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New York, NY 10006

Authorities Budget Office

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State Capitol
Albany, New York 12224

State of New York
Authorities Budget Office
P.O. Box 2076
Albany, New York 12220-0076

Re: Bush Terminal – North Campus
Unit D, Brooklyn, NY 11232
Block 715, portion of Lot 1 on the Tax Map of Brooklyn
Project of New York City Economic Development Corporation – Explanatory Statement

To the Addressees:

Reference is made to Sections 2897(6)(d)(i) and (ii) of the New York State Public Authorities Law (the “Public Authorities Law”) and the requirement set forth therein to prepare and transmit an explanatory statement of the circumstances of each disposal by negotiation of certain property by a public authority (as the term “disposal” is defined in Section 2895(2) of the Public Authorities Law). Section 2897(6)(d)(ii) of the Public Authorities Law requires that such explanatory statement be transmitted not less than 90 days prior to the disposal of the property. Since the transaction contemplated herein falls within the purview of Section 2897(6)(d)(i) and (ii) of the Public Authorities Law, please accept this explanatory statement in satisfaction of the applicable requirements of the Public Authorities Law.

New York City Economic Development Corporation (“NYCEDC”), a New York not-for-profit corporation, intends to enter into a sublease (the “Sublease”) with Eastern Effects, Inc., a Delaware corporation (the “Tenant”), for that certain property identified on the tax map of the Borough of Brooklyn as Block 715, portion of Lot 1 (the “Site”). The Site is part of the Bush Terminal campus (“Bush Terminal”). Bush Terminal is an industrial facility owned by the City of New York

(the “City”) and leased to NYCEDC pursuant to three master leases, collectively referred to as the “Bush Terminal Master Leases.” The term of each of the Bush Terminal Master Leases expires on January 31, 2095. The Bush Terminal Master Leases allow NYCEDC to sublease space at Bush Terminal for manufacturing, industrial, and commercial purposes, including office uses incidental thereto.

In October 2018, in order to accommodate the construction of a combined sewer overflow control facility in connection with Gowanus Canal Superfund Remediation, the City exercised its power of eminent domain to acquire the property where a Tenant studio production facility is currently located. The City anticipates needing Eastern Effects, Inc. to vacate this property by October 31, 2021, and the City would then demolish the studio production facility. As a result, the City may be at risk of losing one of the resources supporting New York City’s film industry, along with the accompanying jobs and tax revenues.

In February 2019, the City’s Deputy Mayor for Housing and Economic Development directed NYCEDC to provide relocation assistance to Tenant in the form of a sublease on or within Bush Terminal and the building and/or renovation of space. Such relocation assistance was determined to be in the public’s interest by protecting and promoting economic development, supporting the City’s film industry production resources, and preserving the accompanying jobs and tax revenues. This relocation assistance is also within NYCEDC’s mission, which is:

“to realize New York City as the global model for inclusive innovation and economic growth, fueled by the diversity of its people and businesses, by *strengthening the City’s competitive position and facilitating investments that grow quality jobs* and cultivate dynamic, resilient, livable communities throughout the five boroughs”. (Emphasis added.)

The Site is comprised of an approximately 48,000 square foot lot with an approximately 40,000 square foot building on it, which will be demolished or rehabilitated. It is contemplated that NYCEDC will deliver approximately 70,000 square feet of building space on the Site, which may be new construction or a mixture of new construction and rehabilitated space, in accordance with certain specifications set forth in the Sublease. The construction is anticipated to include (i) two approximately 20,000 square foot sound stages, (ii) approximately 30,000 square feet of support space for set shops, dressing rooms, bathrooms and other ancillary uses required for the operation of the Site, and (iii) if feasible based on roof design, approximately 5,000 square feet of rooftop space for shooting, staging and similar uses.

The initial term of the Sublease will be 20 years, with one option to extend for an additional 12 years.

The proposed base rent is \$1,120,000 per annum in the first year of the Sublease, with 2% increases in the second and fourth years. In the sixth year of the Sublease, base rent shall increase to \$1,610,000 per annum and increase 2% annually thereafter. If Tenant exercises its option to extend the term of the Sublease, base rent would reset to 95% of the fair market rental rate determined by

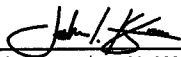
appraisal of the highest and best use of the Site, as improved, with 3% annual increases. The during renewal term base rent is subject to a job density discount of 10% discount for each sublease year if Tenant has achieved a job density of at least one full time permanent employee (or equivalent) per 500 square feet of building space during the previous sublease year, and an additional 10% (for a total of 20%) discount if Tenant has achieved a job density of at least one full time permanent employee (or equivalent) per 350 square feet of building space during the previous sublease year. In addition, if Tenant, during any sublease year, uses any portion of the Site for any uses that are not a primary permitted use, Tenant shall pay NYCEDC as participation rent 80% of revenues (excluding taxes) derived from such uses after eligible expenses are covered.

NYCEDC has obtained an appraisal of the Site for its highest and best use, by an independent appraiser. The appraisal concluded that the highest and best use fair market value for the site to be subleased is \$33,690,000, and that the corresponding fair market annual rental value in 2025 at the time we expect the lease to commence would be \$2,100,000. A second determination by the appraiser, accounting for (i) the specific soundstage facility improvements to be delivered by NYCEDC and (ii) the use restrictions of the Sublease, resulted in a fair market value of \$45,780,000 for the Site and a corresponding fair market annual rent in 2025 of \$3,220,000.

The Sublease is entered into pursuant to section 2897(6)(c)(v) of the Public Authorities Law under those circumstances permitted by section 2897(7) of the Public Authorities Law. It has been approved by NYCEDC's Board and is authorized by the applicable Bush Terminal Master Lease. The Sublease will have a public benefit for, and a positive economic impact on, the City and the State of New York (the "State"). In addition to contributing to overall economic activity and increasing tax revenues, the Tenant's use of the Site pursuant to the Sublease is anticipated to allow Tenant to retain approximately 200 to 300 permanent Full-Time Equivalent jobs, and the Sublease will require Tenant to comply with HireNYC and the City's living and prevailing wage laws.

We appreciate this opportunity to provide you with an explanatory statement regarding the Sublease and its anticipated public benefit for and positive economic impact on the City and State.

Very truly yours,



Joshua Kraus (Jun 30, 2021 16:12 EDT)

Joshua Kraus
Director of Project Implementation
New York City Economic Development Corporation