



New York City Economic Development Corporation

MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
OF
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
September 29, 2017

A regular meeting of the Directors of New York City Economic Development Corporation ("NYCEDC") was held, pursuant to notice by an Assistant Secretary, on Friday, September 29, 2017, at NYCEDC's offices at 110 William Street, in Conference Rooms 4A and 4B, New York, New York.

The following Directors of NYCEDC were present:

Shirley Aldebol (by conference telephone)
William Candelaria
Wilton Cedeno
Marlene Cintron (by conference telephone)
Hector Cordero-Guzman
Lorraine Cortes-Vazquez (by conference telephone)
Robert Englert (by conference telephone)
William Floyd (by conference telephone)
Fred Heller (by conference telephone)
Matthew Hiltzik (by conference telephone)
Lynn Kelly
Joshua Levin
David Lichtenstein (by conference telephone)
James McSpiritt
Patrick J. O'Sullivan, Jr. (by conference telephone)
Carl Rodrigues (as alternate for Alicia Glen)
Mark Russo (by conference telephone)
Matthew Washington
Timothy Wilkins
Davis Winslow (by conference telephone)

Members of NYCEDC staff, Lou Roberts, a partner of Ernst & Young LLP ("E&Y"), and members of the public also were present.

The meeting was chaired by James Patchett, President of NYCEDC, and called to order at 8:33 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 August 2, 2017 Regular Meeting of the Board of Directors

There being no questions or comments with respect to the minutes of the August 2, 2017 regular Board of Directors meeting, as submitted, a motion was made to approve such minutes, as submitted. Such motion was seconded and unanimously approved.

Mr. Floyd and Mr. Lichtenstein joined the meeting at this time.

2. Report of NYCEDC's President

Mr. Patchett informed the Board that this was the last day Charles Gans would be working for NYCEDC and thanked him for his service. He then highlighted some recent activities of NYCEDC. He began by summarizing the recent progress of the NYC Ferry system, noting that in August NYCEDC successfully launched the system's final new route of 2017, the Astoria route. He stated that the Astoria route exceeded expectations in its initial month of service. Mr. Patchett also noted that NYCEDC had recently released a customer satisfaction survey and received 1,300 responses, of which 93% gave a satisfaction rating of 7 or higher on a 10-point scale. He then summarized the progress of several other NYCEDC projects.

3. Election of Officer

Under NYCEDC's Bylaws, the Board shall elect such Senior Vice Presidents as it may from time to time determine. At this time, James Katz, an Executive Vice President of NYCEDC, proposed that Lydia Downing be elected as a Senior Vice President. It was indicated that a description of certain responsibilities of Senior Vice Presidents may be found in Article IV of the Bylaws. It was anticipated that Ms. Downing would lead NYCEDC's Government and Community Relations Department and would also perform such other duties as may be assigned to her by NYCEDC's President. Mr. Katz then summarized the background of Ms. Downing.

A motion was made to elect Lydia Downing as a Senior Vice President of NYCEDC. Such motion was seconded and unanimously approved. The position of Lydia Downing as an officer would be conditioned upon the continuance of her employment by NYCEDC.

Ms. Aldebol and Messrs. Cedeno and Washington 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 21, 2016, NYCEDC's Board approved a mission statement and performance measures.

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 Fiscal Year 2017 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 FY2016 are also included in Exhibit A. Ana Ariño, an Executive Vice President of NYCEDC, summarized the results.

Ms. Ariño noted that this year the ferry ridership number reflected only the East River Ferry ridership because NYC Ferry was not launched until close to the end of the fiscal year. In answer to a question from Mr. Wilkins, Ms. Ariño stated that NYCEDC set ambitious, internal minority and women-owned business enterprise ("MWBE") goals for its different departments and divisions, and that each year NYCEDC's aim was to surpass the previous year's MWBE goals. Mr. Patchett added that the Mayor had set a citywide goal of 30% MWBE commitment rate, and that NYCEDC had exceeded that goal. In answer to a second question from Mr. Wilkins, Mr. Patchett stated that among the most important numbers in the report were those for occupancy rate, MWBE measurements, and ferry ridership, as those were among the metrics over which NYCEDC had the most control.

At this time, Mr. Cordero-Guzman stated that the numbers in this report established a baseline that would be useful moving forward, and he suggested the possible inclusion in the future of some indicators of trends and a brief narrative to accompany the numbers to help contextualize them for the Directors. In answer to a question from Ms. Kelly, Mr. Patchett noted that NYCEDC clearly was leading the way among City entities on MWBE goals.

Mr. Heller and Mr. Lichtenstein left the meeting at this time.

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

Spencer Hobson, an Executive Vice President and Treasurer of NYCEDC, presented the proposed audited financial statements of NYCEDC for FY2017, 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 as Exhibit B hereto. 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. Hobson also 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 FY2017 is attached as 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. Hobson stated that the proposed financial statements and Annual Investment Report for FY2017 had been examined by E&Y, represented at this meeting by Lou Roberts, a partner of E&Y, and that upon the Board's approval E&Y would be issuing a clean, unmodified auditor's opinion. Mr. Hobson further stated that E&Y had considered NYCEDC's internal control structure over financial reporting and no deficiencies were noted. Mr. Hobson noted that the results of the financials were positive compared with the budget adopted. Fred D'Ascoli, a Senior Vice President and Assistant Treasurer of NYCEDC, then summarized the financials.

Mr. Candelaria, Chairman of NYCEDC's Audit Committee, stated that the Audit Committee had met with staff of NYCEDC's Accounting Department as well as with the external auditors from E&Y, and that it had reviewed the financial statements, financial report and annual investment report, as well as the report of NYCEDC's internal auditors. In conclusion, Mr. Candelaria stated that the Audit Committee recommended to the Board that it approve the statements and reports in Exhibits B and C.

In answer to a question from Mr. Wilkins, Mr. Hobson stated that NYCEDC had approximately a 1-1 ½ % return on its investments due to the requirement for conservative investments.

Approval of Section 5 Matters

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

6. CBC Associates, LLC: Use Modification

Warren Hagist, an Associate of NYCEDC, presented a proposal for NYCEDC (i) to consent, on a case-by-case basis, under the deed for the sale by NYCEDC to CBC Associates, LLC of Block 2984, Lots 10, 46 and 67 on the Tax Map of the Borough of the Bronx, as modified (the "Deed"), to non-retail uses for the approximately 15,292 square feet of commercial space on Lot 67, which is required to be used as retail space during the Use Restriction Period as set forth in Exhibit D hereto and (ii) as needed, to consent to an amendment of the regulatory agreement related to the financing for the development on Lot 67, with respect to the use of the commercial space as set forth in (i) during the Use Restriction Period, on substantially the terms set forth in Exhibit D

hereto.

In answer to a question from Ms. Kelly, Sarah Govier, a Vice President of NYCEDC, stated that the non-profit to which the developer intended to lease some of the Lot 67 retail space was anticipated to be The Children's Aid Society.

In answer to a question from Mr. Candelaria, Mr. Patchett stated that while NYCEDC was aware of trends in demand for retail space, this particular item was not reflective of such trends, and that it was more a matter of a difficult location that was challenging for retail. Ms. Cintron stated that she agreed that the issue of retail in certain corridors was one that needed more discussion and focus, and that she felt that a non-profit providing services to the community here was a good use of the property.

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

7. Amended Sublease for Battery Maritime Building

Maxwell Padden, an Assistant Vice President of NYCEDC, presented a proposal for authorization for the various matters set forth in Exhibit E hereto, including consent to the assignment to and assumption by a wholly-owned affiliate of Centaur Properties, LLC ("Centaur") and Cipriani USA, Inc. ("Cipriani" and together with Centaur, the "JV") of the tenant's interest in NYCEDC's sublease of a majority of the Battery Maritime Building ("BMB") to 10 SSA Landlord LLC ("SSA"), an affiliate of The Dermot Company, Inc.

In answer to a question from Mr. Wilkins, Mr. Padden explained that the penalties for not delivering included a substantial liquidated damages provision if the building was not completed by August 2019, as well as a substantial amount of historic tax credit value that would evaporate if the building was not completed even sooner than August 2019. Mr. Padden added that the developer's current projections had the building completed by the end of December 2018.

In answer to a question from Mr. McSpirtt, Mr. Padden stated that both the new developer and NYCEDC believed that the building was in good condition despite construction work having stopped for a period. In answer to a second question from Mr. McSpirtt, Mr. Padden stated that the reduced room count was due to an increase in the size of both the event space and the rooms. In answer to a question from Mr. Washington, Mr. Padden stated that SSA failed to deliver because it was unable to recapitalize the project after it encountered unforeseen construction hurdles. Mr. Patchett then noted that the market had improved, that many hotel companies showed interest in the project, and that the historic tax credit deadline provided a major incentive to complete. Mr. Patchett further explained that NYCEDC was confident that the new developer would complete the project because it had demonstrated the ability to deliver, it committed a meaningful amount of funds at the beginning and it agreed to real

damages if it should fail to deliver. In answer to a question from Ms. Kelly, Mr. Padden stated that NYCEDC expected to have good coordination with Governor's Island and that the increased use of and activity at Governor's Island would not be a disruption to the project.

A motion was made to authorize the matters set forth for authorization in the Proposed Resolutions section of Exhibit E hereto. Such motion was seconded and unanimously approved.

Mr. Hiltzik left the meeting at this time.

8. Lease for Office Space

Mark Spector, a Senior Vice President of NYCEDC, presented a proposal for NYCEDC to enter into a lease agreement between Brookfield Properties OLP CO. LLC, as landlord, and NYCEDC, as tenant, on substantially the terms set forth in Exhibit F hereto. A majority of the space would be used for NYCEDC's headquarters.

In answer to a question from Ms. Kelly, Mr. Patchett stated that NYCEDC's plan was to move significantly to more open floors, but that some offices still would be needed and would be incorporated into the design. In answer to a question from Mr. Wilkins, Mr. Spector stated that NYCEDC would come back to the Board for approval of a more final number on the additional build out costs after it had designed the space. In answer to a question from Mr. Washington, Mr. Spector stated that NYCEDC solicited employees' reactions about the new space, and that their reaction was positive and enthusiastic.

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

9. Brooklyn Army Terminal Subleases

John Hong, an Associate of NYCEDC, presented a proposal for NYCEDC's subleasing of approximately 3.6 million square feet of space at Buildings A and B (constituting the portions of those buildings renovated in Phases I through V), available rooftop space at Buildings A and B, and undeveloped land at the Brooklyn Army Terminal ("BAT") (together, the "BAT Site") to various users on terms substantially consistent with those set forth in Exhibit G hereto, and that future subleases for the BAT Site that substantially meet or exceed the specified parameters would be authorized and would not have to be presented to the Board for approval.

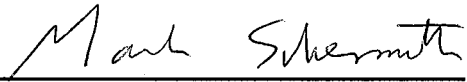
A motion was made to approve the matters set forth for approval in the Proposed Resolutions section of Exhibit G hereto. Such motion was seconded and unanimously approved.

10. 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 substantially on the terms described above.

11. 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 9:43 a.m.



Assistant Secretary

Dated: November 9, 2017
New York, New York

Exhibit A

Authority Performance Measurement Report for Fiscal Years 2017 and 2016

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

<i>Performance Measures</i>	<i>FY17 Actuals 7/1/16-6/30/17</i>	<i>FY16 Actuals 7/1/15-6/30/16</i>
Management of core assets		
Occupancy rate of NYCEDC-managed property	94.6%	93.6%
Square footage of assets actively managed by NYCEDC	63,545,911	66,321,448
Revenue generated by NYCEDC asset portfolio*	191,112,313	\$199,820,563
Strengthening the city's competitive position; inclusive innovation and economic growth		
Number of businesses served by industry-focused programmatic initiatives	2,604	2,722
<i>NEW: Percentage of private sector jobs in innovation industries (calendar year)</i>	14.7%	14.8%
<i>NEW: MWBE commitment rate (Local Law 1)</i>	31.9%	28.2%
<i>NEW: MWBE award rate (Local Law 1)</i>	25.0%	26.0%
MWBE Participation Rate (Local Law 1)**	15.0%	14.6%
Facilitate investments that grow quality jobs		
Projected new private investment leveraged on the sale/long-term lease of City-owned property	\$798,544,261	\$1,213,559,828
Percentage of project employees that were reported to be earning a Living Wage or more in the previous fiscal year ***	95% (in FY16)	95% (in FY15)
<i>NEW: Capital expenditures related to asset management</i>	\$86,292,353	\$37,300,000
<i>NEW: Total jobs at Project Locations (Local Law 62)***</i>	213,798 (FY16)	213,962 (FY15)
Cultivate dynamic, resilient, livable communities throughout the five boroughs		
Average monthly East River Ferry ridership	136,463	131,896
Total capital expenditures (excluding asset management and funding agreements)*	\$217,464,950	\$303,437,602
<i>NEW: Square feet of graffiti removed</i>	5,720,250	5,650,000
<i>NEW: Percentage of active projects in boroughs outside of Manhattan***</i>	76% (FY16)	77% (FY15)

* FY 16 data have been updated to reflect NYCEDC's audited financial statements.
 ** FY16 data have been updated to reflect retroactive reporting of certain underreported payment information.
 *** This represents FY16 data, which is the most recent data available.

