NYC / EDC

MINUTES OF THE MEETING OF THE
REAL ESTATE AND FINANCE COMMITTEE
OF
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
October 31, 2023

A meeting of the Real Estate and Finance Committee (the "Committee") of the Board of Directors (the "Board") of New York City Economic Development Corporation ("NYCEDC"), was held on Tuesday, October 31, 2023, in Conference Room 13A (*Hunts Point*), on the 13th Floor at the offices of NYCEDC at One Liberty Plaza, New York, New York.

The following members of the Committee were present by Zoom:

Paula Roy Carethers
Mitch Draizin
James McSpiritt
Patrick J. O'Sullivan, Jr.
Mark E. Russo
Betty Woo

Members of NYCEDC staff also were present.

The meeting was chaired by Mr. O'Sullivan and called to order at 2:04 p.m. Mark Silversmith, a Special Counsel and Assistant 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 that may be contained in the Exhibit attached hereto.)

1. Approval of the Minutes of the July 25, 2023 Committee Meeting

It was moved that the minutes of the July 25, 2023 meeting of the Committee be approved, as submitted. Such a motion was seconded and unanimously approved.

2. Lease to Broadway East Group, LLC

Sean Freas, a Vice President of NYCEDC, presented a proposal for New York City Land Development Corporation ("NYCLDC") to (i) enter into a lease (the "Lease") for Block 282, Lot 44 on the Tax Map of the Borough of Manhattan (the "Site") from the City of New York (the "City"), which Site is located under the Manhattan Bridge in Chinatown, is an approximately 18,750 square foot lot that is currently improved with an approximately 50,706 square foot, two-story retail mall building (the "East Broadway Mall"), and is owned by the City, (ii) assign such Lease to Broadway East Group, LLC or

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an affiliated entity ("BEG", or the "Operator"), and (iii) enter into any related agreements and documents and consents and amendments to effectuate the East Broadway Mall project, all in order to benefit the public and provide positive economic impact for the City and The State of New York by transforming, renovating and revitalizing the underperforming East Broadway Mall into a vibrant retail center, all on substantially the terms set forth in Exhibit A hereto.

Mr. Silversmith explained that sometimes when NYCEDC or NYCLDC assigns a lease, NYCEDC then administers such lease, but that NYCEDC would not be administering the Lease in this case. In answer to questions from Mr. Russo and Mr. Draizin, Mr. Freas stated that this was a City initiated project. In answer to a second question from Mr. Draizin, Mr. Freas stated that he believed East Broadway Mall had approximately 15-20 subtenants.

In answer to a question from Mr. O'Sullivan, Mr. Freas explained that the Department of Citywide Administarative Services ("DCAS") had advised that BEG was the strongest operator and provided the most attractive package, both economically and for public benefits. In answer to another question from Mr. Draizin, Mr. Silversmith stated that if at some point BEG failed to perform, it would be a default under the Lease and the City would then have to decide whether or not to terminate the Lease. In answer to a second question from Mr. O'Sullivan, Mr. Freas stated that the Operator is required to complete $5 million of capital improvements within 16 months after the assignment of the original existing lease to it. In answer to another question from Mr. O'Sullivan, Mr. Freas explained that the initial one-time payment of $2 million referenced in the item would be made to the City at closing, and that the closing was projected for mid-January 2024, with a Lease commencement date of February 1, 2024. In answer to a question from Mr. McSpiritt, Mr. Freas stated that this transaction was approved unanimously by Community Board 3 in June 2023, and that he believed that the procurement by DCAS was done through a competitive process in connection with bankruptcy court proceedings. Mr. Silversmith noted that he did not believe a full-scale request for proposals had been released.

At this time, a discussion ensued among Mr. McSpiritt and Ms. Woo regarding the process involved for this disposition, during which discussion Ms. Woo summarized the full process – that the selection process was primarily a lender process, the entire structure was being approved through the bankruptcy court and that there would be an assignment of the original lease to BEG and the new Lease and the original lease would be combined into one amended and restated lease – as well as some background on and reasons for the selection of the Operator. In answer to a question from Ms. Carethers, Mr. Silversmith explained that generally when NYCEDC does leases and administers the leases afterwards it gets to keep the rent it collects for the City up to a cap, but that NYCEDC was not receiving any money in connection with this transaction.

