

## BPCA Community Meeting

March 5, 2018

B.J. JONES

Welcome, um, to the Battery Park City open community meeting. My name is B.J. Jones. I'm president of the Battery Park City Authority, and I see some familiar faces here. I also see some new faces. So thank you for coming and engaging with us. I'm joined by a number of my colleagues here at the Authority, who are here to listen to what you have to say as well. So, folks from the Authority, please raise your hand. Okay, so we're kind of surrounding, uh, everybody. And I'm joined up front by Nick Sbordone, who I think everybody knows, our Director of Communications, and our new CFO, Pam Frederick, who is running through the gauntlet tonight to talk about finance. Um, okay, so, this is tonight's agenda. We have four sections that we're going to focus on today. We're going to follow the same format as we did at the last open community meeting. So, we'll cover a topic, and then we'll break for feedback on that topic, and then we'll move to the next topic, break for feedback on that topic. And then at the end, if we didn't cover a burning question that you have, we can use that for kind of open discussion. And repeating her starring role last time, Frances is going to be-- there she is-- using the cordless microphone to come to you with your questions after each segment. So our focus tonight is to start to clarify some information that we think is really important about the Authority's structure and our operations. We've had requests since before the last community meeting, and at the last community meeting, to dive into a little more detail about our finances and also ground leases. So we're gonna start talking about both of those subjects in more detail tonight. I'm gonna start off by taking a step back to talk a little bit about the Authority's structure as well. The caveat is that... it is-- these subjects are complex. So-- complex for me, anyway. Thank you. Better?

WOMAN

Yeah.

B.J. JONES

Service. Okay. Feel like I'm at the Oscars. So, uh... where was I? So complex issues... So anyway, consider this the start of our conversation. So, as we get into detail about this, as you have questions, that's important to us. We may not be able to answer all the questions, but we wanna know what they are. We also wanna know, you know, pertaining to these subjects, maybe what we didn't cover so that we do our homework and start building that narrative in a way that's meaningful to you. I think some of the stuff we're talking about tonight, we really haven't delved into in prior community meetings. We also are gonna do kind of the general update. Pat Murphy is gonna do a little bit on security, and Craig is gonna talk about some of the great programming coming up, and Nick is gonna give a shoutout to upcoming community meetings-- Battery Park City Authority and otherwise. This is a snapshot of most if not all of the feedback that we've received at the last meeting. Bob saw his bridge bullet. And I just put this up to let you know that as you have comments, we're capturing them and cataloguing them, and as we have capacity we're directing our efforts towards them. So green is intended to show where we've started to make some progress, but, you know, these other items are on our radar screen. We're also featuring art from local artists from our art show that kicked off-- well, I guess I was gonna say not that long ago, but it's been a few... the end of January, so there's a couple--

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they've turned out to make nice Power Point templates. I don't know how the artists would feel about that, but... But they are beautiful. Okay, so, this section is, you know, I kind of call it BPCA 101. Some of this-- some of you already know, but for some of you it may be helpful. This reflects questions I've had and questions I've gotten over the last few weeks and months. But, you know, explaining the Battery Park City Authority structure, you know, it does-- The story involves a cast of characters, if you will, myself included, which is why it is a little complex to unpeel the layers and explain some of these arrangements that we're talking about. So, you know, it's ranging from political stakeholders to community stakeholders, to funding structures and regulations and agreements that we are navigating. But, at the end of the day, you know, the crux of it really can be found on the first page of our enabling legislation, which first speaks in kind of stark terms to what was here when this grand experiment started. And it says, "It is hereby found and declared that there exists a blighted area..." and if that wasn't enough, they say, "marked by substandard, insanitary, deteriorated and deteriorating conditions." Nice. But tit then goes on to say that the Authority is "a New York State public benefit corporation whose mission is to plan, create, coordinate and sustain a balanced community of commercial, residential, retail, parks and open space within its designated 92-acre site on the lower west side of Manhattan." And I underlined "sustain" and "community" for emphasis. I think that, you know, this snapshot talks about kind of the ongoing responsibility we have as an authority to this neighborhood, and the fact that, you know, it talks about community. It's, as I've said before, it's more than just the buildings. It's about the neighborhood, it's about the culture we have here, it's about the mix of, you know, retail and schools and residences and office space... and what have you. So, I think this is, you know, seeing, you know, what was here, what we've come from, and what kind of our mission is helps drive us now in 2018 moving forward. This is just a timeline. I'm not gonna go through it in detail. In fact, I met someone earlier this evening was here for most of it. A few of you have been here for most of it. You know, the story starts with the Battery Park City Authority Act. I'm smiling for Matt Fenton. The Battery Park City Authority Act, which was signed into law in 1968. 50 years ago, so we'll be acknowledging the 50th anniversary of all of this kicking off. And it goes, you know, through-- and I didn't pick anything in particular for a reason other than the date-- you know, I was able to find the dates easily enough. And the pictures. But I think, you know, it's nice to remember that, you know, Battery Park City didn't start with construction, it started with demolition. Getting rid of all of the piers in the 70s and then doing the groundbreaking in the mid-70s, and finishing the landfill. And then, in the 80s, welcoming residents in and finishing the parks, and then moving on to expand the development and the public spaces, like our schools and the winter garden and the museum of Jewish heritage. And then, at the turn of the century, kind of introducing this green mission that the Authority and the neighborhood, really, was at the forefront of. And then, in the early 2000s, really, you know, a story of resilience emerged with terrible events, like 9/11 and the financial crisis and Hurricane Sandy. But Battery Park City, you know, persevered. You know, the final, you know, parcel was developed, Pier A, in 2014. And our story continues. So, you know, when you think about what it came from, deteriorating-- deteriorated and deteriorating, you know, to this, you know, despite some

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obvious, you know, challenges, I think it really is a wonderful story, and one that I hope we'll be able to continue to build together. The legislation and some other regulations speak to the powers of the Battery Park City Authority. I think this is pretty straightforward and this is, you know, highlights of some of them. From, you know, leasing to construction to, you know, contracting, collecting fees, issuing bonds. But also securing minority- and women-owned business participation in our procurement process, which is part of our functions. That's central to what we do. Okay, so this is where it gets a little more complicated for me, but I think, you know, I'll try to explain this. I might have to do it twice. But the settlement agreement is an important agreement that governs in part what Pam's going to be talking about with finances. So I wanted to lay the groundwork for this arrangement with the city of New York before we get into that. And the settlement agreement between the city and the state basically says that, in exchange for developing and maintaining Battery Park City, the Authority in return has an obligation to the city. And namely that obligation is to collection real estate taxes on behalf of the city of New York. Often affectionately referred to as PILOT, Payment in Lieu of Taxes. So the Authority is a conduit for collecting those property taxes. And the settlement agreement, and some amendments thereafter that helped shape it, talk about where that money that we collect goes. And after we've satisfied, you know, our operational needs, like maintaining the parks, the Authority operations, our debt service, the settlement agreement also governs where those remaining funds go. And it speaks about kind of two destinations for those remaining funds: The city's general fund, and something that's called a joint purpose fund. Okay. All right, so. So this slide is basically supposed to help depict that. So you have the remaining funds that the Authority has collected and it has to go to two-- it's, you know, earmarked designated for two destinations. The city's general fund is the larger pool, where those remaining funds go. And then the smaller pool is the joint purpose fund. And the reason for that is the settlement agreement speaks to an allocation of our remaining funds. And basically it requires that the percentage of the Authority's revenue that it takes in kind of at the top line must also be applied then to the remaining funds to determine what should go to New York City's general fund. And again, Pam is gonna talk about this in terms of hard numbers. But for argument's sake, if our revenue that we collected, if 75% of that came from PILOT, you know, those property taxes, then that percentage is applied to the remaining funds to determine what it diverted to the city's general fund. The remaining portion, the 25% in that case, goes to a joint purpose fund. And that joint purpose fund has earmarks that are determined by both the city and state. The mayor and the comptroller, in addition to the state, both have to sign off on where that pool of money is designated. And it can be kind of several buckets of where that money can go. Hence the little buckets. My Power Point skills are somewhat limited. So now we're moving to just that joint purpose fund which, for illustration's sake, is that smaller pot, that 25% that I was speaking about. And in 2010 there's, you know, a series of amendments that happened over the course of time that dictate where the money goes for this joint purpose fund. And in 2010, the mayor and the comptroller and the state designated \$861 million of funding to go to specific destinations. There was \$200 million to New York state, which was satisfied, \$200 million to New York City, which was satisfied, and then another \$200 million set aside for New York City affordable housing,

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and, for whatever reason, \$261 million set aside for the New York City pay as you go capital fund. And so, as the Authority has these remaining funds that siphon off, you know, the 25%, it starts funding, you know, these different sources. And again, those three sources that are kind of filled up on the slide have been satisfied. So what remains is this NYC pay as you go capital fund. And so over the next couple of years, as we continue to have these remaining funds, we'll be paying off that obligation. And so I think this is helpful to know, especially in the context of, you know, the recent news about the comptroller, for example, talking about perhaps using BPCA's remaining funds to support public housing maintenance at NYCHA. And, you know, there's different way that that could be achieved. Remember, there's a bigger pool of money that goes to New York City's general fund, which could spend towards affordable housing or other sources. But another way that that money could be earmarked, if you will, is through this joint purpose fund. If the mayor and the comptroller and the state agree that the joint purpose fund should be used for NYCHA, for example, they would structure an agreement that would put that money towards that. But there's been talk about other potential sources, destinations for BPCA funds, like, you know, resiliency and stuff like that. Yeah, Anne?

ANNE

[speaking without microphone, hardly audible] Um... (indistinct) Are these after we have made our (indistinct)?

B.J. JONES

Yes.

ANNE

[speaking without microphone, hardly audible.] Okay, so this is what's left over... (indistinct)

B.J. JONES

Right, exactly. So...

ANNE

[speaking without microphone, hardly audible.] (indistinct)

B.J. JONES

Yeah, right, right. Our, you know, horticulture, maintenance, programming, financing, construction, you name it. And then what's left is this pool of money, and again, you'll-- Pam will tell you a little bit about the numbers. But it is, it's a significant sum, and that's what gets divvied up. Okay. Okay. Ahh! All right. And, um, I think, you know, this speaks for itself, but it is, you know, just to remind folks, we do rely on city services to a large extent. And so, you know, these are just some of the agencies that, you know, have a presence here. From NYPD to the fire department, you know, the school system which, you know, absorbs some of that general fund money. Okay. And then structure... I got this question the other day at a Battery Park City Committee meeting. So, we have a seven-member board, which Catherine McVay Hughes is one. We're very fortunate for that. Smile. And that board is nominated by the governor, approved by the legislature, and I report to that board with, you know, our team. And these are kind of the core divisions that I've noted here in

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green. And so... so anyway, that's the structure of the Authority. Some people have asked about what, you know, our priorities are for 2018. This is not an all-inclusive list, but some of the items that, you know, I wanted to call out... large and small. I won't... I won't read through the list, but, you know, it ranges from life rings, which was kind of a result of the last community meeting, which we've now installed, to South End Avenue pedestrian safety, which is very much on our radar screen and we are working with DOT on-- to-- doing what we're doing today, in part, is having this conversation about our finances and ground leases in a few minutes, which will inform our strategy to address some of the potential issues and concerns that I know the community has, and we are now focused on too. And so, you know, we'll be talking about these in upcoming community meetings, but also at the BPC committee meeting and what have you. So. A taste of what's to come. Okay, so, time for questions on the structure. Just a caution: If you have questions about the actual numbers, the dollars, with the settlement agreement, I'd ask that you wait until Pam gives her presentation... or you can ask and we'll see what it is. But Frances is standing by. Who has questions? We have Marianne in the front.