Definitions/Explanations - Authority Performance Measurement Report for Fiscal Years 2017 and 2016

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 actively enrolled in NYCEDC's Center for Urban Innovation/initiative-sponsored programmatic initiatives, including NYCEDC's incubator network and centers for excellence, technology competitions, partnership funds and programmatic ventures throughout the five boroughs.
NEW: 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 the NYCEDC's Center for Urban Innovation as a percent of all private sector jobs. This indicator is reported on a calendar year basis.
NEW: MWBE commitment rate (Local Law 1)	Portion of the total contract value that contracted parties indicate they will dedicate to MW/DBE firms. Commitment is basically the goal on the contract, whether or not specific awards have been made. Commitment is known at contract execution.
NEW: MWBE award rate (Local Law 1)	Actual MWBE awards made to individual firms on EDC 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).
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.
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.
NEW: 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.
NEW: Total jobs at Project Locations (Local Law 62)	All Full-Time Equivalent jobs at Project Locations as reported during a given annual period pursuant to Section 1301 of the City Charter and Local Law 62 (The "LL 62 Report"). Every year, through the LL 62 Report, NYCEDC provides information on projects supporting investment, job creation, job retention, and growth in New York City. This FY16 LL76 Report included information on 554 projects receiving Financial Assistance in the form of loans, grants, and tax or energy benefits. The report also includes information on 46 sales and 89 leases of City-owned land.
Cultivate dynamic, resilient, livable communities throughout the five boroughs	
Average monthly East River Ferry ridership	The average monthly ridership of commuters traveling on the East River Ferry 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. The FY 16 number has been updated to reflect NYCEDC's audited financial statements.
NEW: 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.
NEW: Percentage of active projects in boroughs outside of Manhattan	The percentage of all Projects as reported during a given annual period pursuant to the LL 62 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 29, 2017**

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, 2017; 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, 2017, 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
Fred D'Ascoli, Senior Vice President and Assistant Treasurer
Raafat Osman, Vice President and Assistant Treasurer

SUMMARY FINANCIAL INFORMATION

Section 2800 of Public Authorities Law requires public authorities to submit its assets and liabilities at the end of its fiscal year.

NAME OF AUTHORITY:

New York City Economic Development Corporation

2017

SUMMARY STATEMENT OF NET POSITION

Assets

Current Assets

Cash and cash equivalents	201,107,847
Investments	109,536,631
Receivables, net	284,170,640
Other assets	4,212,651

Total Current Assets 599,027,769

Noncurrent Assets

Restricted cash and investments	285,002,928
Long-term receivables, net	20,846,007
Other assets	2,042,062

Capital Assets

Land and other nondepreciable property	132,387,196
Infrastructure	-
Buildings and equipment	45,841,763
Accumulated depreciation	(11,519,264)

Net capital assets 166,709,695

Total Noncurrent Assets 474,600,692

Total Assets 1,073,628,461

Liabilities

Current Liabilities

Accounts Payable	58,159,722
Pension contribution payable	-
Other post-employment benefits	-
Accrued liabilities	152,004,276
Deferred revenues	36,053,092
Bonds and notes payable	-
Other long-term obligations due within one year	2,039,602

Total Current Liabilities 248,256,692

Noncurrent Liabilities

Pension contribution payable	-
Other post-employment benefits	22,291,000
Bonds and notes payable	-
Other long-term obligations	370,711,371

Total Noncurrent Liabilities 393,002,371

Total Liabilities 641,259,063

Net Asset (Deficit)

Net Position

Invested in capital assets, net of related debt	34,322,499
Restricted	97,368,831
Unrestricted	300,678,068

Total Net Position 432,369,398

SUMMARY FINANCIAL INFORMATION

Section 2800 of Public Authorities Law requires public authorities to submit its assets and liabilities at the end of its fiscal year.

NAME OF AUTHORITY:

New York City Economic Development Corporation

2017

SUMMARY STATEMENT OF NET POSITION

SUMMARY STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

Operating Revenues

Charges for services	472,281,476
Rental & financing income	187,498,529
Other operating revenues	18,677,297

Total Operating revenues

678,457,302

Operating Expenses

Salaries and wages	46,485,000
Other employee benefits	15,249,712
Professional services contracts	590,343,784
Supplies and materials	636,938
Depreciation & amortization	2,218,949
Other operating expenses	20,019,303

Total Operating Expenses

674,953,686

Operating Income (Loss)

3,503,616

Nonoperating Revenues

Investment earnings	1,535,916
State subsidies/grants	-
Federal subsidies/grants	3,890,437
Municipal subsidies/grants	-
Public authority subsidies	-
Other nonoperating revenues	-

Total Nonoperating Revenue

5,426,353

Nonoperating Expenses

Interest and other financing charges	-
Subsidies to other public authorities	-
Grants and donations	-
Other nonoperating expenses	2,799,711

Total Nonoperating Expenses

2,799,711

Income (Loss) Before Contributions

6,130,258

Capital Contributions

-

Change in net position

6,130,258

Net position, (deficit) beginning of year

426,239,140

Other net position changes

-

Net position, (deficit) at end of year

432,369,398

FINANCIAL STATEMENTS, REQUIRED
SUPPLEMENTARY INFORMATION, AND
SUPPLEMENTARY INFORMATION

New York City Economic Development Corporation
(A Component Unit of The City of New York)
Years Ended June 30, 2017 and 2016
With Report of Independent Auditors

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

Years Ended June 30, 2017 and 2016

Contents

I. Financial Section

Report of Independent Auditors.....1

Financial Statements

Management's Discussion and Analysis4

Statements of Net Position.....13

Statements of Revenues, Expenses, and Changes in Net Position14

Statements of Cash Flow15

Notes to Financial Statements.....17

Required Supplementary Information

Schedule of Funding Progress for the Retiree Health Care Plan.....46

Supplementary Information

Combining Schedule of Revenues, Expenses, and Changes in Net Position48

II. Government Auditing Standards Section

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*.....50

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

I. Financial Section

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 New York City Economic Development Corporation (NYCEDC), a component unit of The City of New York, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the 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 an opinion on these financial statements based on our audits. We conducted our audits 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NYCEDC as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis and schedule of funding progress, 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 audit 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 an opinion on the financial statements that collectively comprise NYCEDC's basic financial statements. The combining statement 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 statement 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 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 statement 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 _____, 2017, on our consideration of the 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 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 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.

_____, 2017

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

Management's Discussion and Analysis

June 30, 2017 and 2016

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 years ended June 30, 2017 and 2016. Please read it in conjunction with the financial statements and accompanying notes.

Fiscal Year 2017 Financial Highlights

Net Position: \$432 million

- Cash, cash equivalents and investments increased \$57 million (or 11%)
- Net amount Due from the City, decreased \$47 million (or 38%)
- Other receivable decreased \$14 million (or 76%)
- Land held for development, at cost increased \$19 million (over 17%)
- Deposits received on pending sales of real estate decreased \$8 million (24%)
- Tenant security and deposits payables increased \$15 million (or 31%)
- Unearned revenue increased \$14 million (or 10%)

Change in Net Position: \$6 million

- Reimbursable grants decreased \$115 million (or 20%)
- Real estate sales decreased \$90 million (over 93%)
- Program and project costs decreased \$107 million (or 19%)
- Ferry related expenses, net totaled \$30 million
- Contract and other expenses to the City decreased \$60 million (or 59%)

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

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

Management's Discussion and Analysis (continued)

Overview of the 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.

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

Management's Discussion and Analysis (continued)

Financial Analysis of the Corporation

Condensed Statements of Net Position

The following table summarizes NYCEDC's financial position at June 30, 2017, 2016, and 2015 (dollars in thousands) and the percentage changes between June 30, 2017 and 2016:

	2017	2016	2015	% Change 2017-2016
Current assets	\$ 599,028	\$ 553,581	\$ 575,667	8%
Non-current assets	474,433	473,565	370,483	-%
Total assets	<u>1,073,461</u>	<u>1,027,146</u>	<u>946,150</u>	5%
Deferred outflows of resources	<u>167</u>	-	-	
Current liabilities	248,257	256,424	292,731	(3)%
Non-current liabilities	393,002	344,483	327,669	14%
Total liabilities	<u>641,259</u>	<u>600,907</u>	<u>620,400</u>	7%
Net position:				
Restricted	97,369	95,144	83,575	2%
Unrestricted	300,678	302,445	222,380	(1)%
Net investment in capital assets	34,322	28,650	19,795	20%
Total net position	<u>\$ 432,369</u>	<u>\$ 426,239</u>	<u>\$ 325,750</u>	1%

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

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

Management's Discussion and Analysis (continued)

Financial Analysis of the Corporation (continued)

During fiscal year 2017, total assets increased \$46 million or 5%, primarily due to a \$57 million increase in cash, cash equivalents, and investments. Land held for development increased by \$19 million due to property acquisitions at Home Street in the Bronx and West 21st Street in Coney Island. These increases were offset by a \$47 million reduction in the net amount due from the City, primarily due to decreased grant receivables for Community Development Block Grant (CDBG) and Federal Emergency Management Agency (FEMA). Other receivables decreased \$14 million, mainly due to \$11 million in proceeds received from a property sale in East Harlem.

Total liabilities increased \$40 million or 7%. Tenant security and deposits payable increased \$15 million, primarily due to pre-development escrow deposits including \$8 million for certain Long Island City waterfront properties, \$3 million for the former PC Richard site at Union Square, and \$2 million for the 'Slaughterhouse' site adjacent to the Javitz Center. Unearned revenues increased \$14 million, mainly due to the prepayment of \$15 million for development of the final phase of the High Line project.

The Corporation's overall net position during fiscal year 2017 increased \$6 million or 1% as a result of the fiscal year operating activities. This increase consisted of a \$2 million increase in restricted net position, and a \$4 million increase in net investments in capital assets and unrestricted net position.

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

Management's Discussion and Analysis (continued)

Financial Analysis of the Corporation (continued)

Prior Year

During fiscal year 2016, total assets increased \$81 million or 9%. This increase is primarily due to the \$55 million increase in cash, cash equivalents, and investments, related to real estate sales transactions. Other receivables increased \$17 million, primarily due to an \$11 million receivable pertaining to a property sale in East Harlem. Capital assets increased by \$9 million due to the acquisitions of vessels for the NYC Ferry system as well as additional leasehold improvements at Brooklyn Army Terminal.

Total liabilities decreased \$20 million or 3%, primarily the result of a \$34 million decrease in accounts payable and accrued expenses related to the winding down of various capital projects. Unearned revenues decreased \$23 million, mainly due to incurred expenses for the Water Siphon project. These decreases were partially offset by a \$16 million increase in escrow deposits for a development in Lower East Side in Manhattan. Amounts payable to the City increased \$16 million in connection with pass through acquisition of vessels and property at Home Street and Longfellow Avenue in the Bronx.

The Corporation's overall net position during fiscal year 2016 increased \$100 million or 31% as a result of the fiscal year operating activities. This increase consisted of \$80 million in unrestricted net position and \$11 million in restricted net position, and a \$9 million increase to net investments in capital assets.

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

Management's Discussion and Analysis (continued)

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 the process of providing its 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, 2017, 2016, and 2015 (dollars in thousands) and the percentage changes between fiscal years 2017 and 2016:

	2017	2016	2015	% Change 2017-2016
Operating revenues:				
Grants	\$ 450,527	\$ 565,900	\$ 461,820	(20)%
Real estate sales, property rentals	186,329	288,157	180,342	(35)%
Fees and other income	41,601	54,717	71,524	(24)%
Total operating revenues	<u>678,457</u>	<u>908,774</u>	<u>713,686</u>	(25)%
Operating expenses:				
Project and program costs	461,096	567,943	511,029	(19)%
Property rental expenses	56,749	64,805	62,335	(12)%
Ferry related expenses, net	30,009	-	-	
Personnel services	61,735	53,800	48,394	15%
Contract expenses to the City	42,490	102,759	94,583	(59)%
Office rent and other expenses	22,875	20,801	25,685	10%
Total operating expenses	<u>674,954</u>	<u>810,108</u>	<u>742,026</u>	(17)%
Operating income (loss)	3,503	98,666	(28,340)	(96)%
Total non-operating income (expenses)	<u>2,627</u>	<u>1,823</u>	<u>3,073</u>	44%
Change in net position	6,130	100,489	(25,267)	(94)%
Total net position, beginning of year	426,239	325,750	351,017	31%
Total net position, end of year	<u>\$ 432,369</u>	<u>\$ 426,239</u>	<u>\$ 325,750</u>	1%

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

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

Management's Discussion and Analysis (continued)

Financial Analysis of the Corporation (continued)

During fiscal year 2017, operating revenues decreased \$230 million or 25%, primarily due to a \$115 million decrease in reimbursable grants from the winding down of the Rockaway Boardwalk project. In addition, real estate sales and property rentals decreased by \$90 million and \$12 million, respectively.

Operating expenses during fiscal year 2017 decreased \$135 million. Project and program costs decreased by \$107 million due to the aforementioned winding down of the Rockaway Boardwalk project. Contract expenses to the City decreased \$60 million mainly due to lower proceeds from real estate transactions. These decreases were partially offset by \$30 million in expenses incurred for initiation of the NYC Ferry service.

Accordingly, the Corporation recognized operating income of \$3.5 million during fiscal year 2017.

Non-operating Activities

Total non-operating revenues for fiscal years 2017 and 2016 were \$2.6 million and \$1.8 million, respectively. In fiscal years 2017, interest income from investments generated \$1.5 million.

Net position

The Corporation recognized an increase in net position of \$6 million during fiscal year 2017. This constitutes a decrease of \$94 million or 94% as compared with fiscal year 2016.

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

Management's Discussion and Analysis (continued)

Financial Analysis of the Corporation (continued)

Prior Year

During fiscal year 2016, operating revenues increased \$195 million or 27%, primarily the result of a \$94 million increase in real estate sales, including a property in West 42nd Street (\$40 million), the Proton Center in Upper Manhattan (\$21 million) and the Civic Center in Lower Manhattan (\$20 million). Reimbursable grants increased \$104 million mainly due to additional program activities for the Rockaway Boardwalk project.

