



New York City Economic Development Corporation

MINUTES OF A SPECIAL MEETING
OF THE
REAL ESTATE AND FINANCE COMMITTEE
OF
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
May 7, 2018

A special 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 Monday, May 7, 2018, at NYCEDC's offices at 110 William Street, in Conference Room 5C, New York, New York.

The following members of the Committee were present by conference telephone:

David Lichtenstein
James McSpirtt
Patrick J. O'Sullivan, Jr.
Mark Russo

Members of NYCEDC staff also were present.

The meeting was chaired by Mr. O'Sullivan and called to order at 1:10 p.m. Meredith Jones, an Executive Vice President, General Counsel and Secretary of NYCEDC, served as secretary of the 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.)

At this time, Mr. O'Sullivan recused himself and exited the meeting.

1. Sublease for South Brooklyn Marine Terminal

Alexander Brady, a Vice President of NYCEDC, presented a proposal for NYCEDC to enter into a sublease with an entity (the "Subtenant") formed and controlled by an affiliate of Red Hook Container Terminal, LLC and an affiliate of the entity that owns property known as Industry City, for 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"), which Site contains the 35th Street Pier, the 39th Street Pier and an open upland area and some adjacent land under water at the South Brooklyn Marine Terminal ("SBMT") in Sunset Park, Brooklyn, on substantially the terms set forth in Exhibit A hereto.

In answer to a question from Mr. McSpirtt, Mr. Brady stated that Sims Municipal


Recycling and the New York City Department of Sanitation may use a portion of SBMT, but that they were not specified as users of the Site in the sublease. In answer to a second question from Mr. McSpiritt, Mr. Brady stated that the Site would be used as a maritime facility and examples of possible types of uses were lumber importing, exporting paper for recycling, dry bulk and regional container operations. Matthew Kwatinetz, an Executive Vice President of NYCEDC, additionally stated that Industry City was interested in making the Site be developed professionally and in bringing jobs to Sunset Park, and that its owner(s) were providing substantial financial backing for the project. Mr. Kwatinetz further stated that there was potential to have a container port at SBMT and the sublease would allow "Freight Introduction" at SBMT if the City so desired.

In answer to a question Mr. Brady stated that some portions of the Site would be up and running immediately, and that the remaining portions would be up and running within 4 years, including the piers. Mr. Brady additionally noted that the information provided in Attachment B to this item contained information pertaining to the initial proposals from the parties and would be updated in the item presented to the Board to correct certain base rent proposals and percentages, which corrections he indicated. In answer to a question from Mr. Lichtenstein, Mr. Brady stated that the \$15 million in improvements to be undertaken by the sublessee was a requirement, and that there would be some remedy if the requirement was not met.

A motion was made that the Committee recommend that the Board of Directors approve and resolve the matters set forth for approval and resolution in the Proposed Resolutions section of Exhibit A hereto. Such motion was seconded and approved. Mr. O'Sullivan had recused himself from this matter.

2. Adjournment

There being no further business to come before the meeting, the meeting of the Committee was adjourned at 1:28 p.m.


Assistant Secretary

Dated: June 12, 2018
New York, New York

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
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

**SUBLEASE FOR SOUTH BROOKLYN MARINE TERMINAL
Board of Directors Meeting
May 9, 2018**

OVERVIEW:

NYCEDC is the tenant under a master lease with the City, as landlord, (the "Master Lease") for the South Brooklyn Marine Terminal ("SBMT"), a marine terminal located between 29th and 39th Streets, west of 2nd Avenue, in Sunset Park, Brooklyn. NYCEDC proposes to enter into a master sublease for a majority of the premises leased under the Master Lease. The premises proposed to be subleased contains the 35th Street Pier, the 39th Street Pier and an open upland area (together containing approximately 64.5 acres) and some adjacent land under water (together, the "Site").

The Site is 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.

Built during the 1960s and 1970s, SBMT has largely been used for handling bulk and break-bulk. After a period of disuse and following significant City, State and Federal investment, SBMT is now ready for reactivation. SBMT offers valuable access as an efficient gateway for New York City cargo.

The proposed master sublease is the result of an RFP for SBMT reactivation that was issued in November of 2015. Respondents to the RFP and a brief summary of their proposals are listed in Attachment B.

SUBLEASE TERMS

SUBLESSOR: NYCEDC

SUBLEESSEE: The sublessee (the "Subtenant") will be an entity formed and controlled by an affiliate of Red Hook Container Terminal, LLC ("Red Hook") and an affiliate of 1-10 Bush Terminal Owner LP. Such Red Hook affiliate will be the operating and managing entity responsible for the day to day operations of the Subtenant and will also provide and be responsible for the stevedoring and terminal services at the Site. If Michael Stamatis, President and CEO of Red Hook, leaves Red Hook, the Subtenant shall replace him with key personnel of equivalent or better competence/training and industry experience, which substitute personnel shall be approved in NYCEDC's reasonable discretion.

TERM: The term will commence approximately at the time of sublease execution and terminate on December 31, 2054, an approximately 36 year term.

BASE RENT: Base rent is expected to commence at \$4.03M in Sublease Year 1, and shall increase at a rate of 2% per year in Sublease Years 2-5, by 2.5% in Sublease Years 6-10, and by 3% per year thereafter. Such base rent in Sublease Years 1-3 shall be subject to abatements for certain capital rehabilitation and tenant fit-out work and because portions of the Site may not be used immediately at commencement of the sublease. The level of such abatements shall vary depending on the time necessary to complete the required improvements for occupancy and use, but shall in no event be greater than 50% of the base rent in any year of the term.

PARTICIPATION RENT: Following Sublease Year 4, the Subtenant shall pay to NYCEDC rent in addition to the base rent, calculated as a percentage (from 10%-30%, depending on the income tier) of annual gross revenue received by the Subtenant.

SECURITY DEPOSIT: \$2,000,000

MINIMUM LIQUIDITY AND GUARANTY: Throughout the term of the sublease Subtenant shall maintain a minimum liquidity of \$5 million of available cash (the "Minimum Liquidity"); NYCEDC shall be permitted to verify the maintenance of such requirements on a periodic basis. Throughout the term of the sublease, a guarantor to be determined shall guarantee the Minimum Liquidity obligation.

USE: The Subtenant shall use the Site as a maritime facility, including sub-subleased, permitted or concessioned space to various commercial users, for maritime-dependent purposes and ancillary uses, such as bulk and breakbulk stevedoring, vehicle and equipment import/export, scrap metal recycling, waterborne freight warehousing, maritime freight-rail transloading and layberthing.

Prohibited uses include: hazardous transfer facilities and any use that is not primarily a commercial maritime use, including public passenger and ferry services.

**CARGO
VOLUME**

GUARANTEES: Subtenant has agreed to meet a minimum annual cargo volume guarantee of at least 900,000 metric tons of cargo by Sublease Year 4, and shall be required to make certain Performance Payments should these guarantees not be met. In the event that Subtenant fails to meet its performance obligations for any Sublease Year, Subtenant may issue a surrender notice to NYCEDC, providing that Subtenant shall be surrendering the sublease in 18 months' time. Failure to meet the cargo volume guarantees for any consecutive 24 month period shall be an event of default.

**SUB-
SUBLEASES:**

Major sub-subleases require NYCEDC's approval. Beginning 5 years after the Sublease Effective Date, in the event any portion of the Site has not been sub-subleased out and actively used by a sub-subtenant for a period of at least 6 months, NYCEDC may present a sub-subtenant to Subtenant for such space. Provided that such sub-subtenant is willing to pay the then-current market rent per square foot, and such sub-subtenant's use complies with the permitted uses, Subtenant shall enter into a sub-sublease with such sub-subtenant for such space.

**CONSTRUCTION
/ MAINTENANCE
OF SITE:**

NYCEDC is responsible for maintaining the waterside facilities, including existing berth depths and bulkhead conditions. Subtenant is responsible for all landside facilities, site security and keeping the berths and waterways clear and navigable at all times.

**MINIMUM
CAPITAL
INVESTMENT:**

Subtenant anticipates to provide a minimum of \$15M worth of capital investment at the Site.

**LABOR PEACE
AGREEMENT:**

Subtenant is required to provide evidence that it has entered into a labor peace agreement with a bona fide labor organization.

HIRENYC:

Subtenant will comply with the HireNYC program.

**FREIGHT
INTRODUCTION:**

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 will adjust Subtenant's obligations should the Freight Introduction, in NYCEDC's reasonable discretion, cause material impacts on Subtenant's ability to meet its financial and performance obligations. Subtenant will possibly surrender some or all of the Site if Freight Introduction occurs.

**APPRAISED
VALUE:**

An appraisal concluded that the fair market rental value of the Site in 2018 was \$20,000,000 per annum. This value did not take into account the combination of requirements and restrictions that apply to the proposed sublease. Taking into account these restrictions, the appraisal in 2018 concluded that the value of the Site was \$3,900,000 per annum.

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

NYCEDC's sublease of the Site will reactivate a crucial transportation asset in New York City, and is anticipated to add 250+ living wage jobs, and reduce city-wide roadway congestion and emissions by bringing goods by ship instead of truck.

**PROPOSED
RESOLUTIONS:**

Approval of NYCEDC to enter into a sublease with the Subtenant on substantially the above described terms

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

**NYCEDC
PROJECT CODE:** 7238

STAFF:

Matthew Kwatinetz, Executive Vice President, Asset Management
Andrew Genn, Senior Vice President, Ports & Transportation
Alex Brady, Vice President, Asset Management
Allison Dees, Senior Associate, Asset Management
Tiffany Lacker, Senior Counsel, Legal

ATTACHMENT A



ATTACHMENT B

Respondent	Guaranteed Base Rent ¹	Percentage Rent	Proposed Use	Full/Partial Site	Approximate Footprint
Chosen Sublessee	\$4,300,000	Tiered from 10% - 30%	Marine Terminal	Full	64.5 ac.
Evinco Terminals LLC	\$4,193,000	Tiered from 15% - 45%	Marine Terminal	Full	72 ac.
Coastal Renewal LLC	\$1	Tiered from 30% - 60%	Marine Terminal	Full	17 ac.
ABC Select Intermodal Services Inc.	Not specified	Not specified	Lumber & Edible Oil Transload	Partial	4 ac.
Atlantic Salt Inc.	\$90,000	Dockage & wharfage fees	Salt Transload and Storage	Partial	3-4 ac.
Urban Mining Northeast, LLC	Not specified	Not specified	Recycled Glass Processing	Partial	2,000 LF
Vane Line Bunkering, Inc.	\$827,000	N/A	Barge Berthing	Partial	

¹ Estimated at stabilization, year 4