MARIANNE

My name is Marianne Braverman, lived here since 1982. I want to thank you so much for this really clear explanation, because I think a lot of us knew bits and pieces of it, but never had the benefit of seeing the whole thing come together. My one initial question is that, you mentioned the 2010 agreement as to how the excess funds get allocated between city and state. What was it before that? Because-- and I'll just say that when I was moving in here, I had this sense that this was to fund affordable housing, that anything extra from here would go to affordable housing. And did it change-- did that goal change in 2010? Or had it always been a little different?

B.J. JONES

You know...

MARIANNE

Thanks.

B.J. JONES

I think... so, there have been-- you know, prior to this, there have been other agreements for the joint purpose fund. There was-- and you know, I don't have the details of all of them in my head yet-- there was earmarked in a different administration prior to Bloomberg, there was a lot of money that was earmarked for affordable housing also through the joint purpose fund. And I know that, you know, part of what I've read about that is that, you know, there were questions about how much of that money actually went to affordable housing, because there was some flexibility in the wording of that fund. I think what the 2010 agreement did was kind of cement that destination a little bit more. But it-- Yeah, but it is-- where that money goes does depend kind of from agreement to agreement. So we'll see. I mean, we project that it'll take a couple of years to meet this final obligation. I don't know if it's one or two years, but it will be time to have a discussion for the mayor and the comptroller to, you know, think about that. And, you know, and us, too. There's a question over here. Yeah. Thanks, Marianne.

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SHI

Hi, my name is Shi Alstra. I live here in the neighborhood.

B.J. JONES

Uh-huh.

SHI

On the south of Battery Park. My question, which is a part of a bigger question, is where, exactly, the boundaries of Battery Park City... are they defined, and who pays for the infrastructure that, you know, connects Battery Park City to the city? More specifically for the bridges, pedestrian bridges and so on that, you know, lately are being built for unheard of amounts, over \$48 million for a pedestrian bridge.

B.J. JONES

I'm gonna have to read some more agreements and get back to you a little, but our project area goes from kind of where Stuyvesant High School is by Chambers Street down to Pier A. Bordered by the river and the West Side Highway, for all intents and purposes. And then the agreements with the bridges, I guess, you know, those vary. But this West Thames Bridge which is under construction, for example, we are-- and stop me if I say something wrong-- we contribute some capital funding to that, a small percentage of the-- most of it is funded, I guess, by LMDC and the city. We do-- there are, with some of the bridges for example, we do expend some funds, either for the capital involved in constructing them or repairing them, for example. Like Liberty Street. And then, in some cases, like with Rector, we have maintenance responsibilities once they're constructed. But most of what we do is constrained to our, what's called in the (stammering)-- legislation and the settlement agreements and the amendments and stuff, is kind of the project area, which is that 92-acre parcel. Other questions on structure? Yeah.

MATTHEW

Um, this might be something you want to defer to later, but-- 'cause it doesn't involve dollar amounts. I'm sorry, my name is Matthew. I work for the Broadsheet... if there's ever on the table the option of making things financially better for people who live here, the first, simplest, easiest thing-- although it wouldn't be simple or easy-- would be to extend the ground lease. And because almost nobody outside of these 92 acres really knows anything about how this place works or what goes on here. Although it is ultimately the decision of the city and the state, they would both turn to the Authority for advice and... What would the Authority say if the governor and the state legislature and City Hall all said, "You know what? We're thinking about extending this for another 99 years."

B.J. JONES

Yeah, yeah. I am going to talk about 2069 in a little bit. I'm going to talk about it a little bit in a little bit. But, you know, my personal feeling on that, which I think I've even said to you, is that if you're talking about sustaining this community, then, you know, an expiration date is counterintuitive to that. So that's why I'm certainly interested in understanding the mechanics of 2069, that master lease end. Which, also, turns out it's complicated, but we're gonna figure it out. And so we can see what our options are there.

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MATTHEW

Thank you. Thank you.

B.J. JONES

Okay. Yup. Terese has a question.

TERESE

If Scott Stringer prevailed in his idea of subsidizing New York City Housing Authority with Battery Park City funds...

B.J. JONES

Oh, speak up.

TERESE

Okay.

B.J. JONES

And I'll repeat the question if you can't hear.

MAN

Hold it closer.

B.J. JONES

I think just closer.

TERESE

I just have to talk louder?

B.J. JONES

You got it.

TERESE

Like this?

B.J. JONES

Yes, ma'am.

TERESE

If Scott Stringer prevailed in getting money from the Battery Park City Authority to subsidize New York City Housing Authority, if that were to happen, which I think is probably not probable, is it?

B.J. JONES

Uh, yeah, I don't... Too soon to tell. Yeah.

TERESE

Okay. Would there be any pressure on the Authority to diminish expenditures in other areas in order to make the nut?

B.J. JONES

Uh, I think the short answer to that is no. Because, kind of going back to that funding structure, which is we, the Authority, the way, you know, the settlement agreement is structured, which is good, is that we get to cover out operating costs first. And then it's kind of-- if you think back to

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that pie chart, the remaining-- the remaining funds are what would get, you know, divvied up. So, you know, part of it depends on what, you know, the ultimate number is. But I think that, to your point that's something that the mayor and the comptroller should take into consideration, and where the local electeds, who are very invested in this community, would also take into consideration in addition to our board and governor. But I-- you know, I don't think outright that that amount, if that is the subject of the joint purpose fund, you know, in the next phase of the joint purpose fund would necessarily need to affect our operations at all. But it does, you know, the devil's in the details. So we would have to look at that carefully. Okay. Any other questions? Marianne.

MARIANNE

The PILOT... I think I read lately that New York City determines the rate for PILOT.

B.J. JONES

Yep.

MARIANNE

So why are they... well. What can you tell us...

B.J. JONES

Go on.

MARIANNE

...about that? Like, why are they-- well, I guess you're collecting rent-- you're collecting tax for them.

B.J. JONES

Yeah, yeah.

MARIANNE

So they set the PILOT.

B.J. JONES

Yeah, yeah, yeah. You look at the settlement agreement, which, you know, I went back to today just to check. And it, you know, the way it's worded back in, I don't know, it's from the early 80s, is that it, you know, it speak to it as real estate taxes. Collecting the real estate taxes on behalf of the city. I guess... I don't know the exact mechanics of it, but I guess because we are a state entity that, or maybe it's because we exist and already collect revenue, that we are set up as that intermediary and that's why that terminology exists. But still have some homework to do on that.

MATTHEW

Another-- I'm sorry. Another issue that vexes people who own property here is they're paying taxes on the property as if they truly owned it, but it's gonna be confiscated in 2069 unless something changes. Wouldn't there be, in the interest of equity, an argument to be made that, although you can't live here tax-free, you should be paying a substantially lower tax rate than people who own fee simple real estate on the other side of West



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Street. Because until, or unless, something changes, they're gonna come for the keys in X number of years.

B.J. JONES

Yeah, and I think, you know, to your point, unless something changes. And I think that's why we do have to talk about 2069, I think. You know, for some-- for some folks who aren't here, it's-- 2069 intuitively feels far away. But I think, as you are all very aware and have, you know, and you have said time and time again to your credit, and I am, you know, really beginning to appreciate it in new ways, it's not that far away. And so we do have to look at this now and, you know, consider the questions you have, you know, Marianne... you know, everybody else, too. Yep. Okay. Okay. All right. So, thank you. We're going to turn it--

PAM FREDERICK

One more back there.

B.J. JONES

Oh, there's a question in the back. Sorry.

MAN

(man speaking indistinctly)

B.J. JONES

Yes, yes, yes.

MAN

Is the income statement and the balance sheet online some place?

B.J. JONES

Yes. Thank you for mentioning that. So, if you... we were at... You stole our thunder. Uh, if you go to the Battery Park City Authority's website page, [BPCA.ny.gov](http://BPCA.ny.gov), there's a public info tab. And on that public info tab there is a long list of documents that are required for us to post by state legislation. That includes our financial statements. It includes our investment reports. It includes a whole bunch of stuff. We have to post every year. We post an annual report that compiles all of that information. So I think that, you know, if you wanna go to one document, find the annual report. There's one for each of the last number of years. You know, we've added a little splash to it kind of up front with, you know, things that the Authority has done, you know, recently, but the rest of it is really dense, kind of required documentation on our finances. Anne went through it recently.

ANNE

It was much easier to read.

B.J. JONES

Oh. Good. Okay.

ANNE

(speaking indistinctly)

B.J. JONES

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So anyway-- so the annual report is online. Nick has been known to print hardcopies and deliver them to folks. So, if you-- if that would be easier, you know, we can make that available to you.

NICK SBORDONE  
Yes.

B.J. JONES  
Bill. Right. Okay. Got it.

NICK SBORDONE  
I'll get you Bill. I'll send you the link.

BILL  
No, you can save the tree. I'll...

B.J. JONES  
Okay.

NICK SBORDONE  
All right.

B.J. JONES  
All right. Okay.

NICK SBORDONE  
See?

B.J. JONES  
Um, but if you can't find it...

NICK SBORDONE  
Yup.

B.J. JONES  
Tell Nick, too. I'm signing up Nick for stuff tonight. Okay, so this is the-- so that was the piece on structure. Thank you. You know, it has turned out to be a very helpful exercise for me and my colleagues, too, to prepare that because it's also helped us understand what's going on kind of behind the scenes here, too. We're going to move on to a new piece of art, and also finances. 'Cause when you think of finances you think of lily pads.

(laughter)

B.J. JONES  
Um... and, uh, so-- so I'm really thrilled to introduce Pam Frederick, our new CFO, who showed up on her first day and we said, "Good news. We have committed you at the last community meeting to speak about finances!" And she jumped right in, and I think the benefit to that for Pam, and a little bit for me, too, was that, you know, we've been looking at some of this stuff with new eyes. And that's helped us ask, you know, questions that, you know, maybe haven't been asked in a while. So Pam is going to go into detail about the numbers. You're gonna see some big numbers. You're gonna

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hear about debt and investments and revenues and expenses. So, you know, please, again, this is kind of in the vein of our first attempt to be more transparent with you and talk to you in more detail about our operations. So, if you would, you know, save your questions about the numbers at the end, then Pam or I will be happy to answer them. If they are complicated or it might make this meeting turn into an accounting class, I would ask that you bear with us in that we take some of those questions offline. Either after the meeting we discuss it, or we'll put it on our list and we'll come back to, like, the Battery Park City Committee meeting, for example, and cover some of the things. I think, you know, what's more important to me-- I want us to try to answer your questions, but it's more important to me, frankly, to know what your questions are tonight because... the material is dense, and to be honest, we may have to go back and look at some stuff so we give you the right information. So Pam, are you ready?

PAM FREDERICK

Yes, I am. (laughing) Thanks, B.J.

B.J. JONES

Welcome Pam.

