

BROOKLYN MARINE TERMINAL PROJECT
Board of Directors Meeting
May 23, 2024

Background:

Brooklyn's Red Hook waterfront has been a key regional port and maritime center throughout New York City's history, serving an evolving mix of maritime, industrial, and transportation functions. Over recent decades, port activities and the needs of working waterfronts have changed, requiring a new vision for the Red Hook waterfront to ensure it supports future needs of the city.

The City of New York (the "City") and NYCEDC, in partnership with the community and stakeholders, have a generational opportunity to assume control of roughly 120 acres of prime Brooklyn waterfront property (the "Brooklyn Marine Terminal", "BMT" or "Site") and reimagine this property as a center for 21st century growth and innovation.

The Brooklyn Marine Terminal encompasses Piers 7 to 12 and their associated uplands. The Port Authority owns certain portions of the BMT (the "PA BMT Property"), and the City owns certain portions of the BMT, which it leases to the Port Authority (the "City BMT Property"), as indicated in the map of the BMT attached hereto as Attachment A. A portion of the Site is subject to an agreement among the Port Authority, the City, and the State of New York (the "State") entered into in 1979, which expires on April 30, 2031.

NYCEDC currently leases Piers 11 and 12 and their associated uplands (the "Brooklyn Cruise Terminal") from the Port Authority pursuant to a lease dated as of January 1, 2009 (as amended, the "Brooklyn Cruise Terminal Lease"). The remainder of the BMT, comprising Piers 7 to 10 and their associated uplands, is operated for maritime container operations and other uses pursuant to (i) an operating agreement between the Port Authority and Red Hook Container Terminal, LLC, under which there are a number of licenses to various users, and (ii) several sublease agreements between the Port Authority and third parties ((i) and (ii), together, the "BMT User Agreements").

Elsewhere in New York Harbor, the City owns the Howland Hook Marine Terminal ("Howland Hook"), an approximately 225-acre industrial property on Staten Island's West Shore, which it leases to the Port Authority pursuant to a master lease dated June 30, 1983 (as amended, the "Howland Hook Lease"). Howland Hook functions as a port facility together with approximately 120 acres owned by the Port Authority that are located adjacent to Howland Hook. The terminal recently attracted a \$200 million private investment commitment for facility expansion and upgrades.

**Project
Description:**

Consolidating control of the BMT with the City and NYCEDC has the potential to accomplish a number of policy goals for local communities and stakeholders, such as the modernization of maritime operations, development of other uses and community amenities on the Site, and the creation of jobs along the waterfront (the "Project").

Similarly, providing the Port Authority with greater control over Howland Hook further supports the Port Authority's long-term planning and growth of a strategic intermodal shipping terminal located in New York City (the "Howland Hook Initiative", together with the Project, the "Initiatives").

To facilitate the Initiatives, NYCEDC, the City and the Port Authority have agreed to enter into a series of transactions, including, initially, NYCEDC entering into a net lease and net sublease with the Port Authority for the BMT (the "BMT Lease"), an assignment by the Port Authority of the Brooklyn Cruise Terminal Lease and the BMT User Agreements to NYCEDC and the City amending the Howland Hook Lease with the Port Authority (the "Amended HH Lease", together with the BMT Lease, the "Leases"), as interim steps leading to the proposed transfer of title to the Howland Hook premises to the Port Authority and the PA BMT Property to the City following the receipt of public approvals for such transfers (the "Transfers").

Pursuant to the Leases, the BMT and Howland Hook are each to be leased (and ultimately transferred) on an "as is, where is" basis, with each party assuming existing and future environmental liabilities. The Leases provide (i) comparable rights and obligations at each site and (ii) operational control and all financial benefits to the tenant with limited oversight by the landlord. The rent obligation under each of the Leases shall be the same amount. In the event approvals for the Transfers are not obtained before April 30, 2031, the City and Port Authority have agreed to use reasonable efforts to extend the Leases through 2123, subject to necessary approvals, which may include approval under Section 1301(2)(f) of the City Charter in the case of the Amended HH Lease.

NYCEDC will be responsible for all ongoing operational and maintenance costs, and any impositions and other amounts, required for the Site under the BMT Lease and the BMT User Agreements, as the case may be.

The Project timeline entails (i) an interim period of operation of the Site by NYCEDC pursuant to the BMT Lease (the "Interim Period"), followed by (ii) Site redevelopment after approval of a long-term investment plan for the Site (the "Master Plan") and the Transfers.

