

Authorities Budget Office



Battery Park
City Authority

OCT 15 2024

RECEIVED

KATHY HOCHUL
Governor

ERIC MUNSON
Chief Operating Officer

September 27, 2024

Via Certified Mail Return Receipt Requested

Hon. Thomas P. DiNapoli
New York State Comptroller
Office of the State Comptroller
110 State Street
Albany, New York 12236

Hon. Carl E. Heastie
Speaker
New York State Assembly
Legislative Office Building, Room 932
Albany, New York 12248

Jeanette M. Moy
Commissioner
State of New York Office of General Services
Corning Tower
Empire State Plaza
Albany, New York 12242

Blake G. Washington
Director
State of New York Division of Budget
State Capitol
State Street and Washington Avenue
Albany, New York 12224

Hon. Andrea Stewart-Cousins
President Pro Tempore & Majority Leader
188 State Street
Legislative Office Building, Room 907
Albany, New York 12247

State of New York Authorities Budget Office
240 State Street
P.O. Box 2076
Albany, New York 12220

RE: Explanatory Statement Pursuant to Public Authorities Law §2897(6)(d)

To the Addressees:

This explanatory statement is given pursuant to Public Authorities Law §2897(6)(d) on behalf of Battery Park City Authority d/b/a Hugh L. Carey Battery Park City Authority ("BPCA"), regarding its proposed disposition of the Hotel Unit located at 2 West Street, New York, NY 10281 ("Hotel Unit"). Specifically, BPCA proposes to enter into a series of agreements that result in an extension of the term of lease of the Hotel Unit (either by lease or sublease, as explained more fully below), for an additional fifty years beyond the existing lease expiration date.

1. Description of the parties involved in the property transaction

BPCA is a New York State Public Benefit Corporation and the fee owner of approximately 92 acres in Lower Manhattan known as "Battery Park City". The proposed tenant, BPC Lender, LLC, is a Delaware limited liability company, having an address at 14614 N. Kierland Blvd., Suite 100, Scottsdale, AZ 85254 ("Proposed Hotel Subtenant").

2. Justification for disposing of property by negotiation

In 2000, BPCA and Millennium BPC Development LLC ("Millennium") entered into a ground lease pursuant to which BPCA leased to Millennium the premises known as "Site 1" ("Ground Lease"), as more particularly described on Exhibit A attached hereto. Millennium

developed the property consistent with the requirements of the Ground Lease, including BPCA's Design Guidelines. The resulting building includes, *inter alia*, a 14-floor, approximately 315,000 square foot leasehold condominium unit required to be operated as a hotel. BPCA and Millennium entered into a Hotel Unit Lease (the "Hotel Unit Lease") under which Millennium leased the Hotel Unit to BPCA, and a Hotel Unit Sublease (the "Hotel Unit Sublease") under which BPCA subleased the Hotel Unit back to Millennium. Currently, the Hotel Unit Subtenant is Urban Commons LLC. The current expiration dates of the Ground Lease, the Hotel Unit Lease and the Hotel Unit Sublease are all in 2069.

In November 2022, Urban Commons, LLC filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code. Thereafter, the Bankruptcy Court in the Southern District of New York established a process for the auction and sale of the Hotel Unit. The only qualified bidder to submit a bid was the debtor in possession's lender, Proposed Hotel Subtenant. As part of the Bankruptcy process, Proposed Hotel Subtenant and BPCA have been engaged in negotiations to modify relevant Ground Lease, Hotel Unit Lease and Hotel Unit Sublease terms, including a requirement that the Proposed Hotel Subtenant complete a significant renovation of the Hotel Unit. As part of the negotiations, Proposed Hotel Subtenant has sought, as a condition of its acquisition and renovation, additional term of lease beyond 2069.¹

BPCA may enter into such lease extension (which constitutes a disposition of real property) by negotiation because the purpose of the transfer is within the purpose, mission or governing statute of BPCA. BPCA was formed in part to create a "mixed commercial and residential community [in Battery Park City], with adequate utilities systems and civic and public facilities such as schools, open public spaces, recreational and cultural facilities." NYS Pub. Auth. Laws, Art. 8, Title 12 § 197. BPCA was charged with "encouraging maximum participation by the private sector of the economy, including the sale or lease of the authority's interest in projects." *Id.* Consistent with BPCA's enabling legislation, BPCA's mission is to:

...plan, create, coordinate, and sustain a balanced community of commercial, residential, retail, and park space within its designated 92-acre site on the lower west side of Manhattan. There is a recognition that, as development of new parcels is completed, the importance of maintenance within the mission will become more significant.

