



MINUTES OF THE MEETING OF THE
REAL ESTATE AND FINANCE COMMITTEE
OF
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
January 23, 2024

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, January 23, 2024, in Conference Center A/B, on the 14th 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
James McSpirtt
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.

1. Approval of the Minutes of the October 31, 2023 Committee Meeting

It was moved that the minutes of the October 31, 2023 meeting of the Committee be approved, as submitted. Such a motion was seconded and unanimously approved.

2. Assignment and Assumption of the Teleport Industrial Park Lease and Sublease at 5 Teleport Drive

William Zheng, a Senior Associate of NYCEDC, presented a proposal for (i) NYCEDC to assume the interest of The Port Authority of New York and New Jersey (the "Port Authority") under a lease, dated as of May 15, 1984, as amended, between The City of New York (the "City"), as landlord, and the Port Authority, as tenant (the "City Lease") for the portion of the Teleport Industrial Park owned by the City ("Teleport" or the "Site"), a data center and office campus located in the Bloomfield neighborhood on Staten Island's West Shore, and to exercise the one-year renewal options under the City Lease, (ii) NYCEDC to enter into an amendment of the City Lease (the "Amendment") to reduce the annual base rent to \$1.00 and provide that NYCEDC shall not be responsible for paying any real estate taxes or payments in lieu of taxes, (iii)

NYCEDC, as landlord, to enter into a sublease with the Port Authority (the "Port Authority Sublease"), as tenant, for certain space in the building at 5 Teleport Drive (Block 2165, Lot 85 on the Tax Map of the Borough of Staten Island), which space includes a 1st floor generator room (384 square feet) and the 2nd floor (24,000 square feet) of such building, and (iv) NYCEDC to enter into documents ancillary thereto, all to ensure that Teleport continues to operate efficiently and effectively after NYCEDC's assumption of the City Lease, on substantially the terms set forth in Exhibit A hereto.

In answer to a question from Mr. Russo, Mr. Zheng stated that, per recent fair market value ("FMV") appraisals for the two current subleases at Teleport – the current subtenants are The Corporate Commons of Staten Island, LLDC ("Nicotra") at 1 and 2 Teleport Drive and Telehouse International Corporation of America ("Telehouse") at 7 Teleport Drive – both subtenants were paying FMV ground rents. In answer to a second question from Mr. Russo, Sean Freas, a Vice President of NYCEDC, stated that NYCEDC had not identified a particular perpetuation plan with respect to Nicotra, but that NYCEDC tried to build in some risk mitigants within the sublease itself. A discussion then ensued concerning succession plans.

In answer to a question from Mr. O'Sullivan about the Port Authority returning the leased campus in good condition, Mr. Zheng explained that NYCEDC had engaged a consultant to do a building condition assessment for each of the buildings to help define what would be considered a state of good repair, that the consultant had come back with some estimates, and that NYCEDC had been pressing the Port Authority to do some repair work. Mr. Zheng added that the Port Authority was still reviewing the assessments, and that thus far it had been established that the Port Authority would provide financial compensation to bring the buildings up to good repair. In answer to a second question from Mr. O'Sullivan, Karen Lapidus, a Senior Counsel of NYCEDC, explained that whatever agreement was put in place with the Port Authority for its financial contribution to get the buildings to a state of good repair would be memorialized in either the assignment to NYCEDC or in a related side letter and that even though the Port Authority was assigning the City Lease to NYCEDC, the Port Authority would continue to be liable under the City Lease for certain matters. In answer to a third question from Mr. O'Sullivan, Mr. Freas stated that once NYCEDC assumed the Teleport property at the end of March it was hoping to pursue a 99-year extension in 2024. In answer to a fourth question from Mr. O'Sullivan, Mr. Freas explained that Telehouse and Nicotra had engaged the Port Authority previously about amending their subleases, that the Port Authority then informed NYCEDC, knowing that NYCEDC would be taking over the campus, and that NYCEDC and the Port Authority were in agreement about working through amending the subleases for these excellent tenants before the assignment to NYCEDC. In answer to another question from Mr. O'Sullivan, Mr. Freas stated that NYCEDC's Asset Management team had put together an extensive and cost-effective operational plan for when NYCEDC would take over Teleport, and that NYCEDC had also begun a market feasibility study with consultants to look at broader campus programming and how to best position this development opportunity in a growing market.


In answer to a question from Mr. Russo, Mr. Freas stated that to NYCEDC's

understanding the Port Authority was not currently paying property taxes. In answer to an additional question from Mr. Russo, Mr. Freas stated that NYCEDC had already begun coordinating directly with the New York City Department of Buildings and the Port Authority to put a plan in place for obtaining Certificates of Occupancy for the buildings at Teleport that would make sense for both parties. In answer to a question from Ms. Woo, Mr. Freas stated that currently no one else was in the 5 Teleport Drive building besides the Port Authority, and that NYCEDC's immediate plan was to put out a request for proposals ("RFP") to lease the vacant half of that building. Mr. Freas added that the building at 10 Teleport Drive had an existing tenant that was currently decommissioning and expected to vacate before the assignment to NYCEDC, and that NYCEDC therefore was already drafting an RFP for that space to fill that vacancy.