Operating expenses during fiscal year 2016 increased by \$68 million, or 9%, mainly due to increases of \$78 million in program costs and \$8 million in contract expenses to the City, offset by a decrease of \$21 million in project costs. The increase in program costs relates to the aforementioned increased activities for the Rockaway Boardwalk project while the increase in contract expenses to the City was due to higher pass-through rental and PILOT revenues recognized from the 42nd Street Development Project. These were offset by the winding down of various projects including the middle phase of the High Line project and a number of consulting engagements designed to improve operating efficiency in various agencies of the City.

Accordingly, the Corporation recognized operating income of \$99 million during fiscal year 2016.

Non-operating Activities

Total non-operating revenues for fiscal years 2016 and 2015 were \$1.8 million and \$3 million, respectively. In fiscal years 2016, interest income from investments generated \$1.9 million.

Net position

The Corporation recognized an increase in net position of \$100 million during fiscal year 2016. This constitutes an increase of \$126 million as compared with fiscal year 2015.

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

Management's Discussion and Analysis (continued)

Financial Analysis of the Corporation (continued)

Capital Assets

The following table summarizes NYCEDC's capital assets for the fiscal years ended June 30, 2017, 2016 and 2015 (dollars in thousands) and the percentage change between June 30, 2017 and 2016:

	2017	2016	2015	% Change 2017-2016
Leasehold improvements	\$ 16,906	\$ 15,773	\$ 13,994	7%
Equipment and computer software	16,235	7,159	8,556	127%
Work-in progress	12,700	14,581	6,866	(13)%
	<u>45,841</u>	<u>37,513</u>	<u>29,416</u>	22%
Less accumulated depreciation and amortization	<u>(11,519)</u>	<u>(8,862)</u>	<u>(9,621)</u>	30%
Net capital assets	<u>\$ 34,320</u>	<u>\$ 28,651</u>	<u>\$ 19,795</u>	20%

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, 110 William Street, New York, NY 10038, or visit NYCEDC's website at <https://www.nycedc.com/about-nycedc/contact-us>.

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

Statements of Net Position (in thousands)

	June 30	
	2017	2016
Assets		
Current assets:		
Cash and cash equivalents – current	\$ 83,968	\$ 82,265
Restricted cash and cash equivalents – current	117,140	92,286
Unrestricted investments	86,132	45,324
Restricted investments	23,405	4,032
Current portion of loans and mortgage notes receivable	2,326	1,511
Accrued interest receivable from loans	234	191
Due from the City, including \$147,423 and \$162,477, respectively, under contracts with the City	217,650	252,934
Tenant receivables, net of allowance for uncollectible amounts of \$21,317 and \$18,970, respectively	59,621	53,273
Prepaid expenses	3,405	2,510
Other receivables	4,339	18,447
Land deposits in escrow	808	808
Total current assets	599,028	553,581
Non-current assets:		
Restricted cash and cash equivalents	158,318	145,513
Unrestricted investments	95,744	130,369
Restricted investments	30,941	38,996
Loans and mortgage notes receivable, less current portion (less allowance for loan losses of \$790 and \$792, respectively)	20,110	15,252
Tenant receivables non-current	736	986
Capital assets, net	34,322	28,650
Land held for development, at cost	132,387	112,912
Other assets	1,875	887
Total non-current assets	474,433	473,565
Total assets	1,073,461	1,027,146
Deferred outflows of resources		
Derivative instrument – fuel futures	167	–
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses, including \$87,692 and \$96,075, respectively, under contracts with the City	176,809	175,816
Deposits received on pending sales of real estate	24,763	32,667
Due to the City: real estate obligations and other	8,592	11,398
Unearned revenue	36,053	34,205
Other liabilities	2,040	2,338
Total current liabilities	248,257	256,424
Non-current liabilities:		
Tenant security and escrow deposits payable	64,039	48,814
Obligation for other post-employment benefits	22,291	20,719
Due to the City: real estate obligations	130,554	115,846
Unearned revenue, including unearned grant revenue of \$25,001 and \$25,725, respectively, under contracts with the City	119,789	107,698
Retainage payable	54,572	50,566
Other liabilities	1,757	840
Total non-current liabilities	393,002	344,483
Total liabilities	641,259	600,907
Net position:		
Restricted by law or under various agreements	97,369	95,144
Unrestricted	300,678	302,445
Net investment in capital assets	34,322	28,650
Total net position	\$ 432,369	\$ 426,239

See accompanying notes.

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	
	2017	2016
Operating revenues:		
Grants	\$ 450,527	\$ 565,900
Property rentals	179,146	191,181
Fee income	11,494	14,964
Other income	30,107	39,753
Real estate sales, net	7,183	96,976
Total operating revenues	678,457	908,774
Operating expenses:		
Project costs	112,269	124,597
Program costs	348,827	443,346
Property rentals and related operating expenses	56,749	64,805
Ferry related expenses, net	30,009	-
Personnel services	61,735	53,800
Office rent	8,717	8,566
Contract and other expenses to the City	42,490	102,759
Other general expenses	14,158	12,235
Total operating expenses	674,954	810,107
Operating income	3,503	98,666
Non-operating revenues (expenses):		
Income from investments	1,536	1,930
Reimbursable grants – Superstorm Sandy	3,891	3,374
Repairs and other expenses – Superstorm Sandy, net of insurance proceeds	(2,761)	(3,349)
Non-operating (expense)/income	(39)	(132)
Total non-operating revenues (expenses)	2,627	1,823
Change in net position	6,130	100,489
Net position, beginning of year	426,239	325,750
Net position, end of year	\$ 432,369	\$ 426,239

See accompanying notes.

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	
	2017	2016
Cash flows from Operating activities		
Real estate sales	\$ 3,883	\$ 96,223
Property rentals	172,306	177,789
Grants from the City	510,218	570,054
Fee income	11,494	14,960
Other income	45,047	23,325
Project costs	(104,878)	(124,742)
Program costs	(357,212)	(473,287)
Property rentals and related operating expenses	(53,038)	(63,267)
Ferry expenses	(27,151)	-
Personnel services	(59,549)	(52,776)
Office rent	(8,717)	(8,565)
Contract and other expenses to the City	(42,490)	(102,762)
Other general and administrative expenses	(14,525)	(13,845)
Repayments of loans and mortgage receivable	(5,673)	4,230
Tenant security and escrow deposits	15,225	16,230
Insurance proceeds from Superstorm Sandy	-	(1,218)
Reimbursable grants – Superstorm Sandy	3,891	3,374
Expenses paid for Superstorm Sandy	(2,761)	(2,132)
Other	(3,338)	4,211
Net cash provided by operating activities	82,732	67,802
Cash flows from Capital and related financing activities		
Purchase of capital assets	(7,891)	(10,726)
Non-operating revenues	(39)	68
Net cash used in capital and related financing activities	(7,930)	(10,658)
Cash flows from Investing activities		
Sale of investments	139,297	105,658
Purchase of investments	(156,798)	(204,469)
Deposits on land	(19,475)	(4,150)
Interest income	1,536	1,930
Net cash used in investing activities	(35,440)	(101,031)
Net increase (decrease) in cash and cash equivalents	39,362	(43,887)
Cash and cash equivalents, beginning of year	320,064	363,951
Cash and cash equivalents, end of year	\$ 359,426	\$ 320,064

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

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

Notes to Financial Statements (continued)

	Year Ended June 30	
	2017	2016
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 3,503	\$ 98,666
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,219	1,871
Net cash provided by non-operating activities	1,130	25
Changes in operating assets and liabilities:		
Accrued interest receivable	(43)	(32)
Due to/from the City	47,186	24,388
Other non-current assets	(988)	-
Tenant receivables	(6,098)	(8,599)
Prepaid expenses and other receivables	13,213	(16,834)
Loans and mortgage notes receivable	(5,673)	3,671
Tenant security and escrow deposits payable	15,225	16,230
Accounts payable and accrued expenses	993	(34,384)
Deposits received on pending sales of real estate	(7,904)	(105)
Obligation for OPEB	1,572	236
Unearned grant revenue	13,940	(23,088)
Retainage payable	4,006	7,263
Other current liabilities	(465)	(1,716)
Other non-current liabilities	916	210
Net cash provided by operating activities	\$ 82,732	\$ 67,802
Supplemental disclosures of non-cash activities		
Unrealized loss on investments	\$ (1,504)	\$ (444)

See accompanying notes.

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

Notes to Financial Statements

June 30, 2017

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).

NYCEDC is a not-for-profit corporation organized under the New York State (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 and administering 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 grants 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. These contracts and other related agreements with the City are herein referred to as the Contract Services.

In order 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 or industrial facilities. The leases also generally provide for minimum rentals 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.

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

Notes to Financial Statements (continued)

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 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. The retained amounts as of June 30, 2017 and 2016 were \$5.5 million and \$4.7 million, respectively.

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 for all the properties was transferred from the State to the City by October 31, 2012. Pursuant to agreements between the State, the City and NYCEDC, NYCEDC 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).

GASB Pronouncements

In March 2017, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions of this statement are effective for fiscal years beginning after June 15, 2017. The Corporation is evaluating the impact this standard will have on the Corporation's financial statements.

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

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

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blended component units, postemployment benefits (pensions and other postemployment benefits), fair value measurement and application, and goodwill. The provisions of this statement are effective for fiscal years beginning after June 15, 2017. The Corporation is evaluating the impact this standard will have on the Corporation's financial statements.

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. Provisions of this statement are effective for fiscal years beginning after December 15, 2019. The Corporation will evaluate the impact this standard will have on its financial statements.

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 rental charges, and related administration 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.

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

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Grants

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

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 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.

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

Notes to Financial Statements (continued)

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

Capital asset purchases for internal use by NYCEDC in excess of \$10,000 and consisting primarily of leasehold improvements and equipment are capitalized and depreciated or amortized using the straight-line method over the life of the lease or the estimated useful life assigned. The useful life of furniture and equipment varies from three to five years. Leasehold improvements have useful lives from 7 to 20 years. Vessels are depreciated over a useful life of 25 years.

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

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

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Tax Status

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

Reclassifications

Certain reclassifications have been reflected to the prior year financial statements to conform to the current year's presentation.

3. Contracts With The City of New York

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 others (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. For fiscal years ended June 30, 2017 and 2016, net revenues generated from such sources amounted to \$55 million and \$151 million, respectively. Income self-generated by NYCEDC, including interest earned on all cash accounts related to unrestricted operations and certain fees earned for services rendered that are not payable by the City, may be retained by NYCEDC under the Master Contract without regard to the contract cap.

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

Notes to Financial Statements (continued)

3. Contracts With The City of New York (continued)

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 \$6.6 million and \$32 million from its unrestricted net position in fiscal years 2017 and 2016, respectively, which are accounted for in the contract and other expenses to the City in the statements of revenues, expenses and changes in net position.

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, and (3) administering leases, permits, licenses, and other occupancy agreements pertaining to such related properties.

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). For the fiscal years ended June 30, 2017 and 2016, the Reimbursed Amount was \$29 million and \$21 million, respectively. 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. The operations covered by the Maritime Contract generated approximately \$16.7 million in net revenues in both fiscal years 2017 and 2016.

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

Notes to Financial Statements (continued)

3. Contracts With The City of New York (continued)

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.

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. In fiscal year 2017, to partially offset the cost of establishing and operating the NYC Ferry service (Note 12), this amount was not remitted to the City.

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 rental amounts collected from the 42nd Street Development Project. The amounts remitted from this source for fiscal year 2017 and fiscal year 2016 were \$21 million and \$43 million, respectively (Note 14).

4. Grants

NYCEDC receives grants for specifically defined projects. For the year ended June 30, 2017, grant revenue was \$454 million, of which \$423 million comprised reimbursement grants from and through the City, and the remaining \$32 million was provided by other sources. For the year ended June 30, 2016, grant revenue was \$569 million, of which \$551 million comprised reimbursement grants from and through the City.

Grant revenue earned during fiscal year 2017 consists of \$451 million for operating activities in the ordinary course of business, and \$3.9 million related to reimbursement of Superstorm Sandy expenses from the Federal Emergency Management Agency (FEMA) and the Federal Transit Administration (FTA).

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

Notes to Financial Statements (continued)

5. Land Held for Development

NYCEDC may purchase land to help achieve the City's and NYCEDC's redevelopment goals. During fiscal year 2017, NYCEDC invested a total of \$19.5 million in several parcels of land including two parcels on Home Street in the Bronx, and a parcel on West 21st Street in Coney Island (Coney). In fiscal year 2010, NYCEDC purchased several other parcels of land in Coney to assist with the implementation of a comprehensive economic development plan to strengthen the Coney amusement area. The cost of these property acquisitions was \$105.3 million, for which NYCEDC received capital funds from the City. Upon acquisition, NYCEDC assumed the management of several leases on the properties, which were in effect. In addition, NYCEDC leased certain acquired parcels in furtherance of the goals and vision for Coney. The terms of both the assumed leases and the leases created by NYCEDC will end in 2027. NYCEDC may convey the sites to the City, for nominal consideration, at any time. These amounts are reflected as real estate obligations due to the City. At June 30, 2017 and 2016, the land held for development totaled \$132 million and \$113 million, respectively.

6. Other Income

The following table summarizes other income for the fiscal years ended June 30, 2017 and 2016 (dollars in thousands):

	2017	2016
Tenant reimbursements	\$ 7,620	\$ 7,155
Developer contributions	3,330	4,613
Interest income from loans	732	654
Loan/bad debt recovery income	1,145	1,346
Miscellaneous income – The Civic Contribution Agreement	9,074	–
Miscellaneous income - E. Harlem property	–	11,000
Miscellaneous income	8,206	14,985
Total	\$ 30,107	\$ 39,753

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

Notes to Financial Statements (continued)

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, 2017 and 2016, these mortgage notes totaled \$8.4 million and \$3.3 million, respectively, exclusive of interest receivable.