Lastly, Mr. O'Sullivan stated that he agreed with Mr. McSpiritt that the presentation of this matter to the Board should include more detail about this project and the selection of BEG.

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A motion was then made that the Committee recommend that the Board of Directors approve the matters set forth for approval in the Proposed Resolution section of Exhibit A hereto. Such motion was seconded and unanimously approved.

3. Adjournment

There being no further business to come before the meeting, pursuant to a motion made, seconded and unanimously approved the meeting of the Committee was adjourned at 2:19 p.m.

_____
Assistant Secretary

Dated: _____
New York, New York

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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

LEASE TO BROADWAY EAST GROUP, LLC
Board of Directors Meeting
November 14, 2023

LESSOR:	The City of New York (the "City")
LESSEE/ LEASE ASSIGNOR:	NYCLDC
LEASE ASSIGNEE:	Broadway East Group, LLC or an affiliated entity (the "Broadway East Group")
SITE LOCATION:	East Broadway Mall, 88 East Broadway, Block 282, Lot 44 (the "Site") Borough of Manhattan Community Board No. 3
SITE DESCRIPTION:	The Site, located under the Manhattan Bridge in Chinatown, is an approximately 18,750 square foot lot that is currently improved with a two-story retail mall building, known as the East Broadway Mall, consisting of approximately 50,706 square feet. It is owned by the City. The Site is approximately depicted in Attachment A.
PROJECT DESCRIPTION	The City entered into a long-term lease (the "Original City Lease") with a private developer-tenant in 1985 for the construction and operation of a mall at the Site known as the East Broadway Mall. In 2019, the private developer-tenant originally selected by the City filed for bankruptcy. Following four years of bankruptcy proceedings, in 2023 the Bankruptcy Court conditionally approved a plan to exit bankruptcy. The plan is based upon the Original City Lease being assigned to Broadway East Group and for providing for a term of 30 years. However, the Original City Lease has only approximately 11 years remaining, expiring in 2035. Accordingly, the City has proposed that NYCLDC enter into a new lease (the "NYCLDC Lease") for a term of 19 years, commencing at the end of the term of the Original City Lease, and assign the NYCLDC Lease to Broadway East Group for nominal additional consideration. The City will enter into the NYCLDC Lease with NYCLDC only if NYCLDC will assign the NYCLDC Lease to Broadway East Group in order to satisfy the Bankruptcy Court approval. NYCLDC,

therefore, could not use competition to find an assignee of its lease. In connection with the bankruptcy proceeding, other entities made offers for the Site. It is anticipated that the Original City Lease may be amended by the City at the time of its assignment to Broadway East Group and that the Original City Lease, as amended and restated, and the NYCLDC Lease will be merged after both have been assigned to Broadway East Group.

PURPOSE OF THE DISPOSITION/BENEFIT TO THE PUBLIC:

The disposition of the Site to Broadway East Group will benefit the public and provide positive economic impact for the City and the State of New York by transforming, renovating and revitalizing the underperforming East Broadway Mall into a vibrant retail center. The disposition shall enable the creation of construction jobs and permanent jobs and contribute to overall economic activity, increase tax revenues, along with providing support and protections for the existing small businesses in the East Broadway Mall.

LEASE TERMS:

The term of the NYCLDC Lease is for 19 years, commencing February 1, 2035. The rental will be an initial annual rent in the amount of approximately $1,322,000, which includes (a) the payment of base annual rent of $622,905.24 (with 3% annual rent escalations) and (b) Payments in Lieu of Taxes (PILOT) for the full amount of real estate taxes that would be assessed by the New York City Department of Finance each year (currently approximately $700,000 per year) if the Site was not City owned.

By an amendment to the Original City Lease, Broadway East Group will be required to spend at least $5,000,000 on the renovation of the retail building portion of the Site. The Site must be used primarily for retail and commercial uses under the Original City Lease and the NYCLDC Lease.

APPRAISED VALUE:

An independent appraisal of the Site was obtained by the City that valued the current fair market annual rent for the Site based on the highest and best use and was increased by three percent (3%) per year from 2023 to reflect the NYCLDC Lease commencement date of February 2035 to an amount of $1,771,800.