The Interim Period is anticipated to start upon BMT Lease execution and end at the earlier of (i) the Transfers and (ii) April 30, 2031. During the Interim Period, NYCEDC will operate the Site in accordance with the BMT Lease and undertake certain capital investments (the “Initial Investment”). The Initial Investment is anticipated to primarily include (i) priority stabilizing repairs to, and/or monitoring of, the piers, (ii) purchases of, and/or repairs to, equipment used to support operations, and (iii) repairs and upgrades to certain existing buildings to ensure compliance with City building codes. During this period, NYCEDC will also lead development of the Master Plan. Site redevelopment, including public and stakeholder engagement, may be undertaken in coordination with the State.

NYCEDC is seeking approval of approximately \$70,000,000, anticipated to be City Capital Budget funding, to finance the Initial Investment, including any contract(s) needed for the Initial Investment (the “Initial Investment Contracts”). Authorization is separately being sought at this meeting for NYCEDC to enter into engagement, planning and environmental consultant contracts totaling approximately \$10,000,000, to be funded using NYCEDC programmatic budget funds and/or City Tax Levy funds.

Borough: Brooklyn

Agreements to be Approved: (i) The BMT Lease, assignment of the Brooklyn Cruise Terminal Lease, and assignment(s) of the BMT User Agreements, and (ii) the Initial Investment Contracts entered into with contractors approved by the President or another authorized signatory of NYCEDC, chosen pursuant to a procurement method permitted by NYCEDC's annual contracts with the City

Amount to be Approved: Approximately \$70,000,000 for the Initial Investment

Type of Funds: Anticipated to be City Capital Budget funds

Proposed Resolution: To authorize the President and any empowered officer to enter into the BMT Lease, the assignment of the Brooklyn Cruise Terminal Lease, the assignment(s) of the BMT User Agreements, the Initial Investment Contracts, and any other related agreements, substantially as described herein, and to take any actions and make payments necessary for and related to the Project, substantially as described herein

**BMT Lease
Summary Terms:**

Lessor	Port Authority
Lessee	NYCEDC
Site Location	Multiple lots within Red Hook and the Columbia Street Waterfront District, as detailed in Attachment A Borough of Brooklyn Brooklyn Community Board #6
Site Condition	Site leased as-is with key operating equipment transferred to NYCEDC at closing. While property conditions vary across the Site, recent pier condition reports commissioned by the Port Authority and reviewed by NYCEDC show that certain portions of the Site, including the piers, require substantial capital investment.
Lease Term	From commencement through the earlier of (i) the Transfers and (ii) June 30, 2058 (" <u>Lease Term</u> "). If the Transfers have not occurred by April 30, 2031, the Lease Term may be extended until 2123.
Rent	Annual rate of \$1,000,000, which shall be equal to the rent obligation of the Port Authority pursuant to the Amended HH Lease. Because the rent obligation is the same under each of the Leases, rent payments under the Leases shall be suspended for so long as both Leases are in effect.
Execution Payment	The Port Authority to pay NYCEDC \$2,500,000, less the amount of any and all payments of certain scheduled items made by the Port Authority between December 31, 2023 and the commencement of the BMT Lease, but no less than zero.
Environmental Indemnification	NYCEDC shall indemnify the Port Authority for claims related to the release of hazardous substances, or any other environmental condition or matter, created or existing at, on, under or adjacent to the Site prior to, or during, the Lease Term, including, but not limited to, the disturbance of any pre-existing condition.
General Indemnification	NYCEDC shall indemnify the Port Authority against liabilities and claims related to (in abbreviated form): (i) the negligence or willful misconduct of NYCEDC, (ii) any remediation work, (iii) any use or condition of the Site, (iv) any accident or injury at the Site, (v) any union or labor-related claims, (vi) the Project, and/or (vii) NYCEDC's failure to comply with or perform its obligations under the BMT Lease.

Use NYCEDC shall be entitled to use the Site for any uses permitted by applicable laws, taking into account the Port Authority's ownership.

Operation and Maintenance Absolute net lease to NYCEDC. NYCEDC collects all revenue associated with the BMT User Agreements and the Brooklyn Cruise Terminal Lease and bears all responsibility for operating costs.