NYCEDC has also provided loans to City businesses to advance certain economic development objectives consistent with their corporate mission and contractual obligations with the City. These loans were made to borrowers whose business operations are likely to provide employment generation, 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, 2017, the loan and mortgage notes portfolio consisted of 11 loans that bear interest at rates ranging from 0% to 9.50% and mature at various dates through October 1, 2046.

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:		
2018	\$ 2,326	\$ 875
2019	1,150	748
2020	708	632
2021	729	612
2022	3,410	544
2023-2027	7,136	1,290
2028-2032	2,098	852
2033-2037	2,175	642
2038-2042	1,751	399
2043-2047	1,745	118
	23,228	\$ 6,722
Allowance for uncollectible amounts	(792)	
Loans and mortgage notes receivable, net	\$ 22,436	

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

Notes to Financial Statements (continued)

7. Loans and Mortgage Notes Receivable (continued)

NYCEDC's three largest loans in fiscal 2017 represent approximately 77% of its loan portfolio balance. The composition of the nine largest loans, comprising 99% of the entire portfolio, by industry type, at June 30, 2017, was as follows: real estate development 36% and other service 64%.

8. Due to/From The City of New York

NYCEDC is required to remit amounts to the City under the Master Contract (Note 3). The unremitted portion of such amounts at June 30, 2017 and 2016 amounted to \$8.6 million and \$11.3 million, respectively.

Pursuant to the Master Contract with the City, NYCEDC recorded total grants from and through the City in the amount of \$423 million and \$551 million during fiscal years 2017 and 2016, respectively, of which \$147 million and \$162 million in capital funds were unpaid by the City as of June 30, 2017 and 2016, respectively. 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 years June 30, 2015 to June 30, 2017, consisted of the following (dollars in thousands):

	June 30, 2015	Additions/ Depreciation	Disposals	June 30, 2016	Additions/ Depreciation	Ferry Boat Obligation	Disposals	June 30, 2017
Leasehold improvements	\$ 13,994	\$ 1,779	\$ -	\$ 15,773	\$ 1,133	\$ -	\$ -	\$ 16,906
Equipment	7,559	1,333	(2,359)	6,533	8,943	-	(29)	15,447
Computer software	996	33	(402)	627	161	-	-	788
Work-in progress	6,866	7,715	-	14,581	(1,880)	-	-	12,701
Capital assets	29,415	10,860	(2,761)	37,514	8,357	-	(29)	45,842
Less: Accumulated								
Depreciation/amortization	(9,621)	(1,871)	2,629	(8,863)	(2,219)	(467)	29	(11,520)
Capital assets, net	\$ 19,794	\$ 8,989	\$ (132)	\$ 28,651	\$ 6,138	\$ (467)	\$ -	\$ 34,322

Depreciation and amortization of capital assets for the fiscal years ended June 30, 2017 and 2016 were \$2.2 million and \$1.9 million respectively.

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

Notes to Financial Statements (continued)

10. Deposits and Investments

Deposits

At year-end, NYCEDC's cash balance was \$204 million. Of this amount, \$13 million was covered by federal deposit insurance. The remaining balance was uncollateralized as of June 30, 2017. Emergency funds on hand amounted to \$10,000 at June 30, 2017.

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.

As of June 30, 2017 and 2016, the Corporation had the following investments. Investments maturities are shown for June 30, 2017, only (in thousands).

	Fair Value		Investment Maturities at June 30, 2017 in Years	
	2017	2016	Less than 1	1 to 7
Money market mutual funds	\$ 150,245	\$ 129,762	\$ 150,245	\$ -
Money market deposit account	5,251	5,250	5,251	-
FHLB notes	51,680	67,807	26,886	24,794
FHLMC notes	131,609	106,141	58,916	72,693
Commercial paper	22,636	-	22,636	-
FFCB notes	4,487	26,389	-	4,487
FNMA notes	25,609	18,184	997	24,612
Certificates of deposit	200	200	200	-
	<u>391,717</u>	<u>353,733</u>	<u>\$ 265,131</u>	<u>\$ 126,586</u>
Less amount classified as cash equivalents	<u>(155,496)</u>	<u>(135,013)</u>		
Total investments	<u>\$ 236,221</u>	<u>\$ 218,720</u>		

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

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

Notes to Financial Statements (continued)

10. Cash and Investments (continued)

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. US Agencies securities, categorized as Level 2, are valued based on models using observable inputs. Certificates of deposit are valued at cost.

At June 30, 2017 and 2016, cash, cash equivalents and investments of \$330 million and \$281 million, respectively, were restricted for use in connection with designated programs of NYCEDC.

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.

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, 2017, the Corporation's investments in Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB) and the Federal Home Loan Mortgage Corporation (FHLMC) were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch Ratings.

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, 2017, the Corporation was not subject to custodial credit risk.

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

Notes to Financial Statements (continued)

10. Cash and Investments (continued)

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, 2016 and 2015 (dollars in thousands).

<u>Issuer</u>	<u>Dollar Amount and Percentage of Total Investments</u>			
	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
Federal Home Loan Mortgage Corp.	\$ 131,609	55.71%	\$ 106,141	48.53%
Federal Home Loan Bank	51,680	21.88	67,807	31.00
Federal Farm Credit Bank	–	–	26,389	12.07
Federal National Mort. Assoc.	25,609	10.84	18,184	8.31

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 \$1.5 million and \$1.9 million for the fiscal years ended June 30, 2017 and 2016, respectively.

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

Notes to Financial Statements (continued)

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. NYCEDC in turn, leases or subleases the properties to commercial and industrial tenants. For ground leases, these agreements generally include restrictions on the use of the land to the construction or development of commercial, manufacturing or industrial facilities. All managed leases generally provide for minimum rentals 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, 2017, payable by the tenants under the leases and subleases, all of which are accounted for as operating leases, are as follows:

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
2018	\$ 17,411	\$ 15,658	\$ 40,535	\$ 15,414	\$ 455	\$ 89,473
2019	16,118	15,448	39,966	15,413	455	87,400
2020	14,883	14,216	38,512	15,413	242	83,267
2021	13,116	13,309	36,351	15,413	180	78,369
2022	12,362	12,394	34,983	15,413	180	75,332
2023 - 2027	36,588	56,424	158,804	77,069	900	329,784
2028 - 2032	19,269	54,899	102,448	77,069	900	254,585
2033 - 2037	4,148	54,249	73,929	77,069	600	209,995
2038 - 2042	4,148	50,291	40,193	77,069	-	171,701
2043 - 2047	4,148	47,281	37,931	77,069	-	166,429
Thereafter	5,462	337,998	79,838	653,262	-	1,076,560
Total	\$ 147,654	\$ 672,166	\$ 683,490	\$ 1,115,673	\$ 3,912	\$ 2,622,895

The thereafter category includes 37 leases with expiration dates between July 1, 2048 and December 31, 2100.

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

Notes to Financial Statements (continued)

12. New York City Ferry System

NYCEDC contracted with HNY Ferry, LLC (HNY) for the provision of citywide ferry services under the new NYC Ferry system. The system is to be made up of six routes that were designed to meet the transportation needs of neighborhoods traditionally underserved by public transportation. The NYC Ferry routes will be launched over a two year period. As part of the six routes, HNY assumed operational responsibility for the existing East River ferry route in December 2016 to incorporate that route into the NYC Ferry system. NYCEDC launched the East River route as part of the NYC Ferry system, and launched the first of the new NYC Ferry system routes, the Rockaway route, on May 1st 2017. Routes for South Brooklyn and Astoria, Queens were launched in June and August 2017, respectively. In 2018, the final two planned routes will begin for Soundview in the Bronx and the Lower East Side of Manhattan.

The net cost of these operations through June 30, 2017 totaled \$30 million which includes one-time system mobilization costs as well as initial operating costs for the Rockaway, East River, and South Brooklyn ferry routes. To offset the costs to NYCEDC for establishing and operating the ferry system, NYCEDC did not 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 certain 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 \$43.9 million, of which \$26.7 million is for Jay Street (One Metrotech Center), \$6.5 million is for Bridge Street (Two Metrotech Center), \$7 million is for Tech Place (11 Metrotech Center) and \$3.8 million is for Myrtle Avenue (Nine Metrotech Center). These receivables will be paid over an 18-year period 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.

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

Notes to Financial Statements (continued)

14. 42nd Street Development Project (continued)

Since January 1, 2011 and in accordance with section 11.05 of the Master Contract, NYCEDC has transferred to the City all payments in lieu of taxes, real estate taxes and substantially all rental revenues it collects on the Project, other than \$1 million per fiscal year for administrative services. Beginning in fiscal year 2017, to partially offset the costs to NYCEDC for establishing and operating the NYC Ferry service (Note 12), commercial rents from the Project were not remitted to the City. NYCEDC will 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 years ended June 30, 2017 and 2016, amounted to \$4.4 million and \$3.3 million, respectively, 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 NYCEDC, and (iii) all active employees who started working prior to January 1, 2011 with at least 10 years as of that date or will be age 60 or older by June 30, 2023. NYCEDC is not required to and does not issue a publicly available financial report for the plan.

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

Notes to Financial Statements (continued)

16. Postemployment Benefits Other Than Pensions (continued)

Benefit provisions and contribution requirements for the plan are administered and managed by NYCEDC, and 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 benefit pay a premium amount equal to what a current NYCEDC employee pays, based on his or her family status. Under the Low option, retirees make contributions in the amount of \$54 a month for single coverage and \$130 a month for family coverage. Under the High option, retiree contributions are \$104 a month for single coverage and \$260 a month for family coverage. Additional costs may be incurred by the retiree under either the Low or High plan version. Employer contributions are made on a pay-as-you-go basis.

NYCEDC's annual OPEB cost for the plan is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. NYCEDC's annual OPEB cost for the current year and the related information for the plan are as follows (dollars in thousands):

	2017	2016
Annual required contribution	\$ 2,573	\$ 2,496
ARC adjustment	(1,290)	(2,424)
Interest on net OPEB obligation	725	706
Annual OPEB cost	2,008	778
Contributions made	(436)	(542)
Increase in net OPEB obligation	1,572	236
Net OPEB obligation – beginning of year	20,719	20,483
Net OPEB obligation – end of year	\$ 22,291	\$ 20,719

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

Notes to Financial Statements (continued)

16. Postemployment Benefits Other Than Pensions (continued)

NYCEDC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2017, 2016, and 2015 were as follows (dollars in thousands):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$ 2,008	21.71%	\$ 22,291
June 30, 2016	778	69.67%	\$ 20,719
June 30, 2015	778	59.25%	20,483

The actuarial valuation date is June 30, 2016. The actuarial accrued liability for benefits as of this date was \$28.8 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$46.5 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 62%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between NYCEDC and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The impact of the National Health Care Reform Act has been included in the valuation as of June 30, 2017.

For the June 30, 2017 actuarial valuation, the project unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% discount rate and an annual healthcare cost trend rate of 9% for non-Medicare and 7.9% for Medicare and grading down to an ultimate rate of 4.75% for both. The unfunded actuarial accrued liability is being amortized over a 30-year closed period on a level-dollar basis. The remaining amortization period at June 30, 2017, was 23 years.

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

Notes to Financial Statements (continued)

17. Blended Component Unit – City Lights, Captive Insurance

In 2016, NYCEDC established the City Lights Insurance Company (City Lights or 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, 2017, CLIC had no investments and maintained a cash balance of approximately \$1 million with JP Morgan Chase.

For the initial year of operation, CLIC covered two lines of insurance, cyber insurance and additional terrorism insurance. Effective July 1, 2016, CLIC began directly providing excess cyber coverage to NYCEDC and its affiliates, with limits of \$9 million per loss and in the aggregate, in excess of \$1 million of underlying insurance and self-insured retentions. CLIC also began directly providing terrorism insurance for acts of Nuclear, Biological, Chemical or Radiological terrorism (NBCR), with limits of \$6 million per occurrence and in the aggregate for any certified act of terrorism. This policy covers 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 83% (decreasing by 1% per calendar year until equal to 80%) if the total loss affecting all involved insurers exceeds \$100 million.

The financial results for City Lights for the year ended June 30, 2017 are set forth below.

Statements of Net Position

The following table summarizes CLIC's financial position at June 30, 2017 (dollars in thousands):

	<u>2017</u>
Total assets	\$ 1,042
Total liabilities	<u>14</u>
Total net position	<u>\$ 1,028</u>

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

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

Notes to Financial Statements (continued)

17. Blended Component Unit – City Lights, Captive Insurance (continued)

Statement of Revenues, Expenses and Changes in Net Position

The following table summarizes CLIC's change in net position for the fiscal years ended June 30, 2017 (dollars in thousands):

	<u>2017</u>
Operating revenues	\$ 127
Operating expenses	99
Operating income	<u>28</u>
Change in net position	<u>28</u>
Total net position, beginning of year	1,000
Total net position, end of year	<u>\$ 1,028</u>

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 leasing and selling certain properties. No management fees were established between NYCEDC and LDC in the current fiscal year. Instead, NYCEDC provides LDC operating grant funding for LDC's general and administrative expenses. For the periods ended June 30, 2017 and 2016, \$1,015 and \$20,514, respectively, was provided to LDC for such expenses.

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

Notes to Financial Statements (continued)

18. Other Related-Party Transactions (continued)

New York City Industrial Development Agency (IDA)

NYCEDC is responsible for administering the economic development programs of IDA. For the fiscal years ended June 30, 2017 and 2016, NYCEDC earned management fee income from IDA of \$3.3 million and \$4 million, respectively. In fiscal year 2017, a contingency fee of \$34,626 was earned by NYCEDC from IDA's recapture of benefits from one project company. Such amounts are included in fee income in NYCEDC's accompanying statements of revenues, expenses and changes in net position. At June 30, 2017 and 2016, the amounts due from IDA totaled \$2.2 million and \$866,900, respectively.