The appraisal value is based on the market value of the Site as is, which the appraisal describes as rundown. The Site is in need of extensive renovation and revitalization, including capital improvements, restructuring, and aesthetic improvements. As a result, in addition to the fixed rent, Broadway East Group has committed to expend $5,000,000 for the cost of renovation. In arriving at the rent for the Site under the amended Original City Lease and NYCLDC Lease, the City considered the $5,000,000 for the cost of renovations and a $2,000,000 initial onetime payment by the Broadway East Group to the City upon the amendment and assignment of the Original City Lease.

EXISTING ZONING: The Site is within a Commercial Zoning District specific to Chinatown designated as C6-1G.

PUBLIC APPROVALS: The East Broadway Mall Original City Lease received ULURP approval for disposition on December 6, 1979. Pursuant to Section 384(b)(4) of the City Charter, the Manhattan Borough Board approved the proposed disposition of the Site in accordance with the Bankruptcy Court approval on September 21, 2023.

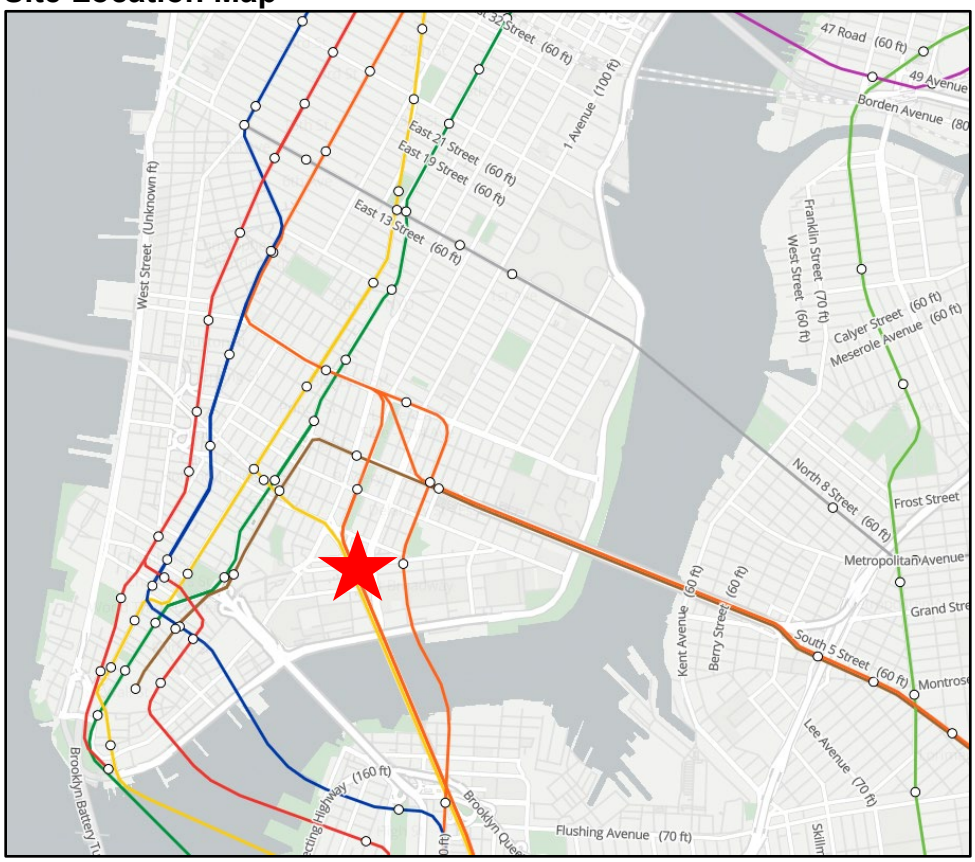
PROPOSED RESOLUTION: Approval for NYCLDC to (i) lease the Site from the City substantially as described herein, (ii) assign such NYCLDC Lease to the Broadway East Group, substantially as described herein, and (iii) enter into any related agreements and documents and consents and amendments to effectuate the East Broadway Mall project, substantially as described herein

NYCEDC PROJECT CODE: 830008

NYCEDC STAFF: Sean Freas, Vice President, Asset Management
Young Ji, Vice President, Asset Management
Sabrina Lippman, Senior Vice President, Asset Management
Scott Shostak, Senior Counsel, Legal

Attachment A

Site Location Map





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