premises will be (i) annually four dollars ($4.00) per rentable square feet of the Additional Premises (reduced to the extent that Subtenant's gross revenue for the Additional Premises for that year is less than four dollars ($4.00) per rentable square foot of the Additional Premises) plus (ii) fifty percent (50%) of Subtenant's gross revenue, which fifty percent (50%) shall be reduced by the payment made pursuant to (i) above and base rent received by NYCEDC for the Additional Premises. Participation Rent for the Additional Premises will begin the earlier of (i) the date of commencement of any sub-sublease on the Additional Premises and (ii) the first day of the fourth lease year. There will be no additional abatements to base rent for capital rehabilitation work, as there are in the Original Sublease.

**CARGO VOLUME:** The project commitments for minimum annual cargo volume of maritime business activity will not be in effect throughout the term of any sublease of all or substantially all of the Site with any Wind Subtenant.

**NDA:** NYCEDC approves and consents to the sub-sublease for SBMT to Equinor.

**FREIGHT INTRODUCTION/ RIGHT OF FIRST REFUSAL:** Under the Sublease between NYCEDC and SSBMT, L.P., in the event of City-mandated use of the Site for containerized freight by Subtenant or others, Subtenant and NYCEDC will work together to facilitate the "Freight Introduction". NYCEDC may agree that it will not exercise such freight introduction while the Site is leased to Equinor or any other Wind Tenant by Subtenant if such facilitation is expected to interfere with the use of the Site by Equinor or any other Wind Subtenant.

**PROPOSED RESOLUTIONS:** Approval for NYCEDC to amend and restate the Original Sublease and enter into the NDA and any related funding agreement, substantially as described herein, and to enter into any other needed agreements related thereto

**NYCEDC PROJECT CODE:** 7238

**STAFF:** Vaughn Ratchford, Executive Vice President, Asset Management
Andrew Genn, Senior Vice President, Ports & Transportation
Julie Stein, Senior Vice President, Asset Management
Romulo Garza, Vice President, Asset Management
Tiffany Lacker, Senior Counsel, Legal

# ATTACHMENT A

**EXHIBIT E**

**DEED MODIFICATION FOR FLUSHING COMMONS PROPERTY OWNER LLC**
**Board of Directors Meeting**
**September 28, 2021**

**OVERVIEW:** At its February 6, 2013 meeting, NYCEDC's Board of Directors approved NYCEDC's sale of Block 4978, Lot 25, Queens ("the Site") to Flushing Commons LLC or an affiliated entity for $20,000,000 (all cash) and a two-phase development plan. In a subsequent meeting on December 19, 2013 the NYCEDC Board of Directors approved a revised phasing plan. Terms for a further revised phasing plan and development timeline were approved at the August 13, 2019 NYCEDC Board of Directors meeting. Following such meeting NYCEDC and the Developer entered into an amended and restated deed (the "Deed Modification"). Per the original deed and the Deed Modification, the Developer is obligated to convey a community facility condominium unit to the YMCA of Greater New York (the "YMCA") in accordance with the terms of a contract between Developer and YMCA. The Developer at its cost is obligated to convey a unit with an estimated value of approximately $25 million. During and subsequent to the negotiations for the Deed Modification, the COVID-19 pandemic severely impacted the business operations of the YMCA, hindering its ability to close on the community facility condominium unit on the timeline contemplated in the Deed Modification. To try to ensure that the YMCA remains in the project, certain deadlines in the Deed Modification must be revised, substantially as described below. There are no modifications to the project program.

**OWNER/ DEVELOPER:** Flushing Commons Property Owner LLC is a partnership managed by a joint venture among affiliates of Rockefeller Group International, Inc., F&T Group, and AECOM Technology Corporation, and developed Phase 1 of the Project. Flushing Commons Sponsor Phase II JV LLC, an affiliate of Flushing Commons Property Owner LLC, will develop Phase 2 of the Project.