This contemplated lease extension will provide for the continued use and operation of the Hotel Unit as a hotel and induce the tenant to make significant improvements to the premises. Such transaction will ensure continued revenue for BPCA in the form of rent, will help to sustain the mixed commercial and residential community that was created in Battery Park City pursuant to BPCA's governing statute, and provide greater certainty and stability for the community.

¹ BPCA is not currently extending the term of the Ground Lease, which also pertains to the residential condominium portion of the building, but is instead proposing to enter into an Extension Agreement, pursuant to which the parties agree to extend the Hotel Sublessee's leasehold interest in the Hotel Unit, either through an extension of the Ground Lease for an additional 50 years or, in the alternative, through a lease of the Hotel Unit expiring in 2119.

Accordingly, because this contemplated lease extension is in furtherance of BPCA's enabling legislation and mission, BPCA intends to proceed with this disposition resulting from private negotiations.

3. Identification of property, including its location

The Hotel Unit is designated as Tax Lot 9002 in Block 16 of Section 1 of the Borough of Manhattan on the Tax Map of the Real Property Assessment Department of the City of New York as of January 1, 2024, located in a portion of the building located at 2 West Street, New York, NY 10281 in lower Manhattan, and is currently comprised of a leasehold condominium unit.

4. Estimated fair market value of the property

The appraised annual fair market rental value of the Hotel Unit for the period from 2069 to 2119 is set forth below:

Year	Date	Market Rent	Year	Date	Market Rent
1	6/16/2069	\$10,523,203	26	6/16/2094	\$22,033,251
2	6/16/2070	\$10,838,900	27	6/16/2095	\$22,694,249
3	6/16/2071	\$11,164,067	28	6/16/2096	\$23,375,076
4	6/16/2072	\$11,498,989	29	6/16/2097	\$24,076,328
5	6/16/2073	\$11,843,958	30	6/16/2098	\$24,798,618
6	6/16/2074	\$12,199,277	31	6/16/2099	\$25,542,577
7	6/16/2075	\$12,565,255	32	6/16/2100	\$26,308,854
8	6/16/2076	\$12,942,213	33	6/16/2101	\$27,098,120
9	6/16/2077	\$13,330,479	34	6/16/2102	\$27,911,063
10	6/16/2078	\$13,730,394	35	6/16/2103	\$28,748,395
11	6/16/2079	\$14,142,305	36	6/16/2104	\$29,610,847
12	6/16/2080	\$14,566,575	37	6/16/2105	\$30,499,172
13	6/16/2081	\$15,003,572	38	6/16/2106	\$31,414,148
14	6/16/2082	\$15,453,679	39	6/16/2107	\$32,356,572
15	6/16/2083	\$15,917,289	40	6/16/2108	\$33,327,269
16	6/16/2084	\$16,394,808	41	6/16/2109	\$34,327,087
17	6/16/2085	\$16,886,652	42	6/16/2110	\$35,356,900
18	6/16/2086	\$17,393,252	43	6/16/2111	\$36,417,607
19	6/16/2087	\$17,915,049	44	6/16/2112	\$37,510,135
20	6/16/2088	\$18,452,501	45	6/16/2113	\$38,635,439
21	6/16/2089	\$19,006,076	46	6/16/2114	\$39,794,502
22	6/16/2090	\$19,576,258	47	6/16/2115	\$40,988,337
23	6/16/2091	\$20,163,546	48	6/16/2116	\$42,217,988
24	6/16/2092	\$20,768,452	49	6/16/2117	\$43,484,527
25	6/16/2093	\$21,391,506	50	6/16/2118	\$44,789,063

Based on a long-term inflation rate of 3%

The appraiser determined the estimated fair market rental value by taking 6% of the residual land value. Notably, and as described in section 5 below, the base rent required by the lease extension will be determined by periodic resets using the identical methodology.