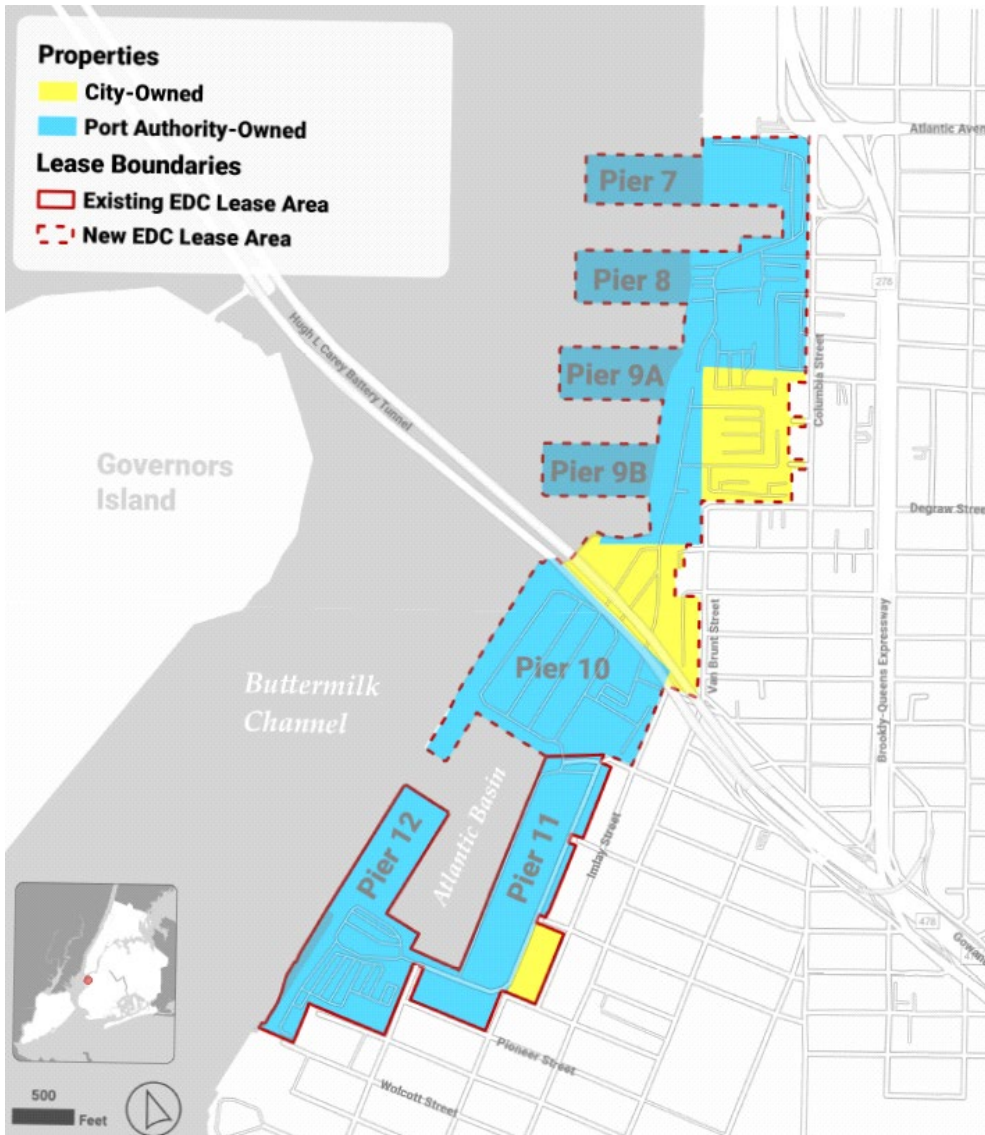
Employment: Approximately 425 full-time equivalent workers, associated with existing uses, are employed at the Site.

Zoning: The Site is zoned M1-1 and M2-1.

Relevant Staff: PJ Berg, Executive Vice President, Real Estate Transactions
David Lowin, Senior Vice President, Asset Management
Matthew Furlong, Senior Vice President, Real Estate Transactions
Kevin Dunlevy, Vice President, Real Estate Transactions
John Tseng, Vice President, Asset Management
Stacy Yan, Assistant Vice President, Asset Management
Meredith Jones, General Counsel, Legal
Robert LaPalme, Assistant General Counsel, Legal
Katie Hermann, Senior Counsel, Legal

Project Code: 10815

Attachment A – Site Map



Block and Lots:

City BMT Property
(owned by the City):

Block	Lot(s)
281	62
314	1, 27, 28, 31, 36, 38, 40, 42
316	1, 26, 31-35
318	1, 28-30, 32-37, 50
334	1, 2, 4-7, 14, 19, 23, 25, 40, 51-59, 61-65
340	1-10, 14-17, 19-26, 28-33, 35, 38-46, 48, 51
346	1-3, 5-7, 9-11, 21-23, 25, 26, 29
500	1
515	300

PA BMT Property
(owned by Port Authority):

Block	Lot(s)
281	1
499	1
514	21
515	1, 61