



Roosevelt Island Operating Corporation

ANDREW M. CUOMO
Governor

SUSAN G. ROSENTHAL
President & CEO

BOARD OF DIRECTORS

RuthAnne Visnauskas, Chair, Commissioner of NYSHCR
Robert F. Mujica Jr., Director of BUDGET
Conway S. Ekpo
Jeffrey R. Escobar
David Kapell
David Kraut
Howard Polivy
Michael Shinozaki

Agenda Item V, 1. November 12, 2019

PROPOSED RESOLUTION

APPROVAL OF DEFERRAL OF SPECIFIED RENTAL PAYMENT AND RELATED MODIFICATIONS FOR SOUTHTOWN DEVELOPMENT BUILDING # 9

RESOLVED by the Board of Directors of the Roosevelt Island Operating Corporation of the State of New York (“RIOC”), as follows:

- Section 1. that RIOC hereby approves deferral of Specified Rental Payment and related modifications for Southtown Development Building # 9, upon such terms and conditions substantially similar to those outlined in the Memorandum from John O’Reilly to Susan G. Rosenthal/Board of Directors dated November 8, 2019, attached hereto;
- Section 2. that the President/Chief Executive Officer or her designee is hereby authorized to take such actions and execute such instruments as she deems necessary to effectuate the foregoing; and
- Section 3. that this resolution shall take effect immediately.



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Memorandum

TO: Susan G. Rosenthal, President/CEO and the Board of Directors
FROM: John O'Reilly/CFO
DATE: November 8, 2019
RE: Southtown Development – Deferral of Specified Rental Payment for Building 9

Background: The Southtown Plan and Project approved by the Board of Directors on September 22, 1999 included general requirements for the development of Building #9. Additional conditions of the development were outlined in five separate amendments to the development agreement.

As part of the Fifth Amendment to Development Agreement, Hudson Companies Incorporated & the Related Companies L.P. (Hudson/Related) was required to pay RIOC a Specified Rental Payment in the amount of \$16,800,000 for Building 8. According to the terms, such payment was due on the Rental Commencement Date, but the developer could defer payment of the Specified Rental Payment until the earlier of (i) a period not to exceed thirty-six (36) months from the Rent Commencement Date, or (ii) developer's sale of development rights under the Inclusionary Housing Program, set forth in section 23-90 of the New York City Zoning Resolution (ZR), and in either case, all unpaid Specified Rental Payment would bear simple interest at the rate of 4%.

Per the amendments to the development agreement, Rent Commencement Date is defined as "the earlier of (i) the date upon which one or more Temporary Certificates of Occupancy is issued by the New York City Department of Buildings for at least ninety percent (90%) of the Completed Units in the Building, and (ii) the second (2nd) anniversary of the date of this lease."

For Building 9, the Fifth Amendment to Development Agreement states that the Specified Rental Payment "shall be equal a Blended Land Value of \$152.33 per square foot floor area, minus \$60 per square foot floor area, if the Ground Lease is signed in calendar year 2019"; that the Blended Land Value would increase annually, at a rate of 2.75%; and such payment would be due upon Substantial Completion of the project.

Unlike for Building 8, the development agreement does not provide a right to the developer to defer such payments. The Specified Rental Payment for Building 9 is estimated at \$24,800,000.

Issue: Hudson Related is requesting that the Specified Rental Payment be deferred for 18 months from the Rent Commencement Date instead of Substantial Completion. Hudson Related is also asking that the definition of Rent Commencement Date be amended to “the earlier of (i) the date upon which one or more Temporary Certifications of Occupancy is issued by the New York City Department of Buildings for at least 90% of the Completed Units in the building; and (ii) 30 months from the signing of the ground lease.” Hudson Related is making such request due to the size of the building, it being larger than the other Riverwalk buildings; and because the construction is expected to last about 28 months. Moreover, the balance of payments from the institutional purchaser is scheduled to occur 12 months following the Rent Commencement Date, and the deferred payment would ensure that funds are available to Hudson Related from the institutional sale to pay the Blended Land Value payment due to RIOC. This request would also move the time in which ground rent would be due by 6 months.

In exchange for such request, Hudson Related has agreed to pay interest at a rate of 4.5% on the unpaid principal portion of the Specified Rental Payment until the end of the 18-month deferral period, when the principal and interest would be due in full.

Recommendation: Based on the above, we recommend the Board approve the request to modify the definition of the Rent Commencement Date, to defer the ground rent that will be due by 6 months; and to allow for an 18-month deferral on payment of the Specified Rental Payment from the Rent Commencement Date (instead of the date of Substantial Completion), at a 4.5% interest rate for the duration of that time period. As a result, RIOC would gain an interest income in the amount of \$1,692,693.59 in addition to the principal amount owed.