NICK SBORDONE

Welcome, Pam.

PAM FREDERICK

Thank you very much for that wonderful introduction. As many of you may know from the last meeting, I joined the Authority this November. So it's been a bit of a whirlwind getting up to speed and being prepared for you guys this evening. I joined the authority after 27 years in banking, both in investment banking, commercial banking, as well as ultra-high net worth private banking. So, I have a fairly deep and broad financial skill set, which has been very helpful here. So this evening we're gonna do a fairly high-level overview of the Authority's financial position. And I've sort of looked at it in four broad categories. And, uh... There we go. Ah, yeah. So, as B.J. noted, we're gonna look at the category revenues, which really speaks to PILOT, and we'll look at expenses, which really speaks to operating costs versus non-operating. And then, on the asset-- the balance sheet side, we'll look at fixed and investment assets, as well as debt and other liabilities. And I don't expect you to see, read, or know any of the numbers on this page, but I just highlight it because it sort of gives a framework for how we'll be talking. On the left we have what is akin to the income statement, with the blue box on the top representing revenues, and especially for those of you who want to go to the website and look at the financial statements, this is sort of broadly outlining how we're covering those sections of the financial statements. So, on the left, operating revenues in orange. The block on the bottom, operating expenses, non-operating expenses. And then on the right hand side is the balance sheet with the assets in green. We always want assets to be green, as we also want to be true to green and the environment, but certainly assets. And then on the bottom we have the liabilities which are current and also reflect the debt. And we'll go through that in some level of detail. We'll try to drill down a bit further with the objective of really just illustrating some of the key drivers behind these categories. And you

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talked about the website, so that's good. So, let's see... So in the first category, what are our revenues? So our revenues we generated in the fiscal year ending October 2017, \$295 million in total revenues. And it's really those that are the most important aspect of the Authority's and their position. In particular, we're driven by the collection of PILOT, as B.J., I think, really did a good job of illuminating exactly what PILOT is, it's really a collection of taxes on behalf of New York City. So rather than paying taxes directly to the city, they're collected in the form of PILOT by the Authority. And of the 295 million on the-- the pie chart on the left represents the breakout. And the key breakout, as you'll see, 74% of the revenues coming to the Authority in the form of PILOT with base rent representing 21% and the "other" category another 5%, and that 5% being composed of supplemental rents, civic facility maintenance fees, and small other fees like permits, etcetera, things like that. But of note, 95% of the revenues, or \$280 million are represented by the totality of PILOT and base rents. On a year over year basis, if you're looking at the right hand chart, what we've seen is that total revenues grew about 6%. And that's, again, driven largely by the PILOT revenues. So if we're looking over at the two... I don't know if you can read those. The PILOT are the two tall charts, obviously, representing the largest portion with the lighter color being 2016 and the darker color being 2017. So you can see in that third tall column that PILOT has increased over-- in 2017 over the 2016 amount. And the second, shorter column representing base rent. That also increased. But we see that as a much smaller, generally in the 2-3% range. Last year it was 2%. And then the much flatter being "other." That was an 8% increase, but that was largely due to a much larger share, or more stores opening up in the Brookfield buildings, and we generate supplemental rents from those retail outlets. So, let's see... Now, one thing we wanted to...

B.J. JONES  
Uh...

PAM FREDERICK  
... point-

B.J. JONES  
Hold on. Anne?

ANNE  
Can I ask you a quick question?

B.J. JONES  
Sure.

MARIANNE  
Is PILOT only residential, or does it also apply to commercial?

PAM FREDERICK  
So the question was, does PILOT only represent residential or does it also include commercial? And the answer is, actually, it's a combination of both. It's both residential as well as commercial collection of those payment in lieu of taxes. And that 7% was for both categories. But we did break out because we figured, for this meeting, it would be most

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interesting for you to take a look at You know, what's happening on the residential side, speaking to your point precisely. And PILOT, as we said, is really driven and determined solely by the city of New York. And it's a combination of the assessments, just like any other property that is assessed by a municipality. You have an assessment amount representing its value from the city's perspective, and then you have the actual tax itself. This chart only represents-- it represents the dollar value of assessments. And on a year over year basis, properties have had an annual rate of increase in, you could call it, a range from as low as 2.6% increase to as much as 6.8%. That was in 2014/13. But over the last three years it's been about a 6% increase. And so what we've seen is that the combined property value, or assessed value, has increased from 1.1 billion in 2013 to 1.4 in 2017, and that is about a 5.2% increase on average over the six year period. And then, as we've noted, New York City assessment, as well as the New York tax rate, are really the-- when you multiply those, that gives you your PILOT amount. And on a combined residential and commercial basis, that PILOT amount has increased by about 7%. So I think it's-- it's always, you know, difficult to pay more in taxes, but what it should also reflect is the fact that, over some very challenging years, we've continually seen the value of properties in the Battery Park City area increasing, at least on-- using this chart on an assessment basis. One question and point that we would like to come back on is the actual property value. And so we'll get that from our real estate advisors, and try to pull that out a bit further when we come back and speak to you, or in whatever form B.J. determines is best. But we thought that was an interesting chart, especially in light of some of the challenging periods we faced down here in the Battery Park City area. All right. So, so let's move onto expenses. So the expenses for the Authority, and to your question in the back about financial statements, all of this information is pulled from-- extracted from the financial statements, so they are exact numbers, not approximates. So the expenses were 272 million. And we've tried to cut that up a couple of ways to better reflect what is that-- how are those expenses generated, and what are they covering. So on the left hand side we have just to reflect that, from an operating perspective, it's only-- operating expenses are only 18%. And that would be things like wages and administrative costs, the cost of running the Authority, making it beautiful, running the wonderful programs is the transfer of PILOT to New York City. And B.J. talked about how that remaining cost is split up. So 149 million was paid to-- well, provisioned, we pay them once we receive requests-- provisioned for payment to New York City of 149 million in PILOT. And that's about 66% of non-operating cost, but also it reflects about 68% of the total PILOT that we've received.

NICK SBORDONE  
Okay, Justine.

JUSTINE  
I just have a question.

B.J. JONES  
Sure. Justine.

JUSTINE

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Oh, thank you. Um so, is that transfer to New York City PILOT 66%, is that a fixed percentage?

PAM FREDERICK

No.

JUSTINE

I mean, I'm sure the amount isn't fixed, but...

PAM FREDERICK

Neither the amount nor the percentage.

JUSTINE

And who sets that?

PAM FREDERICK

And so it was highlighted a little bit earlier.

JUSTINE

I'm sorry.

B.J. JONES

I'll-- no, it's okay. I'll walk you through it, 'cause I wanna walk Tammy through it, too.

JUSTINE

Okay, perfect.

B.J. JONES

So we'll do it, but it is-- it's a portion based on the percentage of overall revenues that were PILOT. We then apply that same percentage basically to the remaining funds. But, um--

JUSTINE

So it's a fixed-- it's not really subjective.

B.J. JONES

It's kind of a fixed formula, but it's not a fixed percentage.

PAM FREDERICK

Yeah. And so that is done every year. Obviously, you know, your costs change every year. PILOT itself, the revenues change every year. Our expenses, you know, change within a band each year. Although, probably not as much as what we see on the PILOT portion. So the next largest share of non-operating expenses is a transfer of 44 million to New York City in this year, and that was under the 2010 settlement agreement that B.J. reviewed. So let's talk about... and the 44 million, I called that "Transfer to New York/Other," and the other is a small amount that was for the Thames, West Thames Bridge. So take those aside, that's about two million. 42 million in 2010 settlement agreement payments are provisioned to be paid to New York City. And that's--

B.J. JONES

And that's the joint purpose fund that I was talking about earlier.

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PAM FREDERICK

Right. And, I mean, that happens to align pretty closely to the Stringer number. So I think when you think about that stringer number, it's not additive to what is already happening. He's trying to find a way to specify how those funds are being used. It's not something that the Authority decides, it's a transfer to New York City and New York City decides. But, you know, when the next round of settlement agreement occurs, that whole discussion of allocation and where the money flows comes up again and it's a negotiation. But as to the current 2010 settlement agreement, that 42 million for the fiscal 2017 period-- and actually happens to be a similar number for last year-- that is transferred to New York City and New York City themselves will determine where those funds-- how those funds are being used. So we're not part of the public discussion about how it's being allocated. It's really a New York City discussion. The other thing I wanted to point out on this, on the right hand side, is another component of the non-operating, and that is interest expense. And so the interest expense is interest paid related to the bonds that we have outstanding. And that is a non-operating cost, but it is also a cost that comes out of revenues prior to the determination of the remaining funds that B.J. highlighted. So it's both-- interest expense-- when that allocation occurs, we look at total cost. We're looking at our operating costs, we're looking at the debt service cost, and that debt service actually would be both the interest, which is part of the financial statements-- I'm sorry, I should call it the income statement, but it's also principle. So both of those are components that come out of the cash generated from our revenues. And so those are the key components. Again, you have non-operating being the largest, the lion's share of our expenses, and then how that split is largely to the transfer of PILOT. Second, the transfer of the 2010 agreement, both of those to New York City. And then the next largest being interest expense. There's always, whenever you look at a pie chart, some little sliver that's "other." That particular one happens-- the largest piece of that-- happens to be actually an interest income number coming off the investments that will hold, and you'll see those on the-- when we look at assets. All right, so this is just another way of looking at those same numbers, just honing in. So it's just another view. On the left, the 295 million in total revenues, which is the tall bar that you'll see. And that's 2016 on the left, and then 2017-- the group of three bars on the right. So, of the 295 million, 16% in that case went towards operating expenses while 76% went towards non-operating. And that's just as a percent of revenues. And that relationship has been fairly similar for the Authority both in 2016 and 2017. When viewing PILOT versus transfer, and that's what I-- versus the transfers to New York City, that's what I have on the right hand side. Just to give you-- just to capture those numbers a little differently. Of the 219 million in PILOT, 68% can be seen as used to pay for that 149 million in transfer provisions for New York City. And so that's on the-- if you look at the bars on the right hand side chart, the first blue bar is representing total PILOT. The next larger bar is the amount that is being transferred for the PILOT payment to New York City. And then the next smaller being that 2010 settlement agreement payment. And you can see in '16 and '17, that 1020 settlement was about the same amount. But in total, about 291 million of the 219 million of PILOT is really provisioned as a transfer to New York City, and that's inclusive of both PILOT and the 2010 settlement agreement. So you'll see that as sort of a continuing

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theme, that there's a large pool of remaining funds. Out of the remaining funds, it's split two ways. Largely, transferred to New York City for the PILOT transfer, and then the second pool being the 2010 settlement transfer. All right, so-- so now we're gonna move to that balance sheet side of the chart that I showed you earlier. And like any balance sheet, you have current assets, you have non-current assets. In this case we also have deferreds, but the thing that I want to focus on here we have-- at the fiscal year end, October 2017, we had 1.1 billion in assets. And 81% of that were investment funds held under the bond requirements. And also, part of that was the project-- the Authority's fixed project assets. So let me break that down a little bit more. So the bond investment funds are pledged as collateral, and those funds include debt service, debt service reserve in essence. An operating reserve, as well as a capital project reserve. And those are fairly standard reserves that you would set aside in any other bond or bank financing. They want to one, know that you can meet your debt service over some period. They two, want to know that you're gonna continue to operate and generate those revenues that go to serve to repay debt, and then they also wanna know that the funds that you raised debt for. So those bonds were originally earmarked for some project. They wanna know that those-- that money will be available to complete those projects. And, as a for instance, in the 2000-- the last bonds were done in 2013, and of those we have around 33 million remaining, and that is funds remaining to complete projects that were originally earmarked in the 2013, when those funds were raised. So that's-- when you look at bond funds over there, that's actual cash that's sitting and pledged to bond holders. But it's pledged for very specific purposes. And then the Authority also holds reserves to meet its other, like any normal company would hold reserves to meet their financial and typically emergency needs. Would be things like insurance, legal, emergency, other emergency operating costs. Those are not pledged to bond holders. Unless there's questions, I'll move to liabilities. And the liabilities, they're-- it's the last of the four categories. So I'm surprised there's a lot of bright eyes still out there.