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 2:22 p.m.


Assistant Secretary

Dated: April 23, 2024
New York, New York

EXHIBIT A

**ASSIGNMENT AND ASSUMPTION OF THE TELEPORT INDUSTRIAL PARK LEASE
AND
SUBLEASE AT 5 TELEPORT DRIVE
Board of Directors Meeting
February 6, 2024**

**PROJECT
OVERVIEW:**

NYCEDC currently acts as lease administrator under a lease, dated as of May 15, 1984, as amended, between the City, as landlord, and the Port Authority, as tenant (the "City Lease") for the portion of the Teleport Industrial Park owned by the City ("Teleport" or the "Site"), an approximately 81-acre data center and office campus located in the Bloomfield neighborhood on Staten Island's West Shore. Teleport contains a total of approximately 700,000 square feet of rentable space in five buildings: 1, 2, 5, 7 and 10 Teleport Drive. In addition to these improvements, there is an electrical substation that provides electricity to the entire campus as well as approximately 31 acres of vacant land suitable for future development.

The Port Authority proposes to assign the City Lease to NYCEDC on March 31, 2024, at which time there will be one year remaining on the term of the City Lease and options to extend the term through March 31, 2034. NYCEDC is seeking approval to enter into the assignment and assume the Port Authority's obligations as tenant under the City Lease (the "Assignment and Assumption of City Lease"). Pursuant to the terms of the City Lease, the Port Authority is required to return the campus in good condition.

At the closing and immediately following the assignment, the City and NYCEDC will enter into an amendment to the City Lease reducing the annual base rent to \$1.00 and providing that NYCEDC shall not be responsible for paying any real estate taxes. The City and NYCEDC plan to seek approvals to extend the term of the City Lease by up to an additional 99 years, which extension would be presented to NYCEDC's Board for approval at a later date.

There are currently 2 subleases at Teleport and NYCEDC will assume the City Lease subject to both subleases, which will remain in place. The subtenants are The Corporate Commons of Staten Island, LLC ("Nicotra") at 1 and 2 Teleport Drive and Telehouse International Corporation of America ("Telehouse") at 7 Teleport Drive. The subleases currently have options to extend their term to up to a total of sixty (60) years, through 2044 for Nicotra and 2048 for Telehouse. During those periods base rent for Nicotra will be approximately \$4.00 per occupied square foot and for Telehouse will be approximately \$6 per square foot through approximately March 30, 2030, increasing for Telehouse to fair market rent on or about March 30, 2030. It is

anticipated that, immediately prior to assigning the City Lease to NYCEDC, the Port Authority will amend the two subleases to provide the subtenants an option to extend the terms of their subleases beyond 60 years, provided that on or before March 2034 the City Lease is extended, in the case of Nicotra to the Nicotra Extension Date and in the case of Telehouse to the Telehouse Extension Date defined below. In the case of Nicotra, the term may be extended through approximately March 30, 2073 (the "Nicotra Extension Date") with base rent equal to fair market rent at the beginning of the additional extension period in 2044, with reset(s) in the remainder of the term. In the case of Telehouse, the term may be extended through approximately August 8, 2068 (the "Telehouse Extension Date") with base rent equal to fair market rent in 2024, with reset(s) in the remainder of the term. The fair market rental value will be determined by an independent appraisal, but will not be less than the base rent in effect immediately prior to any rent reset date. All other rental will remain unchanged.

The Port Authority has requested a sublease for 1 floor and a generator room in the building at 5 Teleport Drive in order to maintain a data center at that location. Accordingly, NYCEDC is also seeking approval to enter into a sublease with the Port Authority for a 5-year term with an initial base rent of \$658,368 per annum (approximately \$27 per square foot) and 3% annual escalations thereafter.

NYCEDC's plan to ensure that Teleport continues to operate efficiently and effectively after NYCEDC's assumption of the City Lease includes subleasing vacant space at fair market rental rates, subject to obtaining all required approvals, extending the term of the City Lease for an additional 99 years, and exploring future development possibilities. As an NYCEDC-controlled asset, Teleport will offer an opportunity to align organizational initiatives with the built environment, utilizing the undeveloped land for economic growth, green energy, and community vitality in Staten Island.

NYCEDC proposes to:

- enter into an assignment and assumption of the City Lease for Teleport
- enter into an amendment of the City Lease
- enter into a sublease with the Port Authority for space at 5 Teleport Drive

**ASSIGNMENT AND ASSUMPTION
OF CITY LEASE**

Lessor: The City

Lessee: The Port of Authority

Assignee: NYCEDC

Property: The Teleport
Borough of Staten Island
Community Board No. 2

Lease Term: At closing the Lease term will expire on March 31, 2025 with 9 1-year options to renew the City Lease through March 31, 2034.

Rent: See Amendment of City Lease below setting forth the new rent that will be in effect essentially simultaneously with the Assignment and Assumption of City Lease

Site Description: See Project Overview above
The Site is approximately depicted in Attachment A.

