



Authorities Budget Office
2/11/2021
Received

February 10, 2021

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Hon. Jeffrey H. Pearlman Esq.
Director
NYS Authorities Budget Office
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Re: Hudson River Park Trust
Proposed Disposition of Real Property by Lease
Pier 86, Hudson River Park

Dear Sir/Madam:

Pursuant to Section 2897(6)(d) of the New York State Public Authorities Law ("NYSPAL"), the following explanatory statement is being provided prior to the planned disposition (by lease) of an interest in certain Hudson River Park property. This explanatory statement is provided to promote accountability and in the interest of full public disclosure notwithstanding the exceptions, including the exception with respect to leases whose annual rent in the aggregate is less than Fifteen Thousand Dollars (\$15,000.00), afforded by Section 2897(6)(d) of NYSPAL.

EXPLANATORY STATEMENT

The Hudson River Park Trust (the "Trust") was created by the Hudson River Park Act, Chapter 592 of the Laws of 1998 of the State of New York, as amended (the "Act"). The proposed lease (the "Lease") is between the Trust, as lessor, and the not-for-profit Intrepid Museum Foundation ("Intrepid"), as lessee, with a 30-year term for premises located at Pier 86 within Hudson River Park (the "Park"). Pursuant to the Lease, Intrepid would operate the Intrepid Sea, Air, and Space Museum for museum and certain related ancillary purposes consistent with the Act. Intrepid currently operates at the same location under a lease that originated with the City of New York and was subsequently assigned to the Trust at the creation of Hudson River Park. A copy of the proposed lease is located on the Hudson River Park Trust website at [https://hudsonriverpark.org/app/uploads/2021/01/HRPT INTREPID LEASE AGREEMENT-Public-Review-Copy-1-13-21.pdf](https://hudsonriverpark.org/app/uploads/2021/01/HRPT_INTREPID_LEASE_AGREEMENT-Public-Review-Copy-1-13-21.pdf).

The Lease permits the operation of a historical, cultural, and educational museum by Intrepid and is in furtherance of the legislative intent of the Act that the Trust plan, design, develop, construct, operate and maintain the Park for public benefit. The provision of historic ships within the Park is within the legislative intent, and the docking of the Intrepid vessel, which is a National Historic Landmark, at Pier 86 helps fulfill this purpose. In addition to the museum operation and exhibition of the Intrepid vessel, Intrepid will maintain and expand pier open space as free and accessible to the public. Inasmuch as the permitted use under the Lease transfer is within the Trust's purpose, mission, and governing statute, the Trust is exempted from publicly advertising for bids pursuant to Sec. 2897(6)(c)(v) of NYSPAL and from obtaining fair market value pursuant to Sec. 2897(7)(ii) of NYSPAL.

In accordance with the applicable provisions of NYSPAL and Authorities and Budget Office ("ABO") Policy Guidance No. 14-01 the following information is presented:

1. Description of the Parties Involved in the Property Transaction

Lessor: The Trust

Lessee: Intrepid Museum Foundation, a not-for-profit corporation organized and existing under the laws of the State of New York, having an office at 299 Park Avenue, New York, New York 10017. Lessee is a not-for-profit, educational charitable organization under Sec. 501(c)(3) of the Internal Revenue Code of 1986, as amended, and operates pursuant to the charter granted on March 7, 2000 by the Board of Regents of the University of the State of New York, for and on behalf of the State Education Department.

2. Justification for Disposing of the Property by Negotiation

As described further below, the permitted use under the Lease transfer is within the Trust's purpose and mission pursuant to the Act and the Trust is exempted from publicly advertising for bids pursuant to Sec. 2897(6)(c)(v) of NYSPAL. Under the terms of the Lease, Intrepid may occupy and use Pier 86 only for the operation of a museum and related ancillary uses which are permitted as park uses under the Act. The primary museum exhibit is U.S.S. Intrepid, a vessel that is listed on the National Register of Historic Places and is designated a National Historic Landmark. Further, Intrepid would be required to maintain free public access, subject only to security screening, to the open space located on the surface deck of Pier 86 during museum hours, thereby preserving and enhancing the public asset with unobstructed waterfront views. Intrepid would be further obligated to maintain and repair all improvements encompassing the welcome center, the pier piles and pier superstructure, and other marine structures within the premises including bulkheads, thus reducing the burdens of government for maintaining a portion of the Park.

