



BRONX PARKING LEASE SEVERANCE – Briefing Memorandum

To: Paul Philips, District Manager, Bronx Community Board 4
From: New York City Economic Development Corporation (“NYCEDC”)
Date: April 6, 2021
Re: Bronx Parking Development Company Restructuring and Lease Severance

Introduction

NYCEDC and the City of New York (the “City”) are seeking the approval of the Bronx Borough Board under Section 384(b)(4) of the City Charter to approve a severance of the existing lease (the “BPDC Lease”) between the City and Bronx Parking Development Company, LLC (“BPDC”), into a Severance Lease and a Balance Lease which would have revised business terms that are more favorable to the City. The BPDC Lease was entered into in 2007 and has a term of 99 years (including extensions) and covers five garages and eight lots on City-owned land in the area around Yankee Stadium (the “Leased Premises”).

This 384(b)(4) approval is essential to resolving a long-standing default of the tax-exempt bonds secured by the BPDC Lease and restructuring the BPDC Lease on terms that are more beneficial to the City. The 384(b)(4) approval is required to create the opportunity for any potential future redevelopment of these underutilized properties into more productive, community-serving uses. It is important to note that this 384(b)(4) approval, which is needed to effect the severance and restructuring of business terms of the BPDC Lease, will not alter the current use of the six parking lots and five garages that comprise the Yankee Stadium Parking System (“YSPS”)¹, which will remain restricted to parking uses and the same parking facilities will serve Yankee Stadium patrons on Stadium event days. Any change to the restricted use (which is currently for parking only within the YSPS), would require additional processes, including another 384(b)(4) approval.

This memo provides an overview of the 2006 Yankee Stadium Redevelopment Project, the history of BPDC, the proposed 384(b)(4) Borough Board approval and transaction steps and structure.

Yankee Stadium Redevelopment Project

Background

The 2006 Yankee Stadium Redevelopment Project included the construction of a new Yankee Stadium one block to the north of the old stadium, construction of four new parking garages (subsequently reduced to three new garages in 2007), and the construction of new and replacement park facilities in the area around the new stadium. The new stadium, which has a capacity for approximately 54,000 spectators (53,000 seats and 1,000 standing spaces), replaced the previous 82-year-old Yankee Stadium, which had approximately 56,928 seats, and had become outdated and did not meet modern standards.

¹ Two other lots in the BPDC Lease—Lot D North (151st St. North) and Lot D South (151st St. South)—are not part of the YSPS.

ULURP Actions

The ULURP actions required to permit the 2006 Redevelopment Project included disposition of City-owned property in the form of long-term leases (including the BPDC Lease); acquisitions by the City of interests in the new Yankee Stadium and garage sites; mapping actions to map new parks and demap portions of East 161st Street, Macombs Dam Bridge Approach, and Jerome Avenue; administrative actions to de-map portions of East 162nd Street and Ruppert Place as well as a volume of space located above East 151st Street; approval of a major concession to operate tennis courts; a special permit for a public parking garage (not located on parkland) and to allow modification of rear yard requirements for that garage; and State and City funding for the non-stadium portions of the Redevelopment Project.

New Parkland and Park Facilities

New areas of mapped parkland were created to provide additional new open space and to accommodate park facilities displaced by the new stadium and the new garages. Overall, the Redevelopment Project resulted in a net increase of approximately 2.14 acres of accessible recreational facilities within the area around the new stadium. The new recreational facilities included:

- New park facilities within Macombs Dam Park
- Mill Pond Park
- River Avenue pocket parks
- Rupert Plaza and the 157th Street Pedestrian Promenade

The New York City Department of Parks and Recreation (NYCDPR) also improved the parkland in the Yankee Stadium area. The improvements included:

- Ballfields at PS 29 and the West Bronx Recreation Center
- Mullaly Park upgrades

Bronx Parking Development Company History

BPDC Bond Issuance & Creation of the Yankee Stadium Parking System

In 2007, the City entered into a 99-year lease with BPDC for the parking system and \$237 million in tax-exempt bonds were issued through the New York City Industrial Development Agency (IDA) to finance the construction of three new parking garages and renovation of some of these parking lots and garages for the new YSPS. The new YSPS was part of the larger Yankee Stadium Redevelopment Project. BPDC was created to finance, construct, operate, and maintain the YSPS.

A map of the BPDC lots and garages is shown at the top of the next page.



The bonds, which were issued on behalf of BPDC, were expected to be paid from parking revenues. However, since the completion of the new garages in 2010, parking revenues generated by the YSPS have been insufficient to pay debt service on the bonds since April 1, 2011, which may be attributable to the following factors: i) new access to public transportation via the Yankees-E. 153rd Street Metro North station; ii) overestimated demand for parking in the initial projections provided by an independent parking consultant; iii) competition from nearby malls (including the Gateway Mall) that offered cheaper parking alternatives ; and iv) unforeseen competition from ridesharing services such as Uber and Lyft.

Pursuant to the terms of the BPDC Lease, rent to the City and payments in lieu of taxes (PILOT) are subordinated to (paid after) any debt service on the IDA bonds. Because bond debt service has not been fully paid since the completion of the new garages, the City has not received any payment of rent and PILOT, and such unpaid amounts have been accrued with interest in accordance with terms of the BPDC Lease.

Bond Default and Initial Restructuring Effort

As of January 2021, \$46 million in rent, \$67 million in PILOT, and \$43 million in interest on such accrued rent and PILOT, for a total of approximately \$156 million, has accrued under the BPDC Lease. Because it is not financially feasible for BPDC to cure the payment default on the IDA bonds, due to insufficient parking revenue, it is not anticipated that the City will receive any payment of accrued or future amounts of rent, PILOT, or interest thereon, during the term of the BPDC Lease.

Parking During Yankee Stadium Events

In connection with the establishment of the YSPS, the City, EDC, Yankees, and Empire State Development (ESD) entered into a Parking Facilities Agreement (PFA) which sets forth certain terms regarding use of the lots and garages for Yankee Stadium event parking. In addition to the other conditions described in this Memorandum, any changes to the use of these lots and garages that reduces the availability of such facilities for Yankee Stadium patrons during Yankee Stadium events would require agreement by the Yankees (as well as the other parties to the respective agreements) to amend the PFA and the BPDC Lease.

The BPDC Lease provides that substantially all of the parking at the YSPS facilities will be available during stadium events for Yankee Stadium patrons. BPDC fulfills this obligation under the BPDC Lease by charging event parking rates during Stadium events and providing adequate staffing to ensure parking facility access to and services for Stadium patrons. The Yankees have third party beneficiary rights under the BPDC Lease to enforce these requirements. Any potential change in use of the YSPS facilities during Stadium events would require the approval of Yankees. Any change in the parking use of the YSPS facilities would also require ULURP approval.

Proposed 384(b)(4) Borough Board Approval and Transaction Steps

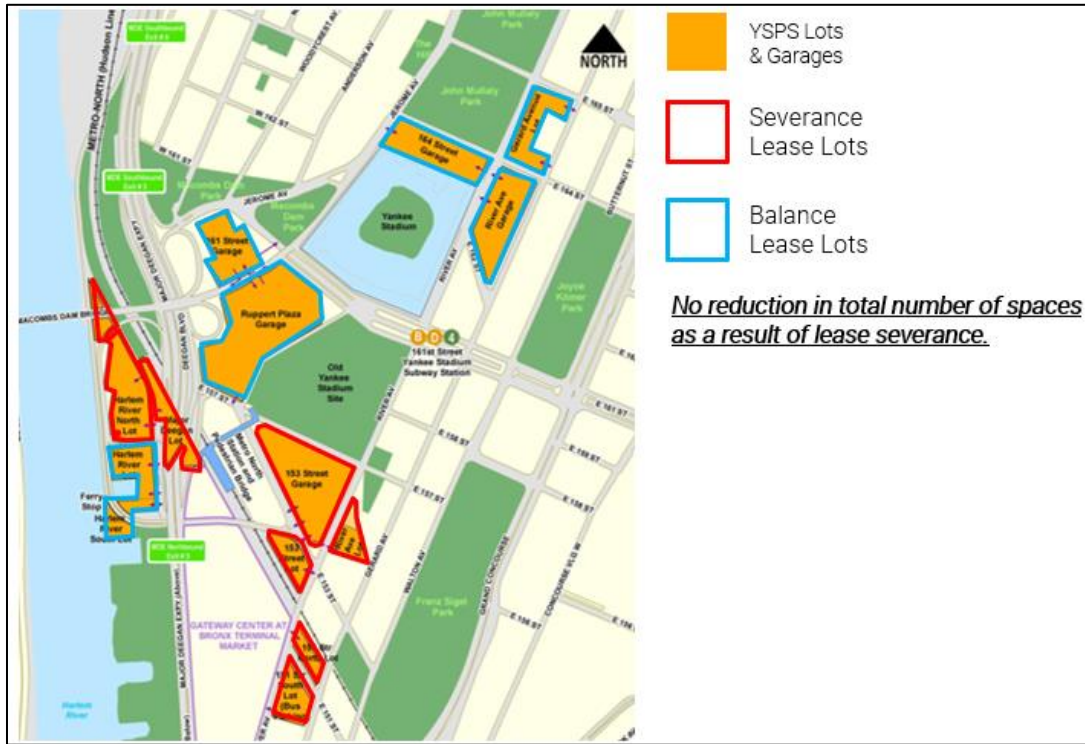
This 384(b)(4) Borough Board Approval authorizing the major business terms for the revised and severed parking leases is a critical step in resolving the current bond default.

Transaction Presented to the City

The developer Madd Equities (“Madd”) approached the City and EDC with a proposal to resolve the bond default by buying a portion of the BPDC Lease, with the intention of operating the sites as parking while exploring potential future uses with the City and community. These potential future uses would only be possible after any relevant approvals have been obtained; unless and until Madd successfully completes those processes, the permitted use of the sites will be limited to parking. Madd’s proposal was also supported by the Yankees and BPDC bondholders.

As discussed above, the Yankees have third party beneficiary rights with respect to parking under the BPDC Lease and their support is critical to allow any parking lots or garages to be released from the YSPS. In discussions between Madd, the BPDC bondholders, and the Yankees, they decided upon the split of lots and garages into each lease with the understanding that Madd was interested in potentially exploring future uses of certain parking facilities included in the Severance Lease with the City and community. Each of the parties understood that the YSPS would continue to be operated for parking uses consistent with the current BPDC Lease and that any change in use would need future public approvals.

EDC and the City have been in dialogue regarding the terms for the two leases that would be assigned by BPDC following the severance of the BPDC Lease—the Severance Lease, which would be assigned to Madd, and the Balance Lease, which would be assigned to an entity formed on behalf of the BPDC bondholders. The proposed division of parking facilities between the Severance and Balance Leases is shown at the top of the next page.



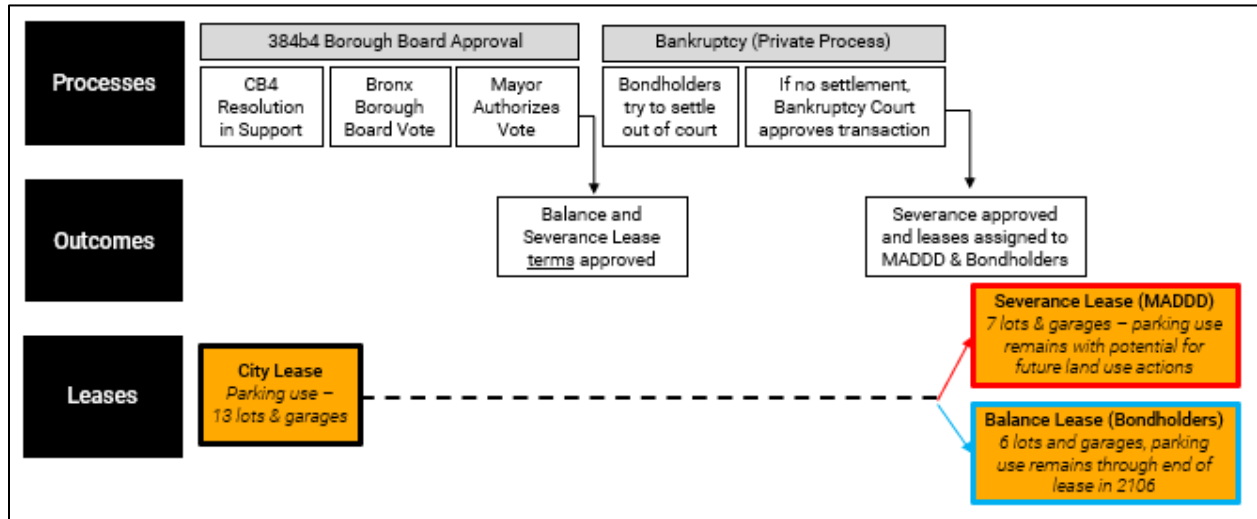
Benefits of Severing the BPDC Lease

Restructuring the BPDC Lease has the following benefits:

- *Resolves the BPDC Bond Default:* The IDA Bonds would be extinguished as part of the proposed transaction to sever the BPDC Lease. An upfront payment by Madd to the Bondholders for the assignment by BPDC of the Severance Lease would be a part of the settlement between BPDC and its bondholders.
- *Generates Rent and PILOT:* The proposed terms of the Severance Lease and the Balance Lease, which will be assigned to an entity created for the benefit of bondholders, will put rent and PILOT payments to the City in a senior position (i.e. they will not be subordinated to any indebtedness incurred by the Balance Lease or Severance Lease tenants), therefore generating revenue for the City from these properties where there is currently none.
- *Potential Future Opportunity to Activate Underutilized Property:* Resolution of the bond default, which will require the severance of the BPDC Lease and assignment by BPDC of the resulting Balance Lease and Severance Lease, is a necessary step before any potential future use of the sites other than parking is possible. A robust community engagement process would provide significant opportunities for formal public input before any land use approvals are pursued for changes to the parking use.

Transaction Structure – Public and Private Approvals

The following diagram illustrates the steps to sever the