(laughter)

PAM FREDERICK

I know finance can be a little boring, but I'll try to keep it interesting and focus on the major components. So since the inception of the Authority in 1968, debt has been authorized by the state. And the city has authorized, you know, the use of that debt for capital investments, and that goes towards infrastructure and public development of capital projects in and around Battery Park City. Sort of to another point about what are the boundaries within those boundaries. And as B.J. noted there, couple of-- the bridge projects, for instance, where we may have had some portion that's allocated to the construction of those, but a fairly small portion. West Thames, we were very minor compared to the actual size of that bridge. The cost of that bridge, I should say. So debt is, in fact, the largest component of our liabilities. Our liabilities total 1.7 billion, and of that the bonds really represent about one billion of that. And so, when the Authority plans new capital projects, it seeks to increase its debt authorization and that authorization is issued by the state. And it also seeks capital project approval from the city. Now, if we receive that authority and we actually do issue more debt, it's



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earmarked for very specific projects within Battery Park City. Any rise in debt-- so, if we're increasing debt, what you'll see-- and as you probably saw from the prior slide-- it does not impact directly the level of PILOT. PILOT is purely assessment and tax rate by the city. And it also doesn't impact the other revenues. But instead, what does impact is-- a higher debt cost does directly impact the amount of available funds, remaining funds, available to make transfers. And so, as you can see, if you're a municipality and you're relying on someone to collect your revenues, you wanna know how are those revenues being allocated before I get my share. And so that's why you'll see us having the requirement to have capital projects approved by the city of New York. Because incremental debt does, in fact, impact the flow to New York. But, given the amount of improvements that you've seen over time, it-- you know, our pursued and, you know-- we happen to have Gwen here, and this is not focused on those specific projects, but we've done a very good job of, as an authority, saying what is necessary for Battery Park going to get approval-- identifying the project, getting approval for it, designing it, implementing it. And so, I think that is certainly one area that there should be no question about, that we pursue the projects that are necessary to the wellbeing and sustainability of the area. The other thing I'll just make note of is that higher interest expense, if you do have higher debt or if rates are rising, also impacts what flows through. So we will see... I think in this environment of rising rates, and we are looking at that and are very focused on it, is something that impacts primarily the flow to the city. But it is something that we would want to be very judicious in reviewing and going to our board and making recommendations on how we might address it.

MARIANNE

Could you clarify two of the items up there?

PAM FREDERICK

Sure.

MARIANNE

One is unearned revenue...

PAM FREDERICK

Mm-hmm.

MARIANNE

And then debt reliability (indistinct). And what is pension, and what is OPEB?

PAM FREDERICK

Okay, sure. So unearned revenue is, not to repeat the words to define it, but basically what happens either as we have a new development, we-- some developers may choose to either pre-pay a sizeable portion of what they owe, what they would otherwise owe over time. And so, if they pre-pay us-- and there's a footnote in the statement Goldman did on their building-- if they pre-pay us, we have those funds held, but we owe-- we earn them over time. So until they're earned as revenue, it's actually a liability. Right? So that's exactly what that is. I used Goldman as an example, but we've had that in other lease contracts whereby either we've asked the

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developer to prepay some amount, and we hold that and we release it over time as it's earned. So that would be the concept of unearned, and that is actually a fairly sizeable amount. It's about 298 million. Happened to look at it today. The Pension and OPEB. Pension is what you would normally think of. OPEB stands for Other Post Employment Benefits, and that's generally healthcare. And that would be reflected on most statements.

MARIANNE

So those are related to employee benefits.

PAM FREDERICK

Employee benefits.

MARIANNE

Why wouldn't they be part of your-- well, they aren't part of your current operating because you owe them for future...

PAM FREDERICK

Correct.

MARIANNE

Thank you.

PAM FREDERICK

Thanks for answering that question for me.

(laughter)

PAM FREDERICK

Appreciate it. And what you'll note, actually, is we have OPEB as-- and every entity has this, both corporations and government entities-- they'll have OPEB or pension as a liability because it is something that is reflective of potential costs over some future period. But you'll also find that there is an asset that covers that. So our other, using other post employment benefits as an example, that is something from an investment assets, we actually have those assets that are managed by our investment advisor. The pension on the other hand is a New York state pension, so the-- we pay funds to them to cover the costs of our employees' pension, and that's not held as an asset on our statements. And did I answer-- did you have another one?

MARIANNE

No, that's good.

PAM FREDERICK

Okay.

B.J. JONES

Justine.

JUSTINE

Um, just a clarifying question. So the unearned revenue... so Goldman Sachs pays you the \$295 million...

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PAM FREDERICK

Yeah, that wasn't-

JUSTINE

I mean, I'm making it up.

PAM FREDERICK

Yeah, okay.

JUSTINE

I get that you're making it up too.

PAM FREDERICK

I don't want to misrepresent...

JUSTINE

No, no, no, no.

PAM FREDERICK

... what we hold for Goldman Sachs.

JUSTINE

No, I get that there's money-- so they pay you that money, and it sits there and it's in the bank. So it's unearned revenue because you're gonna take it out because you earn it... whatever.

PAM FREDERICK

Over time.

JUSTINE

Ten percent a year, whatever.

PAM FREDERICK

Yeah.

JUSTINE

And then-- but the rest of it is sitting there earning income. So that would also be reflected as your income revenue?

PAM FREDERICK

There might be some-- that might be a small component of income...

JUSTINE

Like, interest.

PAM FREDERICK

...generating, yes.

JUSTINE

Okay.

PAM FREDERICK

Interest or investment income, I would call it.

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JUSTINE

And a question about the... debt-- Authority's debt not affecting PILOT or base rent... How-

PAM FREDERICK

Oh, okay.

JUSTINE

I mean, how does that-- How is it that the city would come to you and say, "Well, you paid us, you know, \$200,000 last year. You're only paying us \$100,000 this year. What's up?"

PAM FREDERICK

Mm-hmm, mm-hmm. I think... when we decide on-- when we propose capital project and capital improvement that we think are necessary, it's very clear what is the source of funds to pay for that. So, as part of their decision making process, they're very well aware that if they approve capital improvements, and the Authority, we as an authority, will go and raise funds, if they're not already in house, we'll raise funds for those projects, and there will be interest and we do have to repay it. So it doesn't change the amount of PILOT, right, because PILOT is an-- it's a completely separate calculation by the city of New York. They calculated it in much the same way they calculate other areas of the city. They'll determine and assess value by whatever their complicated measure is, and they'll determine a tax rate. So that is not a direct impact. There may be more pressure if there is pressure to say, "Is that project necessary?" And we fight to say, yes, it is, and that's why I wanted to make the point that the... only if you looked at Battery Park and said, "Our infrastructure is failing, we are doing much worse than other areas of the city," could one say that we haven't been successful. The fact is we've been very successful at getting things approved and done, but they take debt. And a necessary flow of that debt is you're gonna have financing costs, and that will be interest and then repaying that debt. And so as a part and parcel to approving projects is the understanding that, you know, we'll have to-- we'll have costs associated with that.

B.J. JONES

And to your point I think, Justine, that even though our debt doesn't affect the amount of PILOT coming in, it would eat into the remaining funds that we divert to the city.

JUSTINE

It would have some sort of impact.

B.J. JONES

Because it would-- because of-

(talking over one another, indistinct)

B.J. JONES

That's absolutely right, which is, I'm sure, why their sign-off is required when we decide to pursue a capital project, and why-- You know, and again, they have in the past signed off on, you know, our capital

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initiatives. And, you know, hopefully will do again. But that is why we do have to kind of engage in this dance with them...

PAM FREDERICK

Yes, exactly.

B.J. JONES

...as we start making plans for the future.

JUSTINE

And it's the city, not the state, or both?

B.J. JONES

It's the-- So, it is the mayor and the comptroller that have to-- both of them, or their rep-- designee has to sign off... on our plans.

JUSTINE

Thank you.

B.J. JONES

Yeah.

NICK SBORDONE

TERESE.

TERESE

It seems to me-- It seems to me that the economic environment right now is somewhat chaotic, is somewhat, perhaps, uncertain.

(scattered laughs)

B.J. JONES

You don't say?

TERESE

So, you're making some commitments that could have long-range implications in an uncertain environment. How do you deal with this? What's your margin of error? What do you have that will keep you from going... that way instead of that way? I'm saying this very awkwardly...

PAM FREDERICK

No, no, I know exactly what you're saying. So... If I read you correctly, it's... the market and the environ-- economic environment is unstable. But, I would almost say right now is actually better than it was in 2013 when we raised the last amount of debt. Right? So we have significant growth, or we've got near-full employment, you know? So, from an economic perspective in the U.S., even with a lot of the volati-- the things that we keep seeing in the headlines on a day-to-day basis, there appears to be a lot of volatility, the underlying economics are fairly strong. But that can always change, right? You know, 9/11-- not 9/11. The economic recession happened very quickly, basically-- it felt like in a month, because, you know, September and the fall, you know, when we saw the economic crisis hit, you know, run ahead, that happened in a month, and literally by December things turned. Now for us, I think, for Battery Park

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City, we're very fortunate because, as you saw, our operating costs are a very slim proportion of what we bring in. And the fact that debt service and operating costs are paid prior to any transfer to the city, we have a fairly sizeable amount of residual remaining funds available to meet both our costs from an operating perspective, as well as the costs from a financing perspective. But we also have a very good credit rating. And that credit rating-- the underpinning is: Are you operating in a very sound-- on a sound basis? And part of that is, you know, what is your ability to cover your debt. It's multiple times of the actual debt service that we have. So what one wouldn't do is just run amuck and, you know, develop any capital plan that anyone raises their hand and says, "I'd like to have that." That's not what we do, and I don't think we'd be able to get that approved. And to your point, the city probably wouldn't approve it because it's not, you know, showing fiduciary responsibility. And I think that has been and will always be our approach. One, to ensure that we can meet our debt service. Which, even though we have sizeable coverage, that we would be very judicious in our approach, and that we would do the things that we think are necessary to sustain the... community. And-- you know, you've had a lot of presentations for Gwen, so we won't ask her to repeat that tonight, but maybe at another time. But I think that making very reasonable decisions on what projects you will approach, and not putting undue pressure on the finances of the community, are basically the underpinning of what we have. Even though we have sizeable flow of funds, we're very careful about what we try to do, and try to make very good decisions.

TERESE

Can I ask a follow up on that?

WOMAN

Oh, may I go first?

B.J. JONES

Oh, hold on, Terese. We got a question in the back. Hold on. Yep.

MARIA SMITH

I'm Maria Smith and I've been on the community board a long time, and I've lived here about 30 years. So thank you for this. It's a good refresher, for me. But let me just-- I'm-- I speak very plainly, and I always felt whoever created this created, like, a level of Dante's Inferno, because there's so many organizations involved and so many sign-offs, etcetera, etcetera. But let me put it in a very plain speak point of view. We have one meeting every year at my condominium. I live in Battery Point, I'm the vice president of the board. President of the board is Pat Smith. He's still here. The worst meeting we have of the year is our budget meeting in December, where we decide how we're going to pay the PILOT.

B.J. JONES

Hmm.

MARIA SMITH

And every year, just about since I've lived here, 30 years, we've had to scramble to figure out how we're going to meet that obligation. My quote in the paper today was, despite what people might think about people who

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live here... not all of us are multi-millionaires. Certainly I am not. I wish I were, I'm not. Don't hold it against anybody. God bless you. However, I think this is all very good and it's very good to understand it, but I think with the Authority-- and I've been saying this for a long time. I think what the Authority has to realize is that if you want to keep the people living here, something's gotta give. Because the price-- the rates keep going up. And we all read the offering plans. I mean, I'll be honest about that. But no one, I guess, really realized what an impact that would be. And I have to say this: I resent the fact that we're such a wonderful revenue producer, and if I remember the other pie chart, only 18% goes back into this neighborhood. I have a real problem with that. Because I see a lot of things that can be improved down here, and this is a beautiful neighborhood, don't get me wrong, and I've seen it grow and I love it and that's why I live here. But I don't think the Authority or the state or the city or the comptroller... I don't think they really get it. And I will tell you that at the last meeting we had, we raised our maintenance, I think, 5%. And for some people that's a big hit. Okay? And they're saying to me, "Maria, what are you doing to me? I can't afford it. I can't afford it." We have people who are retired, we have people who are senior citizens, we have young families, etcetera, etcetera. I'm not gonna go on and on about this, but, you know, you've got a problem. And I don't even expect a response, quite frankly, okay? I really don't. I don't wanna put anybody on the spot. But you've got a real problem, and unless somehow, some way people rethink this contract, or whatever you wanna call it... I don't see this neighborhood really going forth the way it should. And we've had a rent strike before. And there's been talk about that again. And I'm not saying I'm for it, I'm not saying I'm opposed to it, but I don't like being taxed unfairly. And I have to say, from the deepest part of my soul, I don't think we're being taxed fairly. And I don't think we're getting the services we pay for. And the affordable housing thing, I've heard that since the day I moved in here. And somehow we still don't have enough affordable housing. So I don't know what the city of New York is doing with the money, but I'll tell you one thing: I'd rather the money be spent by you for us as soon as possible.

B.J. JONES

Okay.

MARIA SMITH

So that's my spiel. Thank you.

B.J. JONES

Thank you.

(applause)

B.J. JONES

Um, uh, Marianne and Terese, too. Yeah.

MARIANNE

On the topic of base rent... I know that the city determines the PILOT amount, but base rent, is that determined within each building's lease?

B.J. JONES

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Um, yes. I'm gonna talk about ground leases and ground rent in the next section here in a minute, but yeah, kind of building by building. Yeah. Uh, Bob.

BOB

I was just wondering, um... Battery Park City has some remarkable commercial assets. We have the Mercantile Building out here, we have that wonderful Winter Garden, the tremendous World Trade Center assets. And then going down, I'm not sure who owns or controls Gateway. But... is there some dynamic to making those things more profitable? Or does Battery Park City Authority make kind of commercial operating decisions about rental rates, how they hire? For example, Westfield and how that all works, you know... What kind of opportunities are there for kind of growing the revenues out there?

B.J. JONES

Yeah, that's... You know, I guess the short answer of the question-- the short answer to the question is that, you know, our commercial tenants pay base rent, too. And, you know, Pam talked a little bit about the sliver of revenues that we get from retail. And, you know, to your point that, you know, there may be-- I think what I hear you saying is that maybe there's an opportunity to get to kind of maximize revenues more from the commercial side of Battery Park City, which is-- yeah, which is an interesting point, rather than on the backs of residents. Yeah, yeah, yeah. Yep. Oh, yeah! Hello. Um, Frances in the back. Yeah.

DENISE

Denise (indistinct). First of all, I came to this meeting to thank you. The last meeting we were at, we had a big discussion about security in the neighborhood and so on. And I said we didn't have a call radio. We now have a radio, which-- walkie-talkie, like all of the residential buildings are. So thank you for listening to us, and thank you for actually making something happen, not just give us your word for that. So thank you very much.

(applause)

DENISE

And just quickly, not all commercial spaces are big and huge.

B.J. JONES

Yes, yes, yes, yes. You're right. You're right. Absolutely.

DENISE

So all the mom and pops of us that are out there, are hurting extremely. We pay PILOT also.

B.J. JONES

Absolutely.

DENISE

On top of rent. And so it's not easy for the small.

B.J. JONES



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Yeah. You're right. Fair point. Thank you.

NICK SBORDONE

All right.

B.J. JONES

Okay. Pat?

PAT

When we were negotiating the ground rent revision back in 2009, we discovered from the Authority, the Authority had the information, the amount of ground rent collected from commercial properties and the amount of ground rent collected from residential.

B.J. JONES

Okay.

PAT

Do you have those two numbers now? We were able to get it from the Authority in 2009.

B.J. JONES

Ye-- Yes, we have those numbers. I don't have it here, but yes. We do have those numbers and we can share them.

PAT

All right.

B.J. JONES

Yeah.

PAM FREDERICK

Happy to.

B.J. JONES

Yep.

(man speaking indistinctly)

B.J. JONES

Exactly. Yeah. Yep. Yeah, Terese. We owe Terese a microphone. Frances, up front. Sorry. Frances is burning calories tonight. Okay.

TERESE

Pamela, I have another question based on what you were saying before about expenditures and-- and the absolute necessity of something happening. Resiliency is a big, big, big expense that's looming here, and it's gotta be addressed. It's gonna be huge. So how-- going back to my question about the margin of error and how you can deal in an uncertain environment with something that is looming, has got to be addressed, and is going to take a while to bring to fruition.

PAM FREDERICK

Yes.

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TERESE

That particular little nut, never mind these nuts, but that nut. How are you gonna deal with that one?

PAM FREDERICK

I actually attended a resiliency meeting earlier this...

NICK SBORDONE

Last week.

PAM FREDERICK

This was last week, and it was illuminating. And I've worked with Gwen Dawson, who's our VP of Real Estate, to get a sense of what our projections are going forward. And so what the approach will be to really-- when we pull together our five year plan, which would be inclusive of resiliency, is to model that from a financial perspective to see what we can actually carry in terms of impact and financial burden, and what impact that would have on our numbers. So that would absolutely be an aspect of-- our capital plan would include a financing plan. And sort of going back to our point about having a good credit rating and maintaining a solid credit rating is equally important to us, because that has an impact on overall financing costs. So we will not do anything that would jeopardize that. And so, you know, there-- I think that resiliency is a problem not only for Battery Park. And we actually happen to be fortunate enough to have Gwen and her team be really out ahead and very much innovative in their approach, and well ahead of, I think, where the Tri-State area is in terms of planning and any sort of decision making to ensure that, again, you know, we take the steps that are necessary to protect this community. But the thing about resiliency is, you can't necessarily wall yourself off. And so Gwen and the team are very much involved in being interactive with the city of New York, the state of New York, the State of New Jersey, about being holistic, but we're not sitting on the back of our heels and waiting. So I think two prong is planning in advance to tackle the problem, even if it's from a local solution, and then from a financing perspective. Looking at that and seeing overall, given our idea of solution for this community, what would be the cost impact and the financial impact, and being smart about that as well.

B.J. JONES

Uh, Matt, up front.

MATTHEW

On the pie chart earlier, there was a very small sliver for swaps.

PAM FREDERICK

Mm-hmm.

B.J. JONES

Uh-huh.

MATTHEW

And the last couple of board meetings, where you had the financial team in, the outside guys, they referred to the swaps being negatively valued. And the board member George Tsunis referred to them as a liquidity trap--

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the most recent meeting. What's the dollar amount on the negative valuation of the swaps?

PAM FREDERICK

The last report that we received was -68 million, and that's down from pretty close to 90 million. Just to give other people in the room a little history: The swaps were put in place in 2003 to hedge the interest rate on some floating rate debt, floating rate bonds, that were done then. And, as with any swap-- well, not any, but the goal of that swap was to fix the interest rate, which it did. When those bonds were re-financed in 2013, really, not 2009 were some special bonds. 2013, when those were re-financed, the decision was made, and I think it was the right decision, to keep those swaps in place because the negative mark-to-market was even larger then, because rates, as you can imagine, in 2013 were probably right around the historical lows but starting to have hints of picking up but hadn't quite picked up yet. So those swaps were even more negative. What we have now is, we still have a fairly sizeable portfolio of floating rate bonds. They are just under 600 million, and the notional on the swap really matches that. What will happen over time is a couple of things-- a few forces. One is we'll start to refinance some of that existing floating rate debt that will likely be financed on a fixed rate basis. So that will remove some of the amount that's being hedged. There's a little more complicated factor that's happening in that. The swap is only a portion of the floating rate. And so what we'll do going forward is marry the outstanding coverage on the swap to our exposure on any outstanding floating rate debt. So we're gonna keep that, what's called an effective hedge, so that they're matched as well as we can get them matched. And, as rates start to rise, that negative number actually starts going down as well. So we'll start to see improvement. Well, few things. We'll start to see improvement, in that that negative number goes down but, actually, the interest rate actually becomes more important because now we're actually in a rising rate environment again, subject to market forces and that we continue on this positive course, but-- So there are a couple of things that'll happen in terms of restructuring the debt, having lower cost negative bases on the swap, but also we-- as it gets lower, we can start to think about is there some portion of that that's wise to unwind.

MATTHEW

Sure, now...

PAM FREDERICK

And that'll have a current cost, though.

MATTHEW

This one involves some ancient history, so-- which actually predates the tenure of everybody here, but you referred to Goldman and their pre-payment. There was a lot of controversy at the time, because essentially they negotiated this brilliant deal that allowed them to pre-pay a few tens of millions and avoid many hundreds of millions on the back end. Do you have a sense-- and again with the caveat that it's long before your tenure here-- of what they avoided paying with that pre-payment?

PAM FREDERICK

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No, and I'm happy to look at that, but it's as you said, a bit of what we'd call water under the bridge, in that it's not as though that would be a renegotiated deal. That deal was cut when the deal was cut, and so the question is: What does it look like now?

MATTHEW

You mentioned having a consultant value the whole property. Do you have a ball park, back of the envelope sense of what Battery Park City is worth?

PAM FREDERICK

Mm... No, actually. We have not looked at it, and we'll start to look at it again as we do bonding. But I don't think it's ever been valued as a whole number, and it'd probably be something we'd be careful about doing since we're often in negotiations with counterparties.

MATTHEW

Last question. I'm sorry for monopolizing you, but... The 2008 special issue that you mentioned was essentially-

PAM FREDERICK

2009.

