



ANDREW M. CUOMO
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Robert F. Mujica Jr., Director of BUDGET
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Michael Shinozaki

Agenda Item V, 10. June 24, 2021

PROPOSED RESOLUTION

**RATIFICATION OF THE LEASE AGREEMENT
WITH HUDSON RELATED RETAIL, LLC FOR RIOC'S OFFICE SPACE**

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

- Section 1. that the Lease Agreement with Hudson Related Retail, LLC for RIOC's Office Space, upon such terms and conditions substantially similar to those outlined in the Memorandum from Gretchen Robinson, General Counsel to RIOC Board of Directors dated June 18, 2021, attached hereto, is hereby ratified;
- Section 2. that the President/Chief Executive Officer or his designee is hereby authorized to take such actions and execute such instruments as he deems necessary to effectuate the foregoing; and
- Section 3. that this resolution shall take effect immediately.



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TO: RIOC Board of Directors
FROM: Gretchen Robinson, General Counsel
DATE: June 18, 2021
RE: RIOC Administrative Office Lease at 524-526 Main Street

In July of 2018, RIOC entered into the Fourth Amendment to Ground Lease and related agreements (the “Westview Agreements”) with North Town Phase III Houses, Inc., the developer of Westview. Among other things, the Westview Agreements contemplated an imminent transfer of the retail portions of Westview from RIOC back to the developer. An exception was made for 591 Main Street, where RIOC’s administrative offices were historically housed. RIOC and the Westview developer entered into a separate sublease for 591 Main Street that allowed RIOC to remain at that address for three years rent-free. It also provided for two one-year extension options, but at a significant escalating cost to the Corporation.

The decision to enter into a 3–5-year lease for administrative offices was made because RIOC then confirmed in writing Hudson Related’s original commitment to house RIOC’s administrative offices in Southtown 9 once the building is constructed. However, given various market conditions, including the shutdowns caused by the COVID-19 pandemic, construction on Southtown Building 9 has not yet commenced. Therefore, RIOC was currently facing the situation where it would have to exercise its options to extend the lease at a rental cost of \$120,000 for the first extension year and \$140,000 for the second year, after which the lease term would expire. Rather than paying these sums in rent and face potential uncertainty at the end of the two extension terms, the executive staff decided to move RIOC administrative offices to 524-526 Main Street.

This new office location is part of the retail portfolio that UDC subleased from Eastwood when the building was constructed and that RIOC turned over to Hudson Related Retail LLC (“HRR”) as part of the Commercial Master Sublease in 2011. As such, HRR is the current landlord and RIOC is required to sublease the space back from HRR.

The new space is approximately 2,322 square feet. This is sufficient for the administrative offices, as many of the employees that were still located at 591 Main Street will be based in other RIOC offices throughout the Island. To forestall the repeat of the current situation, the new lease is for 10 years. However, in the anticipated event that Southtown Building 9 is completed before

the expiration of this lease (or if RIOC elects some other alternative), the lease may be terminated early, upon a 180-day notice. The annual rent is \$75,000 for the first year (with the first three months' rent-free), \$84,000 for the second year, and 2% escalations commencing in year three. Rent will be deducted from the Commercial Master Sublease rent paid to RIOC by HRR.

Although the temporary nature of the office relocation is not ideal, given the fact that Southtown Building 9 is not yet constructed, this move was necessary to save the Corporation significant sums of rental payments, as well as to prevent further uncertainty in the future. Thus, the lease with HRR for 524-526 Main Street is a cost-saving and future-risk-reducing measure. As such, I recommend its ratification to the Board.