**SITE DESCRIPTION:** The Site is an approximately 211,000 square foot parcel in the heart of Downtown Flushing, Queens that had been used as an approximately 1,100 space municipal parking lot since the 1940s. In line with the Phase 1 requirements, the Developer has improved part of the Site with two buildings totaling approximately 690,000 gross square feet of residential, office, retail and parking space.

**PROJECT STATUS:** The Developer completed Phase 1 in August 2017. The Deed Modification, memorializing the terms of the August 2019 Board item, was recorded against the property on August 26, 2020. The approved program for Phases 2A and 2B of the project as approved by the Board in August 2019 are as follows:

| Phase 2A | Phase 2B |
|---|---|
| Two buildings that include:<br>- not less than approximately 100,000 gsf of mixed use commercial;<br>- not less than approximately 160,000 gsf of residential;<br>- YMCA space currently anticipated to be approximately 62,000 gsf but still subject to negotiation; and<br>- not less than 27 parking spaces; and<br>Approximately one acre open space | A building that includes:<br>- not less than approximately: 300,000 gsf of residential;<br>- not less than approximately 35,000 gsf of mixed use commercial; and<br>- not less than a number of parking spaces (so that the total number of parking spaces in Phases 1, 2A and 2B will be 1,600 parking spaces); and<br>Open space (so that the total open space in Phases 1,2A and 2B will be approximately 1.5 acres) |

In addition to the above revised Phases 2A and 2B and terms detailed in the first two columns on the table on the following page which were approved at the August Board meeting, several provisions were added to the Deed Modification to provide further timeline certainty. An added provision was that should the YMCA be unable to proceed with the acquisition and fit out of the community facility condominium unit, NYCEDC has an option to either (1) assume ownership of the community facility unit at no acquisition cost or (2) receive a $25,000,000 payment in exchange for waiving the community facility requirement. Either option would require additional approval from NYCEDC's Board of Directors.

**PROPOSED MODIFICATIONS:** NYCEDC proposes to modify the time for construction of Phases 2A and 2B to try to ensure the new YMCA community facility condominium unit is delivered as part of the project's Phase 2A. As a result of the proposed changes, the project will be constructed over a longer time period. Phase 2A will commence two years later than was previously approved, will still include the public benefits of open space, and is expected to still include the YMCA community facility condominium unit. As a result, Phase 2B construction commencement will also be delayed by up to two additional years. Payments for delays in the program approved at the August 2019 Board meeting would be unchanged except that the due dates for such payments would be modified to reflect the new construction dates. Payment guarantees of liquidated damages would be unchanged.

The project sequencing would be substantially as detailed below:

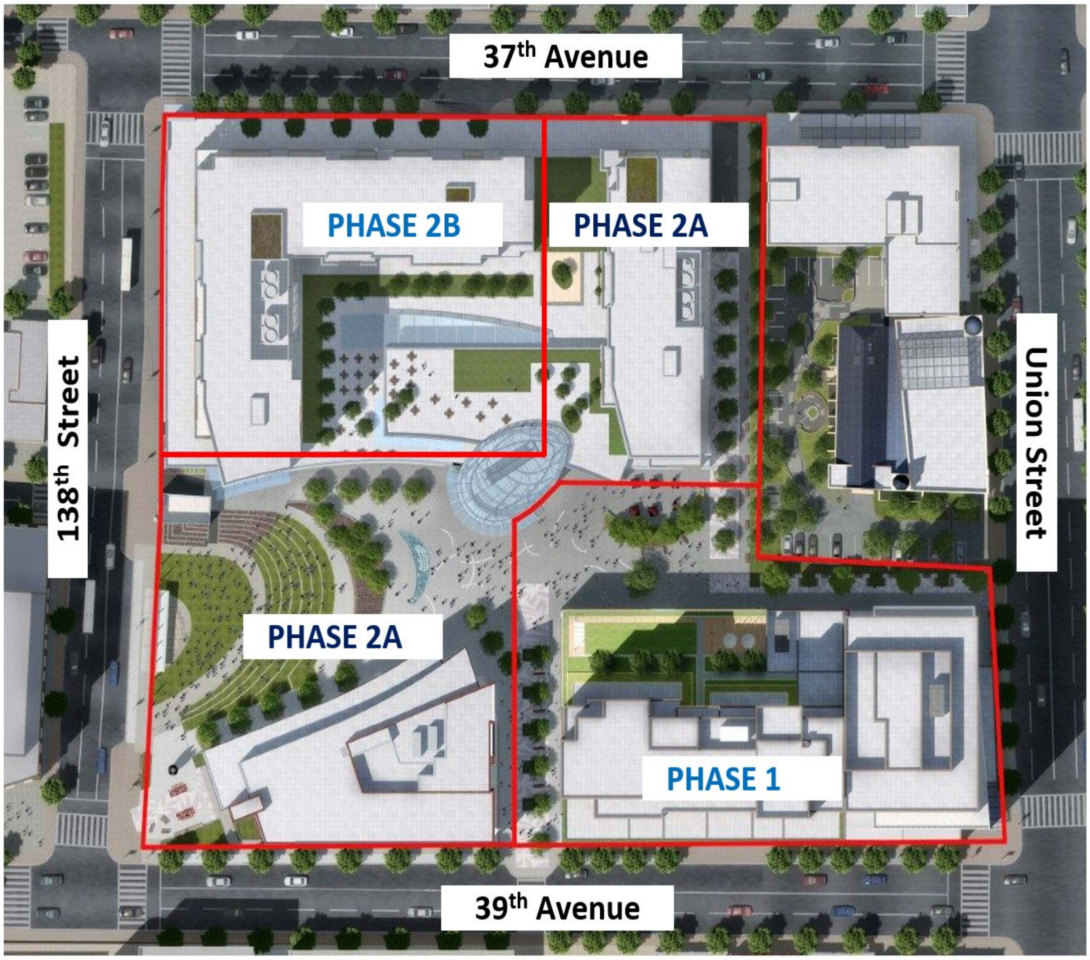
| | Phase 2A per 2019 Board Approval | Phase 2B per 2019 Board Approval | Proposed Phase 2A | Proposed Phase 2B |
|---|---|---|---|---|
| Construction Commencement | July 1, 2021 | July 1, 2025 (if all extensions exercised) | June 1, 2023 (if all extensions are exercised) | June 1, 2027 (if all extensions exercised) |
| Construction Completion | 42 months from commencement, with one, one-year extension as per below. If extension exercised, maximum 54 months from commencement. | 36 months from commencement, with one, one-year extension as per below. If extension exercised, maximum 48 months from commencement. | 42 months from commencement, with one, one-year extension as per below. If extension exercised, maximum 54 months from commencement. | 36 months from commencement, with one, one-year extension as per below. If extension exercised, maximum 48 months from commencement. |
| Construction Completion Extension | $500,000 per annum. Pro-rated if extension is shorter than one year. | $500,000 per annum. Pro-rated if extension is shorter than one year. | $500,000 per annum. Pro-rated if extension is shorter than one year. | $500,000 per annum. Pro-rated if extension is shorter than one year. |

Per the Deed Modification the Developer was to provide 618 spaces on the Phase 2A and Phase 2B sites until the Phase 2A construction commencement. As a result of a planned emergency demolition of the existing parking structure on the Site, the Developer will provide a reduced number (being negotiated) of spaces on the Phase 2A and Phase 2B sites until the Phase 2A construction commencement.

**PROPOSED RESOLUTION**: Approval for NYCEDC to enter into a deed amendment reflecting the terms of the transaction modified substantially as described above

**NYCEDC PROJECT CODE:** 3017

**STAFF:** Jamie Horton, Vice President, Special Projects
Tiffany Lacker, Senior Counsel, Legal


37th Avenue
PHASE 2B
PHASE 2A
138th Street
Union Street
PHASE 2A
PHASE 1
39th Avenue