AMENDMENT OF CITY LEASE

Lessor: The City

Lessee: NYCEDC

Rent: Amend rent to \$1.00 per annum. NYCEDC will not pay any real estate taxes or PILOT.

PORT AUTHORITY SUBLEASE

Sublessor: NYCEDC

Sublessee: The Port Authority

Property: Space in the building at 5 Teleport Drive (Block 2165, Lot 85); 1st floor generator room (384 square feet) and 2nd floor (24,000 square feet)

Lease Term: The sublease will be for a term of 5 years, commencing March 31, 2024 and expiring March 30, 2029.

Base Rent: Base rent commencing April 1, 2024 will be \$658,368 (\$27 per square foot) for the first year (i.e. \$10,368 for the first floor and \$648,000 for the second floor), and will thereafter increase by 3% annually

Uses: Office uses and other uses consistent with M1-1 zoning.

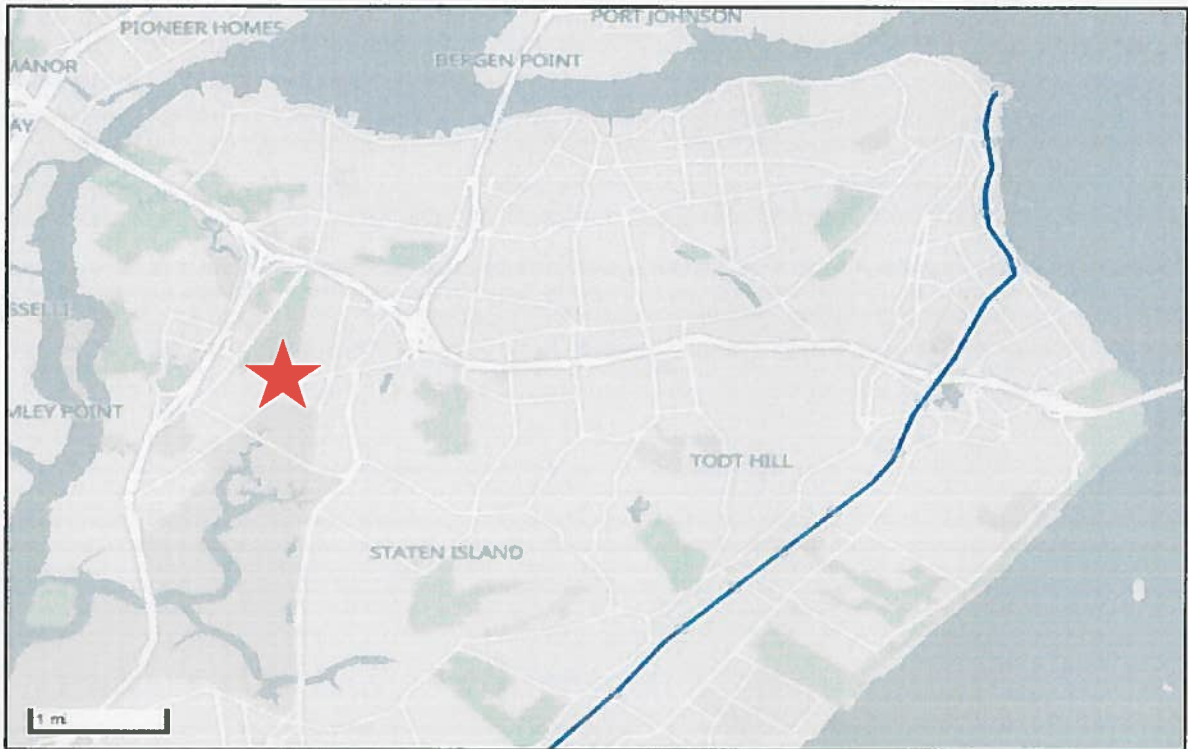
Appraised Value: An independent appraisal of the second floor of the sublease premises at 5 Teleport in May 2023 valued the fair market annual rent for the second floor at \$624,000 (\$26 per square foot) on a Triple Net Lease (NNN) with 3% annual escalations.

PROPOSED RESOLUTION: The approval of (i) NYCEDC assuming the interest of the Port Authority under the City Lease and exercising the one-year renewal options thereunder, (ii) NYCEDC entering into an amendment of the City Lease, (iii) NYCEDC, as landlord, entering into a sublease with the Port Authority, as tenant, and (iv) NYCEDC entering into documents ancillary thereto, on substantially the above described terms.

NYCEDC PROJECT CODE: 10588 - Teleport

STAFF: Sabrina Lippman, Senior Vice President, Asset Management
Sean Freas, Vice President, Asset Management
Lia Tieu, Vice President, Asset Management
William Zheng, Senior Associate, Asset Management
Karen Lapidus, Senior Counsel, Legal

Attachment A: Site Location Map



- SUBLEASES**
- 1 & 2 Teleport (Nicotra)
 - 5 Teleport (Port Authority)
 - 7 Teleport (Telehouse)