



July 16, 2019

Via E-mail and Certified Mail Return Receipt Requested

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

Hon. RoAnn M. Destito
Commissioner
New York State
Office of General Services
41st Floor, Corning Tower
Empire State Plaza
Albany, New York 12242

Mr. Robert F. Mujica
Director
New York State Division of Budget
State Capitol
Albany, New York 12225

Hon. Andrea Stewart-Cousins
Temporary President & Majority Leader
Room 907, Legislative Office Building
Albany, New York 12247

Mr. Jeffrey Pearlman
Director of the NYS
Authorities Budget Office
240 State Street
P.O. Box 2076
Albany, New York 12220-0076

**RE: 90-Day Notice Letter Under the Public Authorities Law §2897(6)(d)
UDC-Commercial Center, Inc.
Lease of Space, Restoration Center Industrial Project, Brooklyn New York**

Dear Sir or Madam:

This explanatory statement is given pursuant to Public Authorities Law §2897(6)(d) on behalf of the UDC-Commercial Center, Inc. ("UDC Commercial"), a wholly-owned subsidiary of the New York State Urban Development Corporation, regarding the proposed modification of the existing lease with RDC Commercial Center, Inc., a wholly-owned subsidiary of the Bedford Stuyvesant Restoration Corporation ("Restoration").

The disposition at issue concerns a proposed extension of an existing ground lease dated September 21, 1978 (the "Ground Lease") for approximately 156,200 square feet of rentable area located in a portion of the block bounded by Fulton Street, Herkimer Street, New York Avenue and Brooklyn Avenue (Block 1862, Lots 1, 26 and 38) in Brooklyn, New York. UDC-Commercial Center, Inc. entered into the existing Ground Lease pursuant to the 1978 Restoration Center Industrial Project General Project Plan ("GPP"). The term of the Ground Lease currently expires on October 16, 2019. The lease was previously extended for one year in 2018.

The GPP and Ground Lease were part of a sale-lease-back arrangement and tri-party agreement among the City of New York ("NYC"), Restoration and UDC Commercial, pursuant to which NYC had requested that UDC Commercial use its tax exemption and other powers to assist



Restoration to construct and renovate new retail and office facilities adjacent to existing improvements owned by Restoration. The rent, which is remitted to NYC pursuant to the project documents, is currently \$38,000 per year. Under the Ground Lease, Restoration has the option to purchase the Leased Property for \$100,000. If the purchase option is not executed before the Lease expiration, the property reverts to NYC.

An appraisal, completed in April 2018, determined that the annual market rental value for the property is \$4,370,000. The Ground Lease will be extended for five years in order to allow Restoration to continue to provide critical economic development services and benefits to the Bedford Stuyvesant community such as job training and placement services, business development services, and arts and cultural programming, while they weigh the ramifications of electing to purchase the property, such as the impact of property taxation. With this extension, Restoration will be able to develop a long-term redevelopment plan for Restoration Plaza and determine a financing plan to upgrade and renovate several buildings in need of significant repair on the property. The annual rent will continue to be \$38,000 per year, with a Payment in Lieu of Taxes (PILOT) that will be \$0 in Years 1 and 2, 50% of assessed taxes in Year 3, 75% of assessed taxes in Year 4, and 100% of assessed taxes in Year 5. The proposed lease extension is subject to the written consent of the City of New York and the Mortgagee(s) and approval of the Board of Directors of Empire State Development ("ESD"). Given Restoration's mission to create jobs, increase investment and improve economic conditions for residents of Central Brooklyn, and its historic and ongoing leadership role in the transformation and economic revitalization of Bedford Stuyvesant, this transfer is within the purpose, mission and governing statute of ESD.

Thank you for your consideration in this matter.

Sincerely,

Holly Leicht
Executive Vice President
Real Estate Development & Planning
Empire State Development