

# Staff Summary

<b>Subject</b> <b>GROUND LEASE OF PORTION OF PARKING LOT LOCATED AT 2 DEPOT PLAZA, TARRYTOWN, NEW YORK, AND RELATED ACCESS AND PROPERTY IMPROVEMENTS</b>
<b>Department</b> <b>TRANSIT ORIENTED DEVELOPMENT</b>
<b>Department Head Name</b> <b>ROBERT PALEY</b>
<b>Department Head Signature</b>
<b>Project Manager Name</b> <b>NICHOLAS ROBERTS</b>

<b>Date</b> <b>SEPTEMBER 23, 2024</b>
<b>Vendor Name</b>
<b>Contract Number</b>
<b>Contract Manager Name</b>
<b>Table of Contents Ref. #</b>

Board Action					
Order	To	Date	Approval	Info	Other
1	Metro-North	09/23/24		X	
2	Finance Committee	09/23/24	X		
3	Board	09/25/24	X		

Internal Approvals			
Order	Approval	Order	Approval
1	Legal		
2	Chief Development Officer		
3	Chief Financial Officer		

- AGENCY:** Metropolitan Transportation Authority (“MTA”) and MTA Metro-North Railroad (“MNR”)
- GRANTEE:** Hudson Harbor Station, LLC (“Hudson Harbor”), an affiliate of National Resources Acquisitions, LLC, a Delaware limited liability company, owned or controlled by Joseph Cotter and Lynne M. Ward
- LOCATION:** 2 Depot Plaza, Tarrytown, New York (the “MTA Property”)
- ACTIVITY:** Ground lease of ± 25,000 square feet of the MTA Property (the “Leased Premises”) pursuant to a triple net lease for a base term of 49 years with two 15-year renewal options (Years 50 – 64 and Years 65 – 79) for a total lease term of 79 years (the “Ground Lease”), and the acquisition of improved and expanded access easements for the MTA Property.
- ACTION REQUESTED:** Authorization to (i) conditionally designate Hudson Harbor as the successful proposer under the RFP (as defined below), and (ii) negotiate and enter into (a) the Ground Lease for the Leased Premises upon the terms and conditions set forth therein, (b) a design and construction agreement providing for the design and construction by Hudson Harbor of certain parking, roadway and drive aisle improvements benefitting the MTA Property, (c) access easements providing MTA/MNR with improved and expanded permanent access to the MTA Property and Yard and the northbound platform of the Tarrytown Station, and (d) such documents reasonably necessary or appropriate to consummate the Ground Lease and the other actions required of Hudson Harbor in connection therewith (collectively, the “Transaction Documents”).
- COMPENSATION:**
- (a) Base Rent: \$1,016,770 (net present value, discounted at 6%). The initial annual Base Rent of \$37,350 will escalate by 15% every 5 years during the term of the Ground Lease and will reset to not less than 95% of fair market value upon the commencement of each of the renewal terms.
  - (b) In-Kind Compensation: (i) permanent easements providing for improved and expanded access to the MTA Property, including the Yard and the northbound platform of MNR’s Tarrytown Station, and (ii) improvements benefitting the MTA Property, including repaving, striping and lighting and the perpetual maintenance of the portion of the Parking Lot (as defined below) to be retained by MTA, at Hudson Harbor’s expense.

## COMMENTS:

The MTA Property is an approximately 21-acre lot in the immediate vicinity of MNR's Tarrytown Station (the "Station"). Comprised largely of the Hudson Line right of way, the MTA Property also includes land improved by: (i) an unpaved and unstriped MNR parking lot located at the northeastern end of the MTA Property (the "Parking Lot"), (ii) an MNR layover yard at the southern end of the MTA Property (the "MNR Yard"), and (iii) a roadway connecting Depot Plaza, a public street located to the north of the MTA Property, to the Parking Lot and the MNR Yard (the "Access Drive"). Hudson Harbor owns the property to the west of the MTA Property (the "Development Site"), which was recently rezoned by the Village of Tarrytown (the "Village") for transit-oriented development (the "TOD Zoning"). Hudson Harbor intends to develop the Development Site under the TOD Zoning as an 88-unit multi-family housing project with community artist workshops and galleries on its ground floor (the "Project"). The TOD Zoning requires that the Project contain at least 105 tenant parking spaces. To satisfy in part the TOD Zoning parking requirements for the Project, Hudson Harbor has proposed to ground lease from MTA the portion of the existing Parking Lot that will become the Leased Premises and improve the Leased Premises with 37 parking spaces dedicated for tenant parking at the Project (the "Dedicated Tenant Parking").

MTA Transit Oriented Development ("TOD") and MNR view Hudson Harbor's proposal to lease the Leased Premises for Dedicated Tenant Parking as an opportunity to facilitate transit-oriented development, obtain unfettered 24/7 use of the Access Drive, improve ADA accessibility to the Station, obtain at no expense improvements to the portion of the Parking Lot to be retained by MTA for MTA/MNR's exclusive use, including repaving, striping and lighting, and the perpetual maintenance of the portion of the Parking Lot to be retained by MTA by the proposer at its own expense, and generate revenue for the MTA Capital Program. TOD therefore issued a Request for Proposals ("RFP") in accordance with the Public Authorities Law for a proposer to ground lease the Leased Premises and to require, as partial consideration therefor, that the successful proposer grant to MTA the improved and expanded access easements and construct and maintain the improvements benefiting the MTA Property described above.

Hudson Harbor was the only respondent to the RFP. Hudson Harbor proposed to pay MTA an annual base rent for the Leased Premises of \$36,000, subject to the rent escalations and rent adjustments referenced above. The net present value of the ground rent payable during the initial term of the Ground Lease equals or exceeds the fair market value of the Leased Premises as determined by an independent appraisal obtained by TOD. Hudson Harbor also agreed to grant to MTA/MNR the improved and expanded access easements and undertake the required improvements benefiting the MTA Property at Hudson Harbor's sole cost and expense, including maintenance.

Based on the foregoing, TOD requests Board authorization to (i) conditionally designate Hudson Harbor as the successful proposer to the RFP, and (ii) negotiate, execute and deliver the Transaction Documents, upon the terms and conditions set forth above and other such terms and conditions as the Chief Development Officer or such officer's designee deems necessary or appropriate to consummate the Ground Lease of the Leased Premises to Hudson Harbor, effectuate the grant by Hudson Harbor of the improved and expanded access easements and provide for the construction and maintenance by Hudson Harbor of the improvements benefiting the MTA Property described above.