Build NYC Resource Corporation (Build NYC)

Build NYC was incorporated under section 1411 of the NPCL in 2013. Pursuant to an agreement between NYCEDC and Build NYC, NYCEDC provides management services to Build NYC and administers Build NYC's financial books and records. For the fiscal years ended June 30, 2017 and 2016, NYCEDC earned management fee income from Build NYC of \$3.3 million and \$2 million respectively.

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

Pursuant to an agreement between NYCEDC and The Trust for Cultural Resources of New York City (TCR), NYCEDC collected fees from TCR for management services. For both fiscal year ended June 30, 2017 and 2016, NYCEDC earned management fees of \$310,000 from TCR.

New York City Neighborhood Capital Corporation (NCC)

NCC is 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 allocate federal tax credits. NYCEDC provided full management services to NCC.

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

Notes to Financial Statements (continued)

19. Accounting for Derivatives and Fuel Hedging Activity

NYCEDC, on behalf on the City, contracted with HNY for the provision of citywide ferry services under the new NYC Ferry system. HNY also assumed the operations of the existing East River Ferry under this contract in December 2016. NYCEDC is responsible for the cost of up to 3 million gallons of ultra-low sulfur diesel fuel per annum under the six year operating agreement with HNY. Although the contract caps the number of gallons NYCEDC is responsible for, the price per gallon is subject to market conditions. Consequently, NYCEDC has been 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 the NYC Ferry system.

During the fiscal year, NYCEDC purchased 115 futures contracts for ultra-low sulfur diesel and as of year-end, 114 of these contracts were outstanding. These contracts cover a percentage of the fuel commitment for the first three years of the operating contract period. NYCEDC enters into these fuel hedging instruments for the sole purpose of controlling fuel cost and providing budgetary certainty. NYCEDC is represented in these transactions by a Qualified Independent Representative (QIR).

The following risks are generally associated with futures contracts:

Basis risk: a systemic risk that arises from variations between hedge/futures/relative price and cash/spot price of the hedged underlying at any given point of time. However, NYCEDC uses the NY harbor low-sulfur diesel futures pricing index as the reference for both the futures contracts as well as 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 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.

As of June 30, 2017, the fair values of NYCEDC's commodity future contracts, based on average daily rates are listed below. These contracts fall within the "Level 2" category investments of the fair value hierarchy.

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

Notes to Financial Statements (continued)

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

Notional Amount (Gallons)	No. of Contracts	Maturity Date	Fair Value	
			6/30/2017	Price/Gallon
126,000	3	Aug-17	\$ (23,171)	\$1.67
168,000	4	Sep-17	(26,552)	\$1.65
168,000	4	Oct-17	(18,732)	\$1.61
168,000	4	Nov-17	(18,593)	\$1.62
126,000	3	Dec-17	(12,260)	\$1.61
126,000	3	Jan-18	(11,080)	\$1.61
126,000	3	Feb-18	(8,161)	\$1.60
84,000	2	Mar-18	(5,233)	\$1.60
126,000	3	Apr-18	(2,881)	\$1.55
126,000	3	May-18	(1,752)	\$1.54
168,000	4	Jun-18	3,415	\$1.51
210,000	5	Jul-18	2,785	\$1.53
210,000	5	Aug-18	(168)	\$1.55
210,000	5	Sep-18	(4,032)	\$1.57
210,000	5	Oct-18	(4,410)	\$1.58
210,000	5	Nov-18	(9,156)	\$1.61
168,000	4	Dec-18	(6,132)	\$1.61
168,000	4	Jan-19	(11,911)	\$1.65
168,000	4	Feb-19	(11,458)	\$1.65
168,000	4	Mar-19	(14,616)	\$1.67
210,000	5	Apr-19	(13,755)	\$1.64
210,000	5	May-19	(6,405)	\$1.60
210,000	5	Jun-19	(315)	\$1.58
210,000	5	Jul-19	4,620	\$1.56
210,000	5	Aug-19	8,820	\$1.55
210,000	5	Sep-19	8,190	\$1.56
210,000	5	Oct-19	11,445	\$1.56
84,000	2	Nov-19	4,452	\$1.57
Total Fair Value			\$ (167,047)	

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

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

Notes to Financial Statements (continued)

20. Commitments and Contingencies

NYCEDC has an aggregate contractual commitment of \$186 million 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 rents office space under a lease agreement expiring in fiscal year 2020. The future minimum rental commitments as of June 30, 2017, required under the operating lease are as follows (dollars in thousands):

Fiscal year:	
2018	\$ 7,599
2019	7,599
2020 (2 months)	1,267
	<u>\$ 16,465</u>

Rent expense for office space amounted to \$8.7 million and \$8.5 million for fiscal years ended June 30, 2017 and 2016, respectively.

NYCEDC, and in certain situations as co-defendant with the City, IDA, Build NYC 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.

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 or the borrower) 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 is 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. For financial statement purposes, both receivables and payables are netted against each other and are not presented separately.

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

Notes to Financial Statements (continued)

20. Commitments and Contingencies (continued)

The Corporation's Finance Program is designed to provide financial assistance to certain eligible businesses with the expectation of spurring economic development benefits for the City. In this regard, NYCEDC acts as a guarantor under two loan guarantee programs: the NYC Capital Access Revolving Loan Guarantee Program and the Immigrant Bridge Loan Fund. The loan guarantee programs enable qualified businesses to gain access to bank loans or lines of credit.

NYCEDC guarantees can be up to 35% of the loan amount. As of June 30, 2017, the Corporation's aggregate commitment for these programs is \$6.7 million, of which \$1.7 million is currently outstanding and can be called upon.

NYCEDC is party to a funding agreement among the 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 is required to repay the \$18 million no later than April 5, 2020. 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. This transaction is not reflected in the financial statements as it does not have any impact on NYCEDC's financial position.

21. Risk Management

NYCEDC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. NYCEDC carries commercial insurance coverage for these risks.

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

Notes to Financial Statements (continued)

22. 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: net investment in capital assets, restricted net position and unrestricted net position. Net investment in capital assets includes capital assets net of accumulated depreciation used in NYCEDC's operations. 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. 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.

Changes in Net Position

The changes in net position during fiscal years 2017 and 2016 are as follows (in thousands):

	Restricted	Unrestricted	Net Investment in Capital Assets	Total
Net position, June 30, 2015	\$ 83,574	\$ 222,380	\$ 19,795	\$ 325,750
(Decrease) increase in net position	11,570	88,920	-	100,489
Capital assets additions	-	(10,726)	10,726	-
Retirements/depreciation	-	1,870	(1,870)	-
Net position, June 30, 2016	\$ 95,144	\$ 302,444	\$ 28,651	\$ 426,239
Increase (decrease) in net position	2,225	3,905	-	6,130
Capital assets additions	-	(7,890)	7,890	-
Retirements/depreciation	-	2,219	(2,219)	-
Net position, June 30, 2017	\$ 97,369	\$ 300,678	\$ 34,322	\$ 432,369

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

Notes to Financial Statements (continued)

23. Superstorm Sandy

Superstorm Sandy (Sandy) made landfall in New York City on October 29, 2012. The severe and widespread water and wind damage affected many individuals, businesses and organizations. Many City assets that are managed, maintained, and/or leased by NYCEDC were directly impacted by Sandy. Affected assets primarily included waterfront facilities, wharfs, and public markets, all of which are managed by NYCEDC pursuant to the Master and Maritime Contracts. NYCEDC has and will continue to remediate, clean up, and restore these properties to pre-storm conditions. Property and flood insurance coverage were in effect for certain properties, and claims payments were received from insurers and recorded as non-operating revenues. Related expenses were recorded as non-operating expenses. For the years ended June 30, 2017 and 2016, repairs and other expense, net of insurance proceeds totaled of \$2.8 million and \$3.3 million respectively. Additional non-operating revenues of \$3.9 million and \$3.4 million for years ended June 30, 2017 and 2016, respectively, have been recognized pursuant to federal reimbursable grants from the FTA and FEMA.

The following table summarizes Superstorm Sandy net (income) expense at June 30, 2017 and 2016 and total amount from October 29, 2012 to June 30, 2017 (dollars in thousands):

	Years Ended June 30		From October 29, 2012 To June 30, 2017
	2017	2016	Total
Repairs and other expenses – Sandy	\$ 2,761	\$ 3,349	\$ 48,113
Less: Insurance proceeds	–	–	(28,831)
	2,761	3,349	19,282
Less: Reimbursable grants-FEMA	(3,830)	(3,318)	(12,812)
Less: Reimbursable grants-FTA	(60)	(56)	(6,244)
Less: Reimbursable grants-State	–	–	(16)
Net Sandy-related (income) expenses	\$ (1,129)	\$ (25)	\$ 210

Required Supplementary Information

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

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

Schedule of Funding Progress for the Retiree Health Care Plan
(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Level Dollar (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
June 30, 2016	\$ –	\$ 28,812	\$ 28,812	–%	\$ 45,461	63.4%
June 30, 2014 ⁽²⁾	–	28,471	28,471	–%	37,972	75.0%
June 30, 2012 ⁽²⁾	–	23,502	23,502	–%	35,243	66.7%
June 30, 2010 ⁽¹⁾⁽²⁾	–	23,960	23,960	–%	34,542	69.4%

⁽¹⁾ Effective July 1, 2012, the plan was amended to include revisions to the definition of what constitutes an eligible participant and the adoption of a plan close date of June 30, 2023. These amendments significantly reduced the number of current and future employees eligible for this benefit and resulted in an overall reduction in the AAL.

⁽²⁾ For the June 30, 2014, actuarial valuation, the actuarial assumptions includes a 3.5% discount rate and an annual healthcare cost trend rate of 8.5% for non-Medicare and 6.5% for Medicare, grading down to an ultimate rate of 4.5% for both. For the June 30, 2012, actuarial valuation, the actuarial assumptions includes a 3.5% discount rate and an annual healthcare cost trend rate of 9.5% for non-Medicare and 7.5% for Medicare, grading down to an ultimate rate of 4.5% for both. For the previous actuarial valuations, the actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 9.0%, grading down to an ultimate rate of 5.0%.

Supplementary Information

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

Combining Schedule of Revenues, Expenses, and Changes in Net Position (in thousands)

Description	Unrestricted				Restricted				Total		Year Ended June 30	
	Total Unrestricted	Brooklyn Army	Maritime Fund	Other Properties	Finance Programs	Capital Programs	Public Purpose & Other Fund	CDBG Fund	Apple 42nd Street	Restricted	2017	2016
Operating revenues:												
Grants	\$ 71,598	\$ -	\$ -	\$ -	\$ -	\$ 363,673	\$ -	\$ 15,256	\$ -	\$ 378,929	\$ 450,527	\$ 565,900
Property rentals	30,748	21,421	75,598	5,100	-	-	-	-	46,279	148,398	179,146	191,181
Fee income	10,952	39	365	3	-	-	58	-	77	542	11,494	14,964
Other income	12,551	4,240	7,829	82	206	-	3,611	-	1,588	17,556	30,107	39,753
Real estate sales, net	7,183	-	-	-	-	-	-	-	-	-	7,183	96,976
Total Operating revenues	133,082	25,700	83,792	5,185	206	363,673	3,669	15,256	47,944	545,425	678,457	908,774
Operating expenses:												
Project costs	90,359	-	-	-	-	-	1,831	20,079	-	21,910	112,269	124,597
Program costs	-	-	-	-	329	348,498	-	-	-	348,827	348,827	443,346
Property rentals and related operating expenses	7,323	11,931	30,333	4,437	-	-	-	-	2,725	49,426	56,749	64,805
Ferry related expenses	30,009	-	-	-	-	-	-	-	-	-	30,009	-
Personal Services	26,688	968	33,726	-	141	-	212	-	-	35,047	61,735	53,800
Office rent	8,717	-	-	-	-	-	-	-	-	-	8,717	8,566
Contract and other expenses to the City	6,619	-	-	31	-	15,175	-	-	20,665	35,871	42,490	102,759
Other general expenses	10,419	559	3,045	1	28	-	106	-	-	3,739	14,158	12,235
Total operating expenses	180,134	13,458	67,104	4,469	498	363,673	2,149	20,079	23,390	494,820	674,954	810,108
Operating income	(47,102)	12,242	16,688	716	(292)	-	1,520	(4,823)	24,554	50,605	3,503	98,666
Nonoperating revenues (expenses):												
Income (Loss) from Investments	1,225	-	30	2	169	-	110	-	-	311	1,536	1,930
Grants - Superstorm Sandy	3,891	-	-	-	-	-	-	-	-	-	3,891	3,374
Emergency repairs and other - Superstorm Sandy, net of insurance proceeds	(2,761)	-	-	-	-	-	-	-	-	-	(2,761)	(3,350)
Non-operating income/(expense)	(39)	-	-	-	-	-	-	-	-	-	(39)	(131)
Total nonoperating revenues (expenses):	2,316	-	30	2	169	-	110	-	-	311	2,627	1,823
Income before transfers	(44,786)	12,242	16,718	718	(123)	-	1,630	(4,823)	24,554	50,916	6,130	100,489
Interfund transfers	48,691	(12,242)	(16,718)	-	-	-	-	4,823	(24,554)	(48,691)	-	-
Change in net position	3,905	-	-	718	(123)	-	1,630	-	-	2,225	6,130	100,489
Total net position, beginning of year	331,095	500	7,000	4,738	54,865	3,512	24,529	-	-	95,144	426,239	325,750
Total net position, end of year	\$ 335,000	\$ 500	\$ 7,000	\$ 5,456	\$ 54,742	\$ 3,512	\$ 26,159	\$ -	\$ -	\$ 97,369	\$ 432,369	\$ 426,239

Government Auditing Standards Section

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 financial statements of New York City Economic Development Corporation (NYCEDC), a component unit of The City of New York, which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NYCEDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NYCEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements 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 and therefore, material weaknesses or significant deficiencies may exist, that were not identified. 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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 result of that testing, and not to provide an opinion on 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.