5. Proposed sale price of the property

The proposed disposition will result in BPCA receiving as base rent from 2069 to 2119 an annual amount equal to the greater of 103% of the prior year's base rent and an amount determined by appraisal of the fair market rental value of the Hotel Unit using 6% of the residual land value. The determined amount will then increase annually by 3% until the next rent reset, which will be completed at 15-year intervals throughout the fifty-year term. By definition, and as confirmed by the appraiser, the above-described process for determining base rent will render the lease extension a disposition for fair market value.²

6. Size of the property

The Hotel Unit is approximately 315,000 square feet in gross building area.

7. Expected date of sale of property

The planned date of execution of the Hotel Extension is in the fourth quarter of 2024 or first quarter of 2025.

We appreciate this opportunity to provide you with an explanatory statement regarding the Lease Extension.

Very truly yours,



Eric Munson
Chief Operating Officer

Attachment(s):
 Exhibit A

² In addition to base rent, BPCA will also receive fees related to certain capital events, civic facilities payments, and payments in lieu of taxes equal to the real property taxes assessed and levied against the Hotel Unit.

EXHIBIT A
DESCRIPTION OF LAND

ALL that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, County, City and State of New York, bounded and described as follows:

BEGINNING at the corner formed by the intersection of the southerly line at First Place with the easterly line of Battery Place, having a coordinate of north 2235.877, west 10106.132;

1. RUNNING THENCE easterly, along the westerly line of First Place, 229.37 feet to the corner formed by the intersection of the westerly line of Marginal Street, Wharf of Place - United States bulkhead line approved by the Secretary of War July 31, 1941 with the southerly line of First Place;
2. THENCE southerly, along the westerly line of Marginal Street, Wharf or Place - aforesaid bulkhead line, forming an angle of 102 degrees, 26 minutes, 10 seconds on its westerly side with the preceding course, 123.06 feet to an angle point therein;
3. THENCE southerly, along the westerly line of Marginal Street, Wharf or Place - aforesaid bulkhead line, forming an angle of 179 degrees, 58 minutes, 30 seconds on its westerly side with the preceding course, 126.46 feet to the corner formed by the intersection of the easterly line of Battery Place with the westerly line of Marginal Street, Wharf or Place - aforesaid bulkhead line;
4. THENCE northerly, along the easterly line of Battery Place on the arc of a circle curving to the right having a radius of 338.00 feet and a central angle of 62 degrees, 41 minutes, 39 seconds, whose radial line forms an angle of 19 degrees, 42 minutes, 11 seconds on its northerly side with the preceding course, 369.84 feet to a point of compound curvature;
5. THENCE northerly, still along the easterly line of Battery Place on the arc of a circle curving to the right having a radius of 833.00 feet and a central angle of 1 degree, 45 minutes, 17 seconds, 25.51 feet to the point or place of BEGINNING.

SUBJECT TO AND INCLUDING THE FOLLOWING SIDEWALK EASEMENT:

BEGINNING at a point in the southerly line of First Place distant 214.01 feet easterly from the corner formed by the intersection of the easterly line of Battery Place with the southerly line of First Place;

1. Running thence due east, along the southerly line of First Place, 15.36 feet;
2. Thence south 12 26'10" east, along the westerly line of Marginal Street, Wharf or Place and the United States Bulkhead Line, 123.06 feet;
3. Thence south 12 24'40" east, along the westerly line of Marginal Street, Wharf or Place and the United States Bulkhead Line, 126.46 feet;
4. Thence northerly, along the easterly line of Battery Place, curving to the right on the arc of a circle having a radius of 338.00 feet and a central angle of 2 43'30", 16.08 feet;
5. Thence north 12 24'40" west, 120.68 feet;
6. Thence north 12 26'10" west, 126.37 feet to the point or place of BEGINNING.