Intrepid has been operating at the same location since 1982, and in 2006-2008 helped secure more than \$30 million in federal grants and invested approximately \$10 million of non-governmental funds so that the Trust and Intrepid could rebuild Pier 86. Prior to the current COVID-19 public health emergency, Intrepid attracted approximately one million visitors per year.

3. Identification of the Property, Including Its Location

The premises under the Lease is identified as Manhattan Block 1107, Lot 30 within Hudson River Park at West 46th Street and is situated along the westerly side of 12th Avenue in the Borough of Manhattan, New York City.

4. Estimated fair market value of the property

The Trust has commissioned an independent appraisal of the property for inclusion in the record of the transaction in accordance with Section 2897(3) of NYSPAL. The appraised fair market rental value of the Intrepid's leasehold interest under the Lease prior to the declaration of the COVID-19 public health emergency is \$190,000.

5. Proposed Rental Value of the Property

The proposed annual rental under the Lease of \$1 is less than the appraised fair market rent of \$190,000; however, the rental rate is permissible pursuant to Sec. 2897(7)(ii) of NYSPAL in that the purpose of the transfer is within the purpose, mission or governing statute of the Trust. The mission and purpose of Trust is to "encourage, promote and expand public access to the Hudson River, and to promote water-based recreation, and to enhance the natural, cultural and historic aspects of the river... for residents and visitors...." with the public benefit extending to "all stakeholders including people of the City of New York, the State of New York ... and tourist visitors from across the region,

the country and the world.” The Act further provides that a purpose of the Park is to “boost tourism and stimulate the economy.”

The operation of Intrepid under the Lease will be a major attraction bringing City and State residents, as well as regional and international tourists, to the Park and Hudson River waterfront. A unique cultural and historical experience will be promoted primarily through the activities of a museum which preserves and invites the public to board a vessel that is listed on the National Register of Historic Places and is designated a National Historic Landmark. During the term of the Lease, Intrepid would also maintain and expand publicly accessible and free open space at Pier 86 by 4,020 square feet at a cost of approximately \$6 million. In addition, Intrepid will continue to offer a variety of veteran support, environmental and other educational opportunities. According to information provided by Intrepid, in 2019 it provided 161 New York City school and community organizations with free educational programs, targeted services to NYC Public Housing residents, and services to families in transitional housing and those with special needs. Intrepid reports that in 2019 it offered free museum admission to approximately 123,000 visitors and 17,500 free passes to the Pier 86 open space. Lastly, it should be noted that rent under the Intrepid lease originally granted by the City of New York is \$1 per year in recognition of the museum’s contribution to the economy of New York City and its status as a “valued cultural institution.” Given these substantial public benefits, Intrepid’s established track record of operating a successful museum, the \$1 per year rent established by the City of New York, and the “park use” status of Pier 86, there is a basis for the Board of the Trust to determine that there is no reasonable alternative to the Lease that would achieve the same purpose and level of benefits.

6. Size of the Property

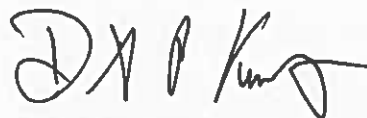
The premises under the Lease comprises approximately 333,497.50 square feet of land and land underwater. In addition to the leased premises, Intrepid will also license approximately 43,320 square feet of land underwater to the north and west of Pier 86 for the docking of vessels.

7. Expected Date of the lease of the property

Proposed leases of ten or more years are designated “significant actions” under the Act and are subject to public hearing and comment before being presented to the Trust Board for its review and possible approval. The proposed Lease was published with a notice for public comment on January 15, 2021. The notice period will last through March 19, 2021. As required, the Trust will hold a public hearing to solicit public comment on February 17, 2021. Following the conclusion of the public review process and an opportunity to review public comments, the Trust’s Board will vote on the Lease, including approval of rental, in accordance with the Act. Unless otherwise authorized by ABO, the Lease will not close prior to ninety days from the date thereof.

Any questions or comments relating to the proposed disposition may be sent to my attention or by email to dkurtz@hrpt.ny.gov.

Very truly yours,

A handwritten signature in black ink, appearing to read "D P Kurtz". The signature is stylized with a large initial "D" and a long, sweeping underline.

Daniel P. Kurtz
Executive Vice President and
Chief Financial Officer

cc: Noreen Doyle, Acting President
Christine Fazio, General Counsel