MATTHEW

2009. Was essentially the city and the state taking your credit card, maxing it out and having you split between them the proceeds from that. If that were to happen again, like a year and a half, two years from now, because you are required to have a redundant cushion of revenue, you know, by the bond covenant, wouldn't that prejudice your ability to do, for example, another Gateway affordability deal, or another roll back on future increases in ground rent?

PAM FREDERICK

So, first, I don't know that I characterize those bonds in that way, but perhaps. So I won't argue that particular point. But if we were to raise debt to fund, for instance, the next settlement agreement, that would be done in the light of day. Meaning that we would look at any bond, any new bonds including for resiliency. And, in fact, resiliency would be a roadblock to us being able to raise a significant incremental amount just to pay out for another-- You know, the state can bond themselves, the city can bond themselves. So, you know, I think while that is a possibility, I think that, you know, one roadblock to that would be the amount of funds we are expecting that it could be necessary for resiliency. So I think we'd wanna look at both of those at the same time. But surely at any time that it occurred, we'd always look at our forward capital plan, our, you know, existing-- the economic environment, what's happening in terms of revenues, what kind of pressures we may have on that. But at the end of the day, we would also always protect our debt-- our credit rating and think about how we finance. We do 30 year bonds and that credit rating is going quite a way out, so we'd be very, very hesitant to damage that.

B.J. JONES

In the interest of time, let's take just one more question because we've got-- we're in overtime and we've got a few more sections, but I do wanna

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charge through them and see what general questions there are. So, Bob, make it count.

BOB

Okay...

(laughter)

BOB

I think that coming up there's gonna be some new FEMA maps, that they're re-mapping the flood zone here. And that, I think, I don't know how to pose the question because I have no idea how this is going to work here. But that is going to change... that's gonna readjust the cost of insurance, maybe radically. And I was wondering if you're-- if you've-- in terms of Battery Park City Authority, pre-thinking of what's gonna happen. Preparing for that kind of change. Are you anticipating a challenge, "A" and "B", the financials of it?

B.J. JONES

Yeah. I mean, I think at this point it's on our radar screen. But we definitely have some more homework to do to that end. And so I think you can expect that that will be a subject for us to cover in the future, as we contemplate resiliency broadly. Okay, I'm gonna jump into... South Cove. Okay. I'm gonna get back up. Thank you. And thank you, Pam.

(applause)

NICK SBORDONE

Yeah. For sure.

PAM FREDERICK

Boy, I'm glad she's here. I was an accounting major in college, and that is why I did not become an accountant. Okay, so ground leases. This is an important subject, too. I told you how, at the beginning, we really wanna start the conversation. I think, with ground leases, this is indeed really just a first step in the water. And because there's a lot of different buildings involved, and kind of restrictions governing discussions with those buildings, I can't give a lot of detail, but... but I present it tonight because we are focused on it. I would say that we have kind of reasserted the Authority's focus on it. And so I'm gonna tell you in some broad strokes where we are with a little bit of detail. And we'll take a few-- I think we'll power through, actually, and we'll knock out security in record time, and programming and meetings in record time. So, Pat, prepare your 60 second version of security and then you can talk as much at Justine's meeting tomorrow as you want. Deal? Okay. Great.

MAN

Why would you not take questions on this subject?

B.J. JONES

I will take questions on this section, I'm just consolidating the next two chapters so that we can jump into questions and then... move on. Okay. So, ground leases. You know, Marianne, you asked that, you know, the Authority has developed kind of building by building ground lease agreements with

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building owners or developers. And the payment structures, the agreements themselves, can vary building by building, as well. But perhaps the issue that, you know, in addition to the ground rent payments themselves, the issue that is at top of mind for many if not all of us is that these ground leases contained in them provisions for significant escalations, most every 15 years. And the reason that escalation is raising a lot of flags is because in many of these agreements, the escalation basis switches from a percentage, you know, increase year by year to a new formula that's based on market value. You know, agreed to a long time ago when people didn't see what might, you know, happen with this neighborhood. They were thinking dilapidated piers, not, you know, being next, you know, to Tribeca and Financial Center and all that kind of stuff-- our beautiful parks. But anyways, and so that is what makes this a, you know, a time-pressing issue because of these resets, some call them reappraisals, that are coming down the pike. Okay. But even though these resets do need to be addressed, it isn't the first time that the Authority has taken a look at it. Which many of you know-- actually, someone mentioned that tonight. In the past, the Authority has worked with building owners, primarily on the south end of Battery Park City, to address rent resets. And so-- just a couple of bullets on that. How buildings have gone about it in the past varies, but, you know, a block of buildings join together to negotiate collectively, but there's one or two buildings that had gone about it on their own, too. And looking at some of the documents from the past, when negotiations resulted in amendments to the ground leases, there's a couple of factors that came into consideration... which I think are pretty straightforward and may apply today as well, predictability to eliminate a dramatic increase. Certainty of what those payments would be, as opposed to being tied to an appraisal and the market. But also on the Authority side, being mindful of our credit rating because that also can impact the costs, you know, for our budget as well. There have been conversations going on with the Authority that many of us here tonight have been getting up to speed on the Homeowner's Coalition, for example, who represents 18 condo buildings. Here we have 30 residential buildings in Battery Park City, and this focus is on the residential piece, not the commercial piece, although there are some parallels. But the Homeowner's Coalition has-- had conversations with us, looking at this from a collective level. But there also have been some conversations initiated with us from other-- from buildings directly as well. And this is where, it turns out, there are non-disclosure agreements that are often entered into at the beginning of these negotiations, which I suppose are to protect both parties as they start ironing out the details. But because of that, I have to tread carefully, although I'm still learning what all the elements are. But similar to what had guided the Authority and stakeholders in the past, certainly is informative to our approach today. Again, being mindful of that potential dramatic increase in rent payments because of that escalation switch. Looking at an alternative to the market value basis for ground rent. And, again, exploring the idea of a master settlement where, can we come up with a framework that works for most if not all buildings, because that could also help streamline the process of addressing these in a timely way. If it is more uniform if there's a building that somebody has a good idea that is applicable to other buildings, then we could take advantage of that model. And, you know, we're still mindful about our fiduciary responsibility and, you know, continuing to support operations here and

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the other obligations that Pam mentioned. Okay. So here's a little bit of information that reflects the homework that we have been doing recently. And if the information itself isn't appeasing, I hope that it indicates at least, you know, our efforts very recently to try to wrap our head around it and see what's in front of us to the extent buildings have not approached us. And so looking at-- we took a deep dive into all 30 residential ground leases to see, you know, what their rent structure is, when these kind of 15 year escalations are, and what the change is in that escalation agreement. And, you know, of course, those escalation periods are coming at us fast and furious, which is why this is a very important issue. And so, you know, this is just kind of, you know, taking a look at some of the buildings coming down the pike, and, you know, starting later this year in November. But each year there's one or two buildings, and beyond 2121 there's, you know, more buildings coming down the pike. So we have a few rentals out, you know, in front of us, and, you know, condos, so on and so forth. So, again, I show this to you because we want to have, certainly, a command of the subject, but where we can be proactive, even though, as you might see, we have to amp it up it turns out. We're going to do that. So we're cognizant of that and-- though I can't talk about which buildings have or haven't engaged with us. With the information that we have poured through, we're going to use that to reach out. If you have questions, of course-- I mean tonight-- of course you can have, you know, specific questions about that, too, you can ask Nick. But also-- also, talk to your building board, talk to your management company. If you have concerns, you know, about what-- you know, about getting the message to them, you can talk to us about that, too. To the extent we're not bound by non-disclosure, we'll be as helpful as we can in that regard. But we are taking a hard look at this and not-- you know, I don't want to sit on our hands, even though the ground leases were negotiated and entered into, and if a building doesn't do anything and the rent goes up, that's-- for a lot of the reasons people have discussed tonight, you know-- that's not great for the community, so that's not great for us. So we do wanna take a look at it.

(woman speaking indistinctly)

B.J. JONES

Okay. Okay. Thank you. So we'll be-- yeah, yeah. Thank you.

(applause)

B.J. JONES

Okay, thank you. So... yeah, so we've been going through that kind of building by building for the 30 residential buildings. And this landscape is not artwork from the programming art show. It's also a Power Point specialty. So I just wanted to address the 2069 issue a little bit, even though we talked about that a little bit with Matt's question earlier. I don't have an answer yet, but similar to these rent resets that are coming down the pike, we are also pouring through our master lease and the settlement agreement and the settlement agreement amendments, and we're looking at previous contracts that were entered into with the city and the, what's it called, the Urban...

MAN

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UDC.

B.J. JONES

...Development-- UDC, yeah, exactly-- to put the pieces together to see what happens in 2069, because we have a master lease that ends in 2069 and the buildings have ground lease that end in 2069. So, I think there's a logical sequence of events, but that is for us to do our homework now and not kick the can any more to figure out what does happen in 2069, what's within our control, and who are the stakeholders that through either influence or sign offs also have a say in what happens in 2069... and understanding that internally and going over it with our board, and ultimately you, because then, if we are in a position to make changes to that, we can do it, and then in turn go to the buildings to make an associated change. I do, kind of going back to what I said to you, Matt, earlier tonight, you know, sustaining a community is right there in black and white in our enabling legislation. And I don't know if we are opening Pandora's box by looking at what happens in 2069, but I'm feeling optimistic. So-- and I don't, you know, we don't feel-- we don't feel comfortable not knowing and not being able to talk about it in a way that will help us, you know, address this issue. So, we are still doing our homework, but, you know, like the ground lease piece and the rents and the escalation, this term issue is also important to us, so I want you to know it's on our radar screen and... and we're working diligently on this issue. And if, you know, you have pieces of the puzzle, we'll take 'em. Okay, I'm gonna jump in-- Pat, 60 seconds.

(laughter)

B.J. JONES

New art. I'm gonna stand up here with you, Pat. It'll be like we're co-presenters at the Oscars.

(laughter)

PAT

All right. (clears throat) Perfect.

B.J. JONES

Maya Rudolph and Tiffany Haddish.

(laughter)

B.J. JONES

Okay.

PAT

They said this was finance, so we had to have a chart.

B.J. JONES

Yeah.

PAT

Right? For security. But it's real simple, the chart's self-explanatory. We just combined the charts to show our major points which, of course, you



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cannot have Battery Park City Security without dog issues, right? So dog's up there, information assist, unsecure property, okay, dealing with lighting issues.

B.J. JONES  
Okay.

PAT  
Let's go to the next. (chuckling) Okay, the rest is...

B.J. JONES  
Talk into-- talk into the mic, Pat. Talk into the mic.

PAT  
Hello? Okay. Obviously the homeless issue, because of the weather and everything else, right, that's been down. Pier A ticket sellers. Huge change down below. Thank you. (chuckling, clears throat) We're monitoring the emergency life rings that's on the esplanade. Enforcing no dog policies on the ball field, West Thames Park and Rector Park. Enforcing no drones flying in the park. We're monitoring the ball field, Tear Drop, and 75 Batter Place cameras. Okay. On our next one: We have the Special Patrol Officer Program. NYPD applications are in process. PS89/IS289, we did a meeting. Safety Ambassadors assigned at the start and at the end of the school day, in addition to PSI276. Meeting with NYPD counterterrorism division and BPCA to identify new safety measures. Battery Park City Day Nursery, Battery Park Montessori, and Preschool of America, radios were issued and added to the emergency notification system. And we're in contact with the first precinct, who has-- they have precinct school safety visits to their school. NYPD parking enforcement unit has been issuing summonses and towing vehicles. And...

B.J. JONES  
Okay.

PAT  
Thank you very much.

B.J. JONES  
Thank you, Pat.

NICK SBORDONE  
Good job, Pat.

(applause)

B.J. JONES  
Okay.

MAN  
Okay, just wanted to update you on some of the upcoming programming. I promise to be brief. Not a single pie chart or percentage will be discussed.

(laughter)

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MAN

So, we have a 14-week Stories and Songs program happening each Wednesday in this space. It's a live performance and storytelling program for little ones starting at six months old. It's been in existence for about 20 years. It's a great program, it always has been, but this year we're able to offer it for free to the greater Battery Park City community. So it's really exciting. More than 150 people take part each Wednesday morning. Tuesday Talks. We have a lecture series on Tuesday-- select Tuesday afternoons at 1pm right here in this space. Our next one will be coming up on March 13th, Georgia O'Keeffe's New Mexico. It's a follow up to last year's Georgia O'Keeffe's time here in New York City. Our own artist educator Marla Lipkin, who takes annual pilgrimages to New Mexico, will be leading that discussion. And the final Tuesday Talk of the year-- the winter season will be on March 27th, "A Year on Broadway" will be discussed. It's a piece of artwork created by Battery Park City Park's own artist educator Elise Engler. She took a year, drew every individual block of Broadway and obviously it's created quite a piece. And she's been featured in "The New Yorker" and on "CBS Sunday Morning", and she's gonna be sharing the story and the history of that artwork with us on March 27th. And we have one more of our series of family workshops, which happen on Saturday afternoon, celebrating the Caribbean. We focus on some specific Caribbean cultures, Haitian... Last Saturday we had a great program focusing on Puerto Rico, and upcoming we'll be celebrating Mexico with Mano a Mano: Mexican Culture Without Borders. There'll be music and dance from Mexico along with a bead-making project inspired by Mexican folk art. FTO, which stands for For Teens Only, is a-- Get Your Game on is a teen program, happens on Friday afternoons and evenings from 4-7 each Friday. IT goes into April. Last week we had a great DJ workshop, and we always have lots of games and activities, snacks. Great place for teens to come out and hang on Friday evenings. So spread the word on that for me. Our art exhibition, you've been-- if the slides have piqued your interest here this evening, it's on display through the end of March at Parks Headquarters, 75 Battery Place, from 2-4 in the afternoon each week day. So come take a look at the exhibition. It's really quite something. All the artwork's created in our outdoor programs-- well, most of it's in our outdoor programs that happen in the parks, May through October. Brings me to Meet Me in the Kitchen, which is a partnership with Battery Park City Authority, Battery Park City Seniors, and Asphalt Green. It takes place on select Tuesdays in the teaching kitchen at Asphalt Green. It's free. The next one is March 6th, which sounds like tomorrow to me. Discussing Spice of Life, and the final will be on March 20th, Boost Your Immune System. So, I hope to see all of you at some of our upcoming programs. If you sign up-- If you leave your mailing address, we'll put you on our mailing list and you'll get a calendar in the mail for upcoming summer programs, which takes effect May 1st. Thank you.

(applause)

NICK SBORDONE  
Good job.

B.J. JONES

There are meetings. Look at the screen for four seconds. There are meetings. Sorry, Nick.

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NICK SBORDONE

It's all right.

B.J. JONES

Oh, wait. Matt, you can take a picture. Would it be helpful if we posted this presentation on our website?

(scattered chatter)

B.J. JONES

We'll post this presentation on our website. More meetings. Nick, anything in particular you wanna-- I don't mean to...

NICK SBORDONE

No, no, no, no. It's okay.

B.J. JONES

...take your time.

NICK SBORDONE

I wanna make sure we get to the questions. The only thing I would point out for the folks is, for those who aren't aware, obviously we work very close with the Battery Park City Committee, Community Board One. Patrick and I are there every month, first Tuesday of the month. It may end up being the first Wednesday, depending upon what we discuss. And if that's the case, we will plan our upcoming meetings accordingly, so as not to cross-schedule. And the First Precinct community council meeting, which is usually the last Thursday of every month, Patrick and I are also at every one of those. Those are for any issues or concerns folks may have about safety in the area. Generally we have our own security presence here, but we work hand in glove with the First Precinct as well, to make sure we're addressing issues as they arise. Very-- Two quick last things?

B.J. JONES

Yep.

NICK SBORDONE

Only because it speaks to our delivering upon the requests that people have made. Our board meeting schedule for the year is out, you've seen that. It's a fixed day and dates and times, same place. So that schedule is up. Obviously still subject to change in case folks need to reschedule, but the list is out for the balance of the year. And importantly for Marianne, I hope she's still here, and Anne, I think, had asked as well. If you go to the next slide. Our next open community meeting. So, the community meetings, like we're holding here tonight, for the rest of the year-- roughly, again the dates are not set in stone. But for now, we're looking at having one in early June. So as not to interfere with Memorial Day, that's after that in early September. And then Wednesday, November 28th, Thanksgiving is the Thursday before that. So, we're not gonna interfere with that. But roughly speaking, those are the dates, and we wanna make sure we're getting on a schedule as closely as we can to have, actually, four of these a year. This being the first of 2018. Thank you.

B.J. JONES

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Okay. Thank you. Thank you, thank you, thank you.

(applause)

B.J. JONES

Okay, so, ground lease-- anything. Go ahead. Yeah, yep. Yep.

JOSEPH SPINELLI

Hi, B.J. How are you?

B.J. JONES

Hi. Good.

JOSEPH SPINELLI

My name is Joseph Spinelli. I've only lived in-- or actually, half truth. I own a unit in the neighborhood but have not moved in as of yet. Been an owner since November. This is my first meeting and I've been unbelievably impressed by the organization, discipline, professionalism of the committee and the committee members. So for that I say thank you. Along those lines, we need to ask for your help. I'm here on behalf of a small number of owners in 10 West Street. We bought our apartments without a material set of facts being presented to us, and we'd like to ask for your help in looking into and investigating the information I'm about to share with you. The folks that bought apartments were not aware of a material change in the building, that we believe was known by a number of different parties, including the Battery Park City Authority. And we believe that a Freedom of Information Act filing to request documents could substantiate that point. If there's a material change to a building, that's something that is required by law to be made available to potential buyers. And in the case of myself and my wife and other buyers, in a fairly finite period of time over the last number of months, that information was never made available. So we would like to ask for your help in looking into and investigating that. Is there anything that you guys would like to respond to now?

B.J. JONES

No, but we want more information so if... Don't-- we'll talk to you afterwards and get your information, talk to you about FOIA request, and also get more information. If you have to run, Nick, what is your email-- pass out cards, Nick. Start passing out cards.

JOSEPH SPINELLI

I don't have to run. I'd be happy to--

B.J. JONES

Oh, okay. All right. All right.

JOSEPH SPINELLI

I'd be happy to chat.

B.J. JONES

We'll pass-- let's pass out cards anyway. I like-- Yeah, okay, thank you. I'm not familiar with the issue, so-- but let's touch base briefly

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afterwards with-- get you connected with Nick or someone from legal, just to understand a little bit more. Okay. Yep.

JOSEPH SPINELLI

Great. Thank you.

B.J. JONES

Yep. Thank you. Okay, Justine had a question. I'm gonna go back.

JUSTINE

Hi. So, okay... going back to... sorry, I have them written down. Kind of going back to affordability and sustainability in Battery Park City. These are, like, more questions that I don't actually expect you to answer now, but I'd like you to think about.

B.J. JONES

Nick, are you writing them down, Nick?

JUSTINE

(chuckling) Poor Nick. Sorry.

NICK SBORDONE

I have a list-- I wrote a list of follow-ups.

JUSTINE

Follow-ups, there ya go. No, but, um, one of the questions I have for you: Is there any way that the Battery Park City Authority can use their funds, whether as the ground rent funds or any of the extra money, to pay for or create affordable housing in Battery Park City itself?

(light applause)

B.J. JONES

Mm-hmm.

JUSTINE

And whether that's going to mean giving a rollback of rent, ground rent. Whether it's going to mean, perhaps, looking into World Trade Center Five-- which I know is outside of Battery Park City, but I think there's been some proposal floated about whether that could turn into affordable housing. We can talk about that later.

B.J. JONES

Okay.

JUSTINE

But, uh, I know it's outside, but still. It could be support of it, maybe. And also: What's going on with Gateway? And how is that going to be dealt with, and where is the money gonna come from? Because I'm assuming it's going to once again be a reduction of ground rent for Gateway. And I guess I would ask whatever's done there, it should be done. Sustainability should... You know what I mean. The, the rent--

B.J. JONES

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The affordability? The-- yeah, the rent negotiations.

JUSTINE

It should also be shared with other rental buildings in Battery Park City. I think it's time for every place and everybody in Battery Park City to be able to stay here.

B.J. JONES

Yep. Okay. Yes. So, noted. I don't think I can speak about Gateway. You know, on the affordability question, you know, I've been talking about that recently. If you look at what the local electeds have said recently, too, I know they're concerned about it. We have some of their folks here tonight. Though I don't have a solution to propose, from a policy perspective, as my team knows, I am interested if our ground lease structure here does give us an opportunity to address this in some ways that, perhaps-- you know, other portions of the city can't avail themselves of. It is-- it's on my mind, and we are looking at that, you know, as we contemplate these potential negotiations with the buildings, not just on their ground rent but also on the 2069 question, but also thinking about affordability, too. I-- I'm also sure that that is complicated, but it does-- that is an issue that does happen to be important to me... personally. Okay.

JUSTINE

(speaking indistinctly)

B.J. JONES

Yep.

JUSTINE

Just to follow it up with, too-- a question with the electricity...

B.J. JONES

Yes.

JUSTINE

...talking about that. There may be creative ways in which the Authority can work with whatever agencies that are out there to create relief for the people that live here in a way that doesn't take, or doesn't change any of the ground rent or the PILOT, but still makes it easier and cheaper for us to live here. And again, don't expect an answer this minute, but I would ask that you look into the electricity and anything else that you can think of.

B.J. JONES

Yes, I have heard about the very high electricity bills at Gateway. A new issue to me that... you know, we reached out tonight, but where the Authority has its kind of collective government-- collection of government organizations, you know, agreement, I don't know if there's anything there to work with or not. But... we're looking at it.

JUSTINE

Thank you.

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B.J. JONES

Yeah. And I'll be coming to Gateway to talk to the Tenants Association soon, too. Yes.

FRAN

Yes, my name is Fran. I'm on the board of Cove Club. Just a quick question: Two options have been batted around here and there.

B.J. JONES

Okay.

FRAN

The possibility of the buildings actually buying the land. And also, what would be the consequence of the city buying entire Battery Park for a dollar from what I understand?

B.J. JONES

Yeah. Yeah. Yeah. So, on the buildings, I know there's been some... there's been mention of that. I-- You know, in looking at the lease, the master lease arrangement, I'm not sure whether there is, actually, the ability for Battery Park City to be parsed out for purchase, parcel by parcel... as some might suggest. So that is also kind of another deep dive we have to do to figure that out. A work in progress. And then, in terms of the city kind of buying us for a dollar. There is a provision in-- I think it's the settlement agreement. It all, a lot-- so much of it goes back to this settlement agreement-- that the city could avail themselves of kind of cashing in, if you were, for a dollar. But it also isn't quite that simple, because also attached to that, and I don't know the mechanics of it, is satisfaction of our outstanding, you know, obligations. So, like, you know, as Pam was saying, there's our outstanding bonds and there's contracts, and there's other liabilities. And that would have to be satisfied as part of that arrangement. So it's not-- it is-- there is-- there would be a significant amount of work involved in figuring out how to do that. And then, on top of that, figuring out if the debt and all of that was taken care of. Then, what does the city do with these individual ground leases, for example. So, there are-- it's not as simple as the city walking over with a dollar bill. There-- Otherwise I think they would have walked over with that dollar bill. There's a lot of other components to it. And that, you know, and that would also affect-- You know, again, you think about, you know, our structure that we talked about, even though there are a lot of remaining funds that get kicked over to the city, in terms of the general fund and the joint purpose fund, because, you know, we get to... cover our operating expenses first, that enables us to, you know, take care of Battery Park City at a certain level. And that would also be an issue that I think would need to be addressed, that if the city did come over and then absorb this, would, you know, 100% of funds go to the city? And then how would they... manage, you know, this neighborhood as opposed to, you know, the East Village or, you know, Brooklyn Heights and things like that. Okay. More ques-- yes. Matt.

MATTHEW

Something related to-- I'm sorry. This is kind of the upside down and backwards version of the 2069 issue, but... Sorry. And it's also ancient history as a bonus.

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B.J. JONES

That was not you. That was the light's...

MATTHEW

Sorry.

B.J. JONES

...reaction. (chuckling) Sorry.

MATTHEW

Take a pause. So sorry. At a series of board meetings in the early 2000s, the Authority's board members and staff discussed in veiled terms these very detailed discussions that had taken place where they were looking at a way to sell the Authority's future income-- In, like a Larry Silverstein/World Trade Center deal.

B.J. JONES

Okay...

MATTHEW

And in the same way that it would help everybody if the land lease were simply extended, if the Authority would at some point commit to never doing such a deal... because if you did, and we're-- suddenly the rent was being collected by the Sovereign Wealth Fund of Norway, for example, the possibility of any flexibility on ground rent relief or anything else would just be off the table in perpetuity. So.

B.J. JONES

Okay.

MATTHEW

Is that something the Authority could look at?

B.J. JONES

Yes, it's definitely something we could-- I'd have to I'd need to understand that more. I'd like more information on when that happened.

MATTHEW

2004, 2005, 2006.

B.J. JONES

Okay, we'll-- All right. That's enough to go on. We'll take a look and see-- it was discussed at a board meeting, or...?

MATTHEW

Well, the actual discussions were behind closed doors...

B.J. JONES

Uh-huh. But there was--

MATTHEW

...after the fact acknowledged in retrospect. Like, "Ph, remember last spring when we were talking about-- we hired all these consultants...



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B.J. JONES  
Okay.

MATTHEW  
...advise us about what it would look like?"

B.J. JONES  
Okay. All right. We'll do some digging. That-- yeah. Okay, thank you. Yes?

SHI  
So, two quick questions.

B.J. JONES  
Sure.

SHI  
I saw the beautiful spiked assessment, you know, graph going up.

B.J. JONES  
Yeah. Well.

SHI  
And... I understand I'm not a financial guy, but I understand that assessments are really based on market values. And as we get closer to 2069, when do you expect that graph to level and finally-- you know, eventually start to go down...

B.J. JONES  
Yeah...

SHI  
...finally diminish it?

B.J. JONES  
I, I don't--

SHI  
And the second question is really-- there was a talk about... I know you mentioned that building by building or group of buildings are trying to negotiate a new deal. There was talk before about having the community organize in some political way to put pressure on the negotiations. I was wondering if you're aware of any kind of the group being organized.

B.J. JONES  
I'm not aware of any group being organized, but I would connect you with Justine, who's co-chair of the Battery Park City Committee, to talk about that. You know, the escalating assessment value is-- that is a New York City Department of Finance number that drives the real estate tax that we collect on their behalf. You know, I think some would argue that, you know, the property-- That that doesn't necessarily reflect the increase in property values here. But... but that is-- that chart is a construct of the Department of Finance's assessment process, which I was just reading today in-- Politico has gotten a lot of attention, too, about how they...

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the machinations that go into calculating that, which we are not privy to. Yeah. In the back.

WOMAN

Thanks. There have been a couple of people who have spoken up about reducing rent for renters in Battery Park City. Whether it's by lowering their ground leases, or whether it's by...

B.J. JONES

Stabilization or something, yeah.

WOMAN

Stabilization. I wanna speak to the people who are the owners.

B.J. JONES

Mm-hmm.

WOMAN

Since the condo buildings also have a big risk coming up in the very near future: Taxes. We don't know what's happening with federal taxes, but all of the owners of buildings have lost a big deduction. All their PILOT costs can no longer be deducted. They're repaying a lot more federal taxes. And I think that's gonna have to be looked at. 'Cause we don't know what's gonna happen. And it'll be interesting as it plays out. But since those are the same people who have to subsidize NYCHA, who have to subsidize New York City and New York State, you can't keep hitting them for everything because, while some of them sure are very rich, some of them just own a place and are happy to own a place, and it might be a studio. And there's no point pushing them over the edge so that you can save some renter who doesn't wanna move.

B.J. JONES

Mm-hmm.

WOMAN

Because you can't penalize one group to help another. So I'm asking you to just keep a broad look at everybody, as well as this tax which nobody knows what it means.

B.J. JONES

Yes, that's-- I think that we share that... that assessment. You know, I would-- I would encourage everybody here who cares about the housing costs, which I think is everybody here... You know, there are-- there are multiple fronts, you know, to go about addressing this issue. Certainly we have, you know, a lot of, you know, potential responsibility-- a lot of responsibility, you know, pursuant to our ground lease arrangements. But, you know, I hope that as you, you know-- one of the things you take away from tonight is, you know, it's not about sharing the... it's not trying to spread out the blame, or, or, but... but to try to show you what is within out control and what we're interested in. And I hope that through this conversation on kind of the, you know, that settlement fund agreement that we did at the very beginning. There's a big chunk of money, as Pam mentioned, that goes to the city's general fund. And so that's another point of interaction for folks like you, who are engaged in this issue, to

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take a look at. And then, like with that joint purpose fund that-- there's multiple parties. It's the comptroller and the mayor's office, too, in addition to us. So we are doing our homework and seeing where we can address the issue. You know, I am... inviting myself to electeds offices to also talk about this. I want them to see this presentation, too, and understand better how the money is split up so that we can see where, you know, we can tackle it together, but also where there's, you know, things that I, you know, want to impress upon them that they should pay attention to... while we also, you know, focus on where we have control. So thank you. Yes. Okay. More que-- Yes, Bob.

BOB

So I would like to call upon your special powers as president...

B.J. JONES

Special powers?

BOB

Special powers...

B.J. JONES

Can I fly?

BOB

(chuckling)

B.J. JONES

Can I become invisible?

BOB

To make a stay of demolition. To make a stay of demolition on the Rector Street Bridge for two reasons: One is that general principle of safety. And two is, I don't think anyone has really thought through what kind of impact that has on the people that actually use the bridge and cross the bridge. So I am willing, myself, to sit out there with a...

B.J. JONES

A clicker and count...

BOB

A clicker or something just to collect, you know, some information on whether people will use the new bridge. I think that New Yorkers will tend to take the shortest route possible.

B.J. JONES

Yeah.

BOB

And that the... anyway, I would like to volunteer to put some effort into validating the stay of execution.

B.J. JONES

Thank you. You do-- you only have to cross West Street once to appreciate bridges. And, you know-- I will say with Rector Bridge, as with West

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Thames... and we can talk more about it later... that also requires its own Power Point on, you know, who controls what and... So, anyway-- So that also is complicated. But, but I hear you. That's on our list. Thank you. Anne had-- last question, Anne.

ANNE

Thank you for doing all the heavy lifting today.

B.J. JONES

Oh, thank you.

ANNE

That was-- it was great.

B.J. JONES

A lot of lifting that are from...

ANNE

But on a happier, brighter note... as spring is coming. And then the summer.

B.J. JONES

Please.

ANNE

I wish that-- you know, we had a beautification project, if you remember, on South End Avenue that didn't quite work out. But I would like you to consider maybe having some hanging baskets of flowers.

B.J. JONES

Yes.

ANNE

It's not an expensive item on-- relative to all the money that we spend. And it would really brighten up South End Avenue, and I'm sure it can be expanded to the other three streets that make up Battery Park City. And maybe you would consider that.

B.J. JONES

Okay. Thank you. Yes, I will consider it. I'm looking over your shoulder at Anne O'Neil, our Director of Horticulture, who's smiling. Okay. Last question. Yep. Sure.

BILL MCDUFFY

I'm Bill McDuffy.

B.J. JONES

Hi, Bill.

BILL MCDUFFY

Can you speak on the new board make up that is going to have two representatives, I guess, from the neighborhood? So that's my question for you. And then my question would be to Pat. On some of the things that, you know, can you go a little bit into detail on some of the things you've

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done for the security schools. 'Cause, as I see it, and I'm not a trained security guy by any means, but as I see it there are plenty of holes in what we have. And it's obviously a big concern for everybody in the community.

B.J. JONES

Um...

BILL MCDUFFY

And I don't really wanna get into what the holes are. But, you know, just from a layman's eye, I see some things. And maybe you guys all have it planned out behind, but I see some things that are some holes in the framework that might be able to be worked on with... you know, I saw that you deal with the NYPD counter terrorism group, etcetera, etcetera, but, you know.

B.J. JONES

I'm going to take the liberty of answering for both me and Pat. Sorry, Pat. But feel free to talk to Pat after. On the board matter, legislation was passed and signed by the governor requiring that the next two board appointments be residents of Battery Park City. I don't know-- the timing of that is-- some local electeds are working on an amendment to that that I'm not well-versed in. But, you know, I will say, and our board has been interested in this as the rest of us here tonight, that we have made efforts to be more transparent and to go to community meetings and have community meetings. And conversation is important, it's not the same as having a seat at the table. So, you know, I look forward to that happening, and... having that representation. I mean, frankly, that'll make conversations like this easier too, as, you know, board members... you know, weigh in but also become conversant on the, you know, what's happening here. On security, I'm going to answer it briefly. In terms of safety, you know, we don't-- we aren't able to address safety within schools. But outside of schools, we have been working with the community to address, you know, some pedestrian issues after school and opening schools, and adding posts around schools. We also-- Gwen has been working with the NYPD on doing a security study of vulnerabilities throughout Battery Park City... and we-- as a result of that, are going to be working on closing those gaps. You will see some additional barriers in some spots, but we're also looking at other mechanisms where that can be put into effect. So, looking at it from a pedestrian safety issue, but also kind of a general security issue, so that is in progress. Okay. Thank you, everybody...

(applause)

B.J. JONES

...for coming and for being engaged. And we'll see you around the neighborhood. Thank you.

NICK SBORDONE

Kev.