_____, 2017

Exhibit C

**ANNUAL INVESTMENT REPORT
Board of Directors Meeting
September 29, 2017**

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, 2017; 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
Fred D'Ascoli, Senior Vice President and Assistant Treasurer
Raafat Osman, Vice President and Assistant Treasurer

**NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
ANNUAL INVESTMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017, 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, 2017 by Ernst & Young LLP.

Investment Income Record

Investment income from interest earned on bank accounts, certificates of deposit and securities was approximately \$1.5 Million for the fiscal year ended June 30, 2017.

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)
Years Ended June 30, 2017 and 2016
With Report of Independent Auditors

DRAFT

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

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

Schedule of Investments

Years Ended June 30, 2017 and 2016

Contents

Report of Independent Auditors.....	1
Schedule of Investments	3
Notes to Schedule of Investments.....	4
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 <i>Government Auditing Standards</i>	7

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, 2017 and 2016, 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 audits. We conducted our audits 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.

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 present fairly, in all material respects, the investments of NYCEDC as of June 30, 2017 and 2016, in conformity with U.S. generally accepted accounting principles.

Report on the Financial Statements as of June 30, 2017 and 2016

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 years ended June 30, 2017 and 2016, and our report thereon dated _____, 2017, 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 _____, 2017, 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 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 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.

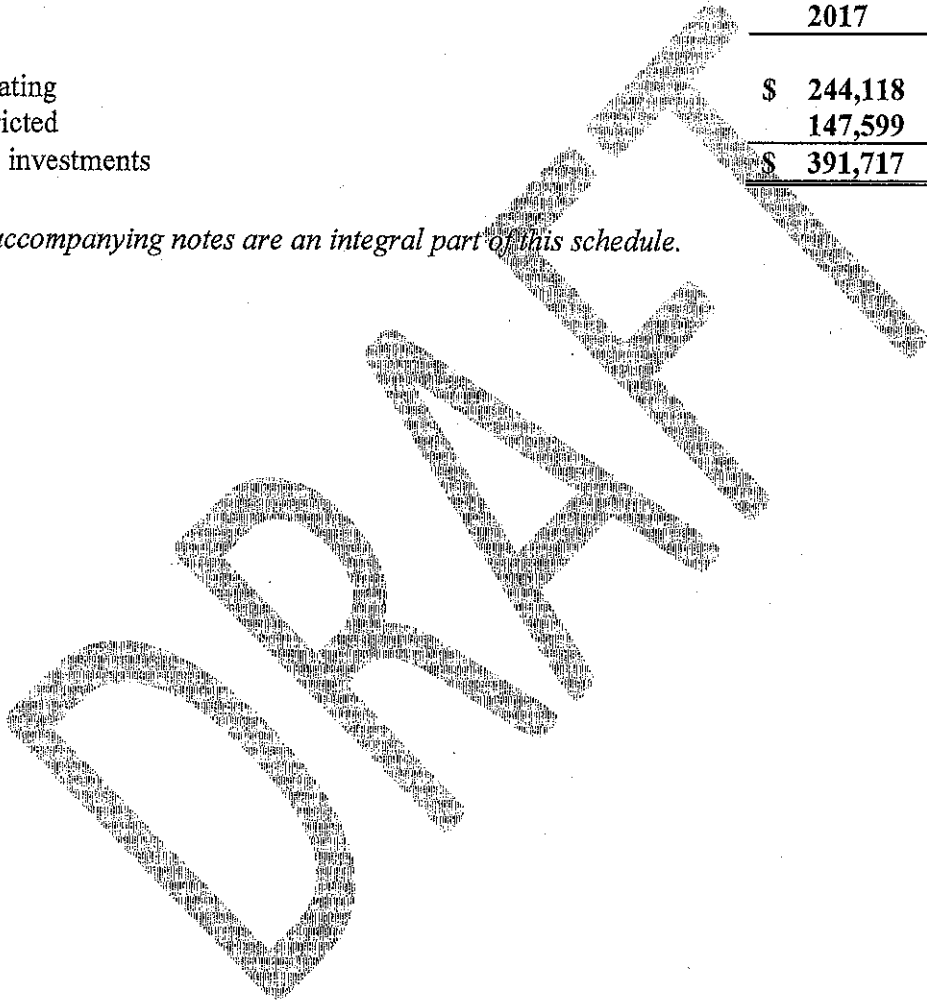
_____, 2017

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

Schedule of Investments
(In Thousands of Dollars)

	June 30	
	2017	2016
Operating	\$ 244,118	\$ 227,418
Restricted	147,599	126,315
Total investments	<u>\$ 391,717</u>	<u>\$ 353,733</u>

The accompanying notes are an integral part of this schedule.



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

Notes to Schedule of Investments

June 30, 2017

1. Background and Organization

The accompanying schedule of investments includes the investments of the New York City Economic Development Corporation ("NYCEDC" or the "Corporation").

New York City Economic Development Corporation is a not-for-profit corporation organized under the New York State ("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 and administering certain economic development programs on behalf of the City of New York ("the City") relating to 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 provision of grants to qualifying business enterprises as a means of helping to create and retain employment therein. These services are generally provided under two contracts with the City: the amended and restated contract (Master Contract) and the NYCEDC Maritime Contract. These contracts and other related agreements with the City are herein referred to as the Contract Services.

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.

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.

3. Investments (continued)

Money market funds, categorized as Level 1, are valued at the unadjusted prices quoted in active principal markets for identical assets. US Agencies securities, categorized as Level 2, are valued based on models using observable inputs. Certificates of deposit are valued at cost.

At June 30, 2017 and 2016, NYCEDC had the following investments. Investment maturities are shown for June 30, 2017 only (dollars in thousands):

	Fair Value		Investment Maturities at June 30, 2017 in Years	
	2017	2016	Less than 1	1 to 7
Money market mutual funds	\$ 150,245	\$ 129,762	\$ 150,245	\$ —
Money market deposit account	5,251	5,250	5,251	—
FHLB notes	51,680	67,807	26,886	24,794
FHLMC notes	131,609	106,141	58,916	72,693
Commercial paper	22,636	—	22,636	—
FFCB notes	4,487	26,389	—	4,487
FNMA notes	25,609	18,184	997	24,612
Certificates of deposit	200	200	200	—
	<u>391,717</u>	<u>353,733</u>	<u>\$ 265,131</u>	<u>\$ 126,586</u>
Less amount classified as cash equivalents	<u>(155,496)</u>	<u>(135,013)</u>		
Total investments	<u>\$ 236,221</u>	<u>\$ 218,720</u>		

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.

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, 2017, the Corporation's investments in Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB) and the Federal Home Loan Mortgage Corporation (FHLMC) were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch Ratings.

3. Investments (continued)

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, 2017, 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, 2016 and 2015 (dollars in thousands).

Issuer	Dollar Amount and Percentage of Total Investments			
	June 30, 2017		June 30, 2016	
Federal Home Loan Mortgage Corp.	\$ 131,609	55.71%	\$ 106,141	48.53%
Federal Home Loan Bank	51,680	21.88	67,807	31.00
Federal Farm Credit Bank	–	–	26,389	12.07
Federal National Mort. Assoc.	25,609	10.84	18,184	8.31

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*

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, 2017, and the related notes to the Schedule of Investments, and have issued our report there on dated _____, 2017.

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) to determine the 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 are 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 determination of Schedule of Investments amounts. 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 result of that testing, and not to provide an opinion on 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.

_____, 2017

Exhibit D

**CBC ASSOCIATES, LLC: USE MODIFICATION
Board of Directors Meeting
September 29, 2017**

- OWNER:** CBC Associates, LLC ("CBC")
- SITE LOCATION:** Block 2984, Lots 46 and 67 (together, "the Site")
Borough of the Bronx
Community Board No. 3
- SITE DESCRIPTION:** The Site is an approximately 48,992 square foot parcel located at 1825 Boston Road in the Crotona Park East neighborhood of the Bronx. It is bounded by East 176th Street on the north, Boston Road on the east, East 175th Street on the south, and Crotona Parkway on the west. The Site was originally part of a larger site (the "Original Site") comprised of the Site and Block 2984, Lot 10.
- Lot 67 (a portion of the Site) is improved with an 8-story, mixed-use building containing 79 units of affordable housing and approximately 15,292 square feet of commercial space ("Crotona A") which is required to be used as retail space pursuant to a regulatory agreement with HPD related to the financing for the development on Lot 67 (the "Regulatory Agreement"). Lot 46 (the other portion of the Site) will be improved with an 8-story, mixed-use building containing 108 units of affordable housing and approximately 9,000 square feet of commercial space ("Crotona B"). Crotona A received a temporary certificate of occupancy ("TCO") in October 2016. Crotona B is under construction.
- BACKGROUND:** In 2002, NYCEDC sold the Original Site to CBC. In 2003, NYCEDC modified the deed (the "Deed") for the sale to allow a self-storage facility to be constructed on the Lot 10 portion of the Original Site and to require that CBC build 15,000 square feet of entertainment and/or retail space on the Site within 2 years of receiving a TCO for the self-storage facility. The TCO was received in 2005 but construction did not commence on the Site within the 2 years.
- Pursuant to NYCEDC Board approval on August 4, 2010, NYCEDC further modified the Deed in 2014 (the

"2014 Deed Modification"), to require, among other things, (a) construction of (i) a minimum of 50 units of affordable housing and (ii) a minimum of 15,000 zoning square feet of retail space on the Site (the "Retail Construction Requirement"), and (b) use pursuant to the terms of the Regulatory Agreement and for no other uses, except with the prior written approval of NYCEDC.

Simultaneously with the 2014 Deed Modification, the Regulatory Agreement was entered into between HPD, the New York City Housing Development Corporation ("HDC"), Crotona Terrace Building A LLC ("Developer") and SOBRO-Boston Renaissance Housing Development Fund Corporation ("HDFC") which is nominee for the Developer. The Developer is managed and controlled by an affiliate of Joy Construction Corporation ("Joy") and owned by such affiliate and an affiliate of SOBRO Development Corporation. The Regulatory Agreement requires that not less than 15,000 gross square feet of commercial space be used only for retail purposes prior to 5 years from the later of (i) issuance of a TCO, and (ii) the conversion of an HDC construction loan (for the required Site construction that was undertaken on Lot 67) to long-term permanent loan(s) (the "Use Restriction Period" and, together with the Retail Construction Requirement, the "Retail Requirements"). NYCEDC is a third party beneficiary of this section of the Regulatory Agreement. The Site is ground leased to an affiliate of Joy, and Lot 67 is subleased to HDFC as nominee for the Developer.

In June 2015, NYCEDC further modified the Deed in order to facilitate the financing and development of Crotona B. Among other actions, the 2015 Deed modification released Lot 46 from the Retail Requirements, so they now only apply to Lot 67.

**PROPOSED
MODIFICATIONS:**

The Developer has requested NYCEDC's permission to lease approximately 13,200 square feet of the Crotona A commercial space for a non-retail use. It currently intends to lease such space to a New York City based non-profit that provides a variety of services to children in poverty, including educational, health and arts programs. The proposed tenant would use the

space primarily as offices and classrooms, not for retail uses.

**RATIONALE FOR
MODIFICATIONS:**

The Developer has stated that it has sought retail tenants for the space, but has had difficulty attracting retail users. Therefore, if the retail use restriction remains in place, it seems likely that the space may be vacant for an extended period. It is preferable that the space be leased and occupied. Additionally, the proposed office and classroom uses are expected to yield greater benefits to the City than the retail use.

MODIFICATION FEE:

\$25,000 administrative fee payable to NYCEDC

**PROPOSED
RESOLUTION:**

Approval for the President or an empowered officer of NYCEDC, on behalf of NYCEDC, to (i) consent under the Deed to non-retail uses for the Crotona A commercial space during the Use Restriction Period on a case-by-case basis, and (ii) as needed, consent to an amendment of the Regulatory Agreement with respect to the use of the Crotona A commercial space as set forth in (i) during the Use Restriction Period.

**NYCEDC PROJECT
CODE:**

4549

STAFF:

Jeffrey Nelson, Executive Vice President, Real Estate Transaction Services
Sarah Govier, Vice President, Real Estate Transaction Services
Warren Hagist, Associate, Real Estate Transaction Services
Randi Cohen, Senior Counsel, Legal

Exhibit E

**AMENDED SUBLEASE FOR BATTERY MARITIME BUILDING
Board of Directors Meeting
September 29, 2017**

OVERVIEW:

The Battery Maritime Building (“BMB”) is a four-story, approximately 140,000 square foot, City-owned building located at Block 2, Lot 2 on the Tax Map of Manhattan, also known as 10 South Street, adjacent to the Whitehall Ferry Terminal (such property as improved, the “Property”).

In March 2006, NYCEDC released an RFP to lease and to redevelop the Property, other than a portion of the ground floor and the piles under the BMB (the leased portions will be referred to as the “Premises”). The balance of the Property that does not include the Premises is occupied by the Trust for Governors Island and City DOT in connection with ferry service to Governors Island and private ferry operations.

The Dermot Company, Inc. (or an affiliated entity) was selected as the developer in June 2007 and the Premises were required to be renovated and developed as a boutique hotel, restaurant and public/event space (the “Project”). It was anticipated that the Project would include approximately 70 hotel rooms, a rooftop restaurant and bar space, and the renovation of the Great Hall on the second floor and a mezzanine for public use and as an event space. The City, as landlord, and NYCEDC, as tenant, entered into a lease, dated as of July 1, 2012, for the Premises. NYCEDC then subleased the Premises to 10 SSA Landlord LLC (the “Original Tenant”), an affiliate of The Dermot Company, Inc., pursuant to a sublease dated as of the same date (the “Original Sublease”).

Construction of the Project commenced in 2012; however, as a result of rising construction costs and unforeseen conditions at the site, the Original Tenant incurred significant cost overruns that it was unable to cover. Attempts to recapitalize the Project were unsuccessful and construction ceased in mid-2015. At present the Project remains approximately 55% to 60% complete.

NYCEDC has continuously cooperated with the Original Tenant and the Project lender to identify workout solutions and/or new development partners to complete the Project.

STONELEIGH WORKOUT: In November 2015, NYCEDC reached an agreement in principle with Stoneleigh Capital LLC (“Stoneleigh”) which provided for Stoneleigh’s or an affiliated entity’s funding of the

capital shortfall, completion of Project construction, and management of operations at the Premises. In February 2016, the NYCEDC Board approved certain modifications to the Original Sublease to facilitate Stoneleigh's assumption of the Project and the assignment of the Original Sublease to an affiliate of Stoneleigh. These modifications primarily included:

- A waiver of an additional rent payment of \$2,000,000 that was due on the sooner of a capital event or the first day of the fifth lease year
- The replacement of percentage rent with a fixed supplemental rent payment
- Modified PILOT payments
- An increase in sales tax exemptions
- Programmatic changes to the Great Hall that amended the public hours
- A reduction in rooftop restaurant space to accommodate additional hotel suites.

Stoneleigh ultimately failed to close on the Project due to Federal Rehabilitation Tax Credits ("Tax Credits") financing issues.

SUBSEQUENT EVENTS: In mid-2016, NYCEDC commenced litigation against the Original Tenant, seeking liquidated damages for its failure to timely complete the Project. In May 2017, judgment was rendered in NYCEDC's favor, and as a result, through August 31, 2017 NYCEDC has recovered approximately \$2 million in liquidated damages.

In parallel, NYCEDC, the Original Tenant and the Project lender entered into four-way negotiations with multiple outside parties to reach agreement on terms that would satisfy the parties' respective interests. NYCEDC reached agreement on terms with Centaur Properties, LLC ("Centaur") and Cipriani USA, Inc. ("Cipriani" and together with Centaur, the "Joint-Venture" or "JV") and executed a letter of intent on August 11, 2017 (the "LOI"). The JV also has agreed upon terms with the Original Tenant and its Project lender.

Centaur is a full service real estate investment, development and management firm that operates in New York, Missouri and California. Focusing primarily on residential and commercial uses, Centaur has undertaken six major development projects and closed over 20 acquisitions in Manhattan since 1996. Cipriani is a full service hospitality company with a diverse portfolio that includes the management and operation of hotels, restaurants, event spaces, catering operations, and residential developments all over the world.

Cipriani's New York portfolio includes its namesake event/catering halls on Wall Street and 42nd Street as well as the redevelopment of the "Mr. C" branded hotel adjacent to the South Street Seaport. Cipriani is expected to operate the proposed Project.

As a condition to submission of its proposal to NYCEDC's Real Estate and Finance Committee and Board, the JV has agreed to provide NYCEDC with a \$5 million security deposit, which amount shall be non-refundable (except in the event that NYCEDC elects not to proceed with the revised Project or the Original Sublease is assigned to JV). The JV deposited an initial \$2 million simultaneously with its execution of the LOI. The remaining \$3 million is due upon the approval of the revised Project by the NYCEDC Real Estate and Finance Committee.

Pursuant to the LOI, the Original Tenant is expected to assign the Original Sublease to a wholly-owned affiliate of the JV. The JV will invest and provide for the required cash equity, financing, development and operational requirements to complete and operate the Premises and related improvements. NYCEDC and the JV are expected to enter into a modification of the Original Sublease (the "New Sublease"), with NYCEDC as landlord ("Landlord"), and the wholly-owned affiliate of the JV as tenant ("New Tenant").

Consistent with the structure of the transaction with Original Tenant, New Tenant will have the authority to sublease the Premises and/or enter into the ancillary agreements, as needed, to utilize the Tax Credits.

The terms of the New Sublease shall be substantially as set forth below.

NEW SUBLEASE TERMS:

Term: The term of the New Sublease shall be 49 years from Original Sublease commencement, plus five additional ten year extension options at New Tenant's discretion (the "Term"). The New Sublease shall have commenced at 12:01 a.m. on July 1, 2012.

Construction Completion Date: The outside date for substantial completion is expected to be August 31, 2019, subject to extension by reason of unavoidable delay.

Base Rent:

Base rent will remain consistent with the Original Sublease. The amounts of annual base rent are as follows:

New Sublease year 1 (2012):	\$120,000 (paid)
New Sublease year 2 (2103):	\$120,000 (paid)
New Sublease year 3 (2014):	\$225,000 (paid)
New Sublease year 4 (2015):	\$250,000 (paid)
New Sublease year 5 (2016):	\$270,000 (paid)
New Sublease year 6 (2017):	\$300,000 (account current)
New Sublease year 7 (2018):	\$350,000
New Sublease year 8 (2019):	\$400,000

After New Sublease year 8 the annual base rent will increase annually by the percentage increase in the Consumer Price Index (CPI) during the preceding lease year. Base rent will be subject to increases in each of New Sublease years 50, 60, 70, 80 and 90 (to the extent New Tenant exercises its renewal options) based on an appraisal to be completed in the previous New Sublease year (New Sublease years 49, 59, 69, 79, and 89, respectively); provided, however, that in no event will the annual base rent, as reappraised, be less than the base rent applicable to the New Sublease year immediately preceding such new base rent. In each of the New Sublease years between the years base rent is adjusted by such appraisals, annual base rent shall increase by the increase in the CPI during the preceding New Sublease year.

Percentage Rent:

The supplemental rent structure agreed to with Stoneleigh is replaced with the following percentage rent structure:

Through the New Sublease year ending in 2043 NYCEDC will receive an annual percentage rent payment if gross Project revenue exceeds \$35 million. The amount of such Percentage Rent Payment shall equal the sum of:

- (a) the product of (x) Project revenue minus \$35M, (y) the percentage of Project revenue attributable to hotel operations (the "Hotel Participation Percentage"), and (z) 10%; and
- (b) the product of (x) Project revenue minus \$35M, (y) the percentage of Project Revenue attributable to non-hotel operations (the "Non-Hotel Participation Percentage"), and (z) 1%.

After the New Sublease year ending in 2043, the percentage rent structure shall be modified to provide for two breakpoints. The first

breakpoint shall be \$25 million and the second breakpoint shall be \$35 million. After the New Sublease year ending in 2043, percentage rent shall be calculated as follows:

If Project revenue is less than the first breakpoint, the sum of:

- (a) the product of (x) Project revenue attributable to hotel operations, and (y) 3%; and
- (b) the product of (x) Project revenue attributable to non-hotel operations, and (y) 0.3%.

If Project revenue is greater than the first breakpoint and less than or equal to the second breakpoint, the sum of:

- (a) the product of (x) the first breakpoint, (y) the Hotel Participation Percentage, and (z) 3%;
- (b) the product of (x) the first breakpoint, (y) the Non-Hotel Participation Percentage, and (z) 0.3%;
- (c) the product of (x) Project revenue minus the first breakpoint, (y) the Hotel Participation Percentage, and (z) 4.75%; and
- (d) the product of (x) Project revenue minus the first breakpoint, (y) the Non-Hotel Participation Percentage, and (z) 0.475%.

If Project revenue is greater than the second breakpoint, the sum of:

- (a) the product of (x) the first breakpoint, (y) the Hotel Participation Percentage, and (z) 3%;
- (b) the product of (x) the first breakpoint, (y) the Non-Hotel Participation Percentage, and (z) 0.3%;
- (c) the product of (x) the second breakpoint minus the first breakpoint, (y) the Hotel Participation Percentage, and (z) 4.75%;
- (d) the product of (x) the second breakpoint minus the first breakpoint, (y) the Non-Hotel Participation Percentage, and (z) 0.475%;
- (e) the product of (x) Project revenue minus the second breakpoint, (y) the Hotel Participation Percentage, and (z) 6.5%; and
- (f) the product of (x) Project revenue minus the second breakpoint, (y) the Non-Hotel Participation Percentage, and (z) 0.65%.

Additional Rent:

Additional Rent will remain consistent with the Original Sublease. New Tenant will pay \$150,000 per year, growing annually by CPI increases, which will be set aside and be required to be used for the maintenance and operation of the East River Waterfront Esplanade

and Piers. The payment may be provided by NYCEDC to City Parks for such maintenance and operation.

PILOT:

For the first 24 years following execution of the New Sublease, New Tenant shall make payments in lieu of taxes ("PILOT") in accordance with the fixed schedule set forth below. New Tenant will not receive an ICAP benefit that would otherwise be available for this project on private property and that was available to Original Tenant. After 24 years after execution of the New Sublease, New Tenant shall make PILOT payments equal to real property taxes, as assessed by the Department of Finance.

Years After Execution	PILOT Amount
1	\$ 20,000
2	\$ 20,000
3	\$ 400,000
4	\$ 600,000
5	\$ 800,000
6	\$ 950,000
7	\$ 1,050,000
8	\$ 1,150,000
9	\$ 1,250,000
10	\$ 1,350,000
11	\$ 1,400,000
12	\$ 1,450,000
13	\$ 1,500,000
14	\$ 1,550,000
15	\$ 1,600,000
16	\$ 1,650,000
17	\$ 1,700,000
18	\$ 1,750,000
19	\$ 1,800,000
20	\$ 1,850,000
21	\$ 1,900,000
22	\$ 1,950,000
23	\$ 2,000,000
24	\$ 2,050,000

PILOST:

New Tenant will make payment in lieu of sales taxes ("PILOST") in an amount equal to the amount of any sales taxes which would have been due and payable by New Tenant, but for the City's ownership

of the Property and/or materials purchased to be incorporated therein, to the extent such amount exceeds \$2,400,000 in the aggregate.

**Opening and
Operating
Covenants:**

In conformity with the provisions agreed to with Stoneleigh, the Great Hall will be available for public events during certain days and evenings as posted on the Battery Maritime Building website with no less than 30 days advance notice, which availability must fall within certain parameters specified in the New Sublease. At other times the Great Hall will be available for private events. In addition:

- New Tenant will make space available for local non-profit users to host exhibits and events.
- New Tenant may not charge non-profit users a space rental fee except for certain cost reimbursements.
- New Tenant shall make the Great Hall available for extended hours (9:00 AM to 10:00 PM) at least 58 days in the year to community based non-profit users and/or the public without a space rental charge, except for certain cost reimbursements

Appraisal:

NYCEDC has commissioned an updated appraisal of the BMB leasehold (the "Appraisal") in order to establish a fair market rent for the Premises. Utilizing the conclusions of the Appraisal, NYCEDC staff has estimated that the net appraised value of the leasehold interest in the Premises (calculated as the net present value of base rent, additional rent, and PILOT paid over the 24 years following assignment of the Original Sublease) is approximately \$11.5 million.

The net present value of PILOT, base rent, and additional rent paid pursuant to the New Sublease (over the same 24-year term) is approximately \$21.9 million, well in excess of appraised value.

**Summary of
Modifications:**

The following are the primary modifications to the deal terms that were approved by the NYCEDC Board in February, 2016 in connection with the proposed Stoneleigh transaction, which will be reflected in the New Sublease:

- The construction completion date will be extended to August 31, 2019, subject to unavoidable delay.
- Fixed supplemental rent will be replaced by percentage rent substantially as described above.
- The PILOT payment schedule will be modified substantially as described above.

- Allowance for certain design and construction changes to the Premises, currently expected to encompass reducing the number of anticipated hotel rooms from approximately 70 to approximately 45.

**PROPOSED
RESOLUTIONS:**

(1) To authorize NYCEDC to consent to the assignment and assumption of the Original Sublease, substantially as described above;

(2) To authorize NYCEDC to enter into the New Sublease for the Premises to a wholly-owned affiliate of the JV, on substantially the above described terms;

(3) To authorize NYCEDC to modify the New Sublease and other documents going forward as reasonably requested by a permitted mortgagee, or permitted equipment leaseholder, and/or in relation to permitted financing, provided that such changes do not materially change the permitted use of the Premises or the financial return to the City and NYCEDC or materially increase the obligations of the City and NYCEDC or materially decrease the obligations of the New Tenant; and

(4) To authorize the President and any empowered officer of NYCEDC to enter into any agreements and take any actions necessary to effectuate the above described transactions, substantially as described herein, including, without limitation, entering into recognition agreements requested by permitted mortgagees.

STAFF:

Jeff Nelson, Executive Vice President, Real Estate Transaction Services

Hester Muis, Senior Vice President, Real Estate Transaction Services

Maxwell Padden, Assistant Vice President, Real Estate Transaction Services

Exhibit F

**LEASE FOR OFFICE SPACE
Board of Directors Meeting
September 29, 2017**

**PROJECT
OVERVIEW:**

NYCEDC's current lease at 110 William Street expires on August 31, 2019. In anticipation of this expiration, last year NYCEDC began to explore location options.

In March 2016, NYCEDC issued an RFP for commercial brokerage services to assist with either negotiating a new lease at 110 William Street or finding an alternative space within the New York City office market. Four proposals were received and Newmark & Company Real Estate Inc. d/b/a/ Grubb Knight Frank ("Newmark") was selected based on its extensive experience in the lower Manhattan office market, government experience, proposed fee, and senior level commitment to meeting NYCEDC's needs. Newmark will be paid a commission for its work by the owners of the property selected by NYCEDC.

After completing a comprehensive workplace study, Newmark conducted a market analysis to identify available spaces suitable to NYCEDC. Twenty potential buildings were identified across lower Manhattan, Downtown Brooklyn, and Long Island City in Queens as candidate locations. Ten buildings were toured and four selected for term sheet negotiations.

After several rounds of negotiation, it was determined that the two best options for NYCEDC were remaining at 110 William Street or relocating to 1 Liberty Plaza in Manhattan. 1 Liberty Plaza offers superior qualitative factors, including, but not limited to, contiguous column-free space, with open floorplates; modern base building systems such as HVAC, electrical, and lighting; abundant natural light; proximity to City Hall; access to multiple transit lines; and competitive financial terms. 110 William Street did not offer comparable qualitative benefits, but offered locational continuity, proximity to City Hall, and transit access. Design test-fits were conducted for both locations and reviewed with all NYCEDC department heads.

1 Liberty Plaza was selected based upon the superior qualitative factors and competitive financial terms and NYCEDC's ability to reduce square footage from the square footage at 110 William Street due to more efficient floorplates.

The proposed terms for a lease for space at 1 Liberty Plaza are described below:

TENANT: NYCEDC

LANDLORD: Brookfield Properties OLP CO. LLC

BUILDING: 1 Liberty Plaza, Manhattan

PREMISES:

Entire 10th Floor –	44,025 rentable square feet
Entire 11th Floor –	43,886 rentable square feet
Entire 12th Floor –	43,523 rentable square feet
Entire 13 th Floor –	43,523 rentable square feet
Entire 14 th Floor –	<u>44,529 rentable square feet</u>
TOTAL:	219,486 rentable square feet

LEASE TERM: 20 years from the Rent Commencement Date. The Rent Commencement Date begins the day following the end of the rent abatement period, which is a 14-month period starting on the Commencement Date.

LEASE COMMENCEMENT: The Commencement Date is the earlier of (A) the date on which NYCEDC first occupies the Premises for the performance of any work, and (B) the later to occur of (i) March 1, 2018, and (ii) the substantial completion of Landlord's base building work on all floors.

OPTIONS TO EXTEND: Subject to NYCEDC occupying at least 80% of the Premises, NYCEDC shall have extension options ("Extension Options") for two five-year renewal terms or one ten-year renewal term. These Extension Options shall be available for a minimum of three contiguous full floors.

The Fixed Rent for the Extension Options shall be 100% of fair market rent ("FMV"), as determined by Landlord. If Landlord and NYCEDC cannot agree on FMV, each of the parties shall select an appraiser to determine FMV. If the selected appraisers cannot agree, a third appraiser will be chosen and select between Landlord's appraisal and NYCEDC's appraisal.

FIXED RENT: For the period beginning with the Rent Commencement Date:
Years 1-5: \$11,632,758 per annum (\$53.00 per rentable square foot)

Years 6-10: \$12,730,188 per annum (\$58.00 per rentable square foot)
Years 11-15: \$13,827,618 per annum (\$63.00 per rentable square foot)
Years 16-20: \$14,925,048 per annum (\$68.00 per rentable square foot)

ADDITIONAL CHARGES:

For the period beginning with the Rent Commencement Date, NYCEDC will pay its proportionate share of taxes above the 2018 base tax amount, and its proportionate share of operating expenses above the 2018 base operating year expense amount. For the period beginning with the Commencement Date, NYCEDC will pay the cost of electricity consumed on the Premises as determined by sub-metering or surveying at 103% of Landlord's cost.

USE:

The Premises may be used as offices for NYCEDC and DSBS and other entities administered by employees of NYCEDC and/or DSBS that are formed and operated for the purposes of carrying out the business purposes of NYCEDC and/or DSBS. In addition, space may be sublet to certain other municipal agencies or authorities of the City of New York.

STORAGE SPACE:

For the period beginning with the Rent Commencement Date, additional charges shall be payable for storage space at the following rate:

Years 1-5:	\$30 per rentable square foot
Years 6-10:	\$34 per rentable square foot
Years 11-15:	\$38 per rentable square foot
Years 16-20:	\$42 per rentable square foot

It is anticipated that 2,600 rentable square feet of storage space will be used, with the option of using up to 5,000 rentable square feet.

ABATEMENT OF RENT:

NYCEDC shall not be obligated to pay Fixed Rent or any payments in connection with operating expenses and real estate taxes for 14 months following the Commencement Date ("Free Rent Period"). The day immediately following the expiration of the Free Rent Period shall be the rent commencement date ("Rent Commencement Date").

SECURITY DEPOSIT:

No security deposit shall be required.

**LANDLORD
WORK
ALLOWANCE:**

Landlord will provide new code-compliant turn-key construction and installation of improvements ("Landlord's Turn-Key Work") in accordance with plans and specifications provided by NYCEDC. The cost of the Landlord's Turn-Key Work in excess of \$85.00 per rentable square foot will be borne by NYCEDC. The total NYCEDC cost of construction will be based on the finally developed plans and specifications. The amount to be spent by NYCEDC will be submitted to NYCEDC's Board or Executive Committee for approval at a later date. It is anticipated that the City will provide NYCEDC with Capital Budget funds to pay for the portion of the cost attributable to space to be used by DSBS.

Landlord is to achieve substantial completion of Landlord's Turn-Key Work within eleven months of NYCEDC's delivery of 100% construction drawings. If substantial completion of Landlord's Turn-Key Work is late, the Free Rent Period will be extended in accordance with a formula set forth in the lease.

**RIGHT OF FIRST
OFFERING:**

Provided NYCEDC is not in default and occupies 80% of the Premises and there are at least five years left in the initial lease term, Landlord shall offer NYCEDC on one occasion the right to include additional available space ("Offering Space") in the first three full floors of either elevator bank serving the Premises upon all the terms and conditions of the lease. The Fixed Rent of the Offering Space shall be FMV as determined by Landlord.

**TERMINATION:
OPTION:**

NYCEDC shall have the one time right to terminate the lease for all or a portion of the Premises, which right shall be effective as of the fifteenth anniversary of the Rent Commencement Date. If NYCEDC elects to terminate less than the entire Premises, it shall do so in contiguous, full-floor increments only, and from the top and bottom floors of the Premises. NYCEDC must provide 20 months' prior notice of its intent to terminate. Concurrently with its notice, NYCEDC shall forward a termination payment equal to the sum of (a) six months of Fixed Rent and Additional Charges, and (b) the unamortized portion of the broker's cost, work allowance, and Free Rent (amortized at an 8% annual interest rate over 240 months), with regard to the terminated portion of the Premises.

**PUBLIC
APPROVALS:**

No additional approvals are required

**PROPOSED
RESOLUTION:**

Approval of an Executive Vice President of NYCEDC entering into a lease agreement, substantially as described herein, between Brookfield Properties OLP CO. LLC, as Landlord, and NYCEDC, as Tenant.

**NYCEDC
PROJECT CODE:**

7126

STAFF:

Matthew Kwatinetz, Executive Vice President, Asset Management
Mark Spector, Senior Vice President, Asset Management
Richard E. Palumbo, Senior Counsel, Legal

Exhibit G

BROOKLYN ARMY TERMINAL SUBLEASES
Board of Directors Meeting
September 29, 2017

- LESSOR:** The City of New York (the "City")
- LESSEE AND SUBLESSOR:** NYCEDC (NYCEDC currently leases BAT from the City)
- SUBLESSEES:** Various existing users of the Site and future users to be determined
- SITE:** Approximately 3.6 million square feet of Buildings A and B (constituting the portions of those buildings renovated in Phases I through V), available rooftop space at Buildings A and B, and undeveloped land at BAT (together, the "Site")
- USES:** Phases I through V of Buildings A and B at BAT shall be solely used for industrial and commercial purposes and purposes ancillary thereto, in accordance with the New York City Zoning Resolution, as from time to time amended.
- Phases I through V of Buildings A and B are anticipated to consist primarily of light manufacturing, digital production, warehouse and distribution, office space, medical laboratory and telecom uses. Other types of uses may also be permitted.
- Undeveloped land: a variety of uses, including ancillary parking and storage. However if undeveloped land is used for the development of a new building, Board approval for such development will be sought separately.
- Rooftop space at Buildings A and B: telecom uses, uses ancillary to interior space uses, agriculture, and energy generation.

**PROJECT DESCRIPTION/
PURPOSE OF TRANSFERS/
BENEFITS TO PUBLIC:**

Periodically, staff seeks Board approval of the terms under which subleases may be entered into at BAT without further Board approval. Such a subleasing plan was approved by the Board on May 11, 2006 with regard to the Site. Subsequently the Board approved individual subleases and subleases for areas such as the Laundry Building and the Annex Building.

At this time, it is proposed that the current subleasing plan authorized by the Board in 2006 for subleasing terms for the Site be updated to establish new minimum acceptable base rents and certain other sublease terms and conditions for the Site. Existing subleases would not be changed by the proposed new subleasing plan.

The proposed minimum base rents for rental spaces within BAT Building A and Building B and the remainder of the Site are based upon the fair market rental rates determined by a market rental study appraisal performed in September 2017 by real estate appraiser Goodman-Marks Associates, Inc. Minimum acceptable base rent has been increased from the previously approved minimum base rent.

The purpose and benefits of entering into subleases at BAT are primarily to promote and retain industrial businesses in the City, by providing space for such businesses, and providing and retaining jobs in this sector and the neighborhood.

**PROPOSED
NEW SUBLEASE
TERMS:**

Rent-Free Period: As has been authorized in the past, an initial rent-free period for any portion of the Site may be proposed by a prospective subtenant and will be considered in context with the overall rental proposed. The rent free period shall not exceed six months.

Buildings A and B Minimum Acceptable Base Rent:

For the interior portions of Buildings A and B (other than ancillary interior space leased in connection with rooftop telecom uses, agriculture, and energy production, for which there is no minimum rent), the base rent for the first annual lease year of the sublease shall be at least the following (provided that no portion of such base rent need be paid for an initial rent-free period, if any, included in such initial lease year):

Building	Location	Net Rentable Area (SF)	Rent/SF
Building A	Dock Level	5,000 - 10,000	\$13.00
		10,001-20,000	\$12.50
		20,001-30,000	\$11.00
		30,001-55,000	\$10.00
	First floor above dock level	100-1,000	\$20.00
		1,001-5,000	\$19.00
5,001-9,000		\$13.50	

	Upper Levels (Floor 2-8)	2,000-5,000	\$18.00
		5,001-10,000	\$12.50
		10,001-16,000	\$11.50
		16,001-24,000	\$11.00
		24,001-40,000	\$10.00
		40,001-70,000	\$9.00
		70,001-130,000	\$8.50
Building B	First floor above basement	10,000-20,000	\$11.50
		20,001-30,000	\$10.00
		30,001-40,000	\$9.50
	Upper Levels (Floor 2-8)	1,500-2,500	\$18.50
		2,501-5,000	\$17.00
		5,001-10,000	\$12.00
		20,000-30,000	\$9.50
		30,001-40,000	\$8.50
	Basement storage	5,000-10,000	\$4.75

Thereafter, either (a) beginning with the second year of the sublease, base rent shall increase by at least 2% annually or (b) base rent shall increase by at least 10% at the end of each five year period.

Rooftop Space and Ancillary Interior Space: Appraised value for highest and best use permitted, is the minimum rent for rooftop uses, such as agriculture, energy generation, and telecom uses, provided that rooftop space may be used for uses (including telecom uses) that are ancillary to interior space uses with no minimum rent or additional Board authorization.

Undeveloped Land: Minimum base rent for a sublease of undeveloped land must equal at least \$6.25 per square foot for the first five years of the sublease and must increase by a total of at least 10% over each succeeding five year period. Undeveloped land may be offered under the terms of a sublease for a variety of uses (other than development of a new building, which requires additional Board approval), including ancillary parking or storage. Tenants of interior space may be provided with use of space for parking for employees and customers at no additional charge.

Term: Initial term: a maximum of 10 years. Renewal terms may be offered that, combined with the initial term, shall not exceed 20 years.

Subtenant Improvement Allowance: A subtenant improvement allowance is authorized by the Board for permanent leasehold improvements for the Site in the form of a rent credit not to exceed

six months of the base rent after the rent-free period, if any. Subtenant improvement allowance rent credits will be subject to NYCEDC staff's approval of the cost and completion of the permanent leasehold improvements. The subtenant improvements allowance will be in addition to any rent-free period provided.

Utilities and Property Condition: Electricity will be paid by sublessees. Utility charges, including, electricity charges, may include an administration fee. Sublessees in Building B pay for their own heat. Sublessees in Building A are not charged separately for heat. However, sublessees in Building A Phase V may be charged an additional HVAC fee. NYCEDC may upgrade utilities through energy efficient improvements and pass costs to sublessees.

Interior subtenant spaces in Buildings A and Building B generally will be delivered in "as is" condition, with working base building systems and light fixtures, or, for some premises, such as the new Phase V premises, in "vanilla box" condition, as is deemed appropriate by NYCEDC staff. The undeveloped land will be delivered in "as is" condition.

**PROPOSED
RESOLUTIONS:**

The approval of NYCEDC's subleasing of space at the Site to various users on terms substantially consistent with those described above. Future subleases for the Site that substantially meet or exceed the specified parameters would be authorized and would not have to be presented to the Board for approval.

STAFF:

Julie Stein, Senior Vice President, Asset Management
John Hong, Associate, Asset Management
Scott Shostak, Senior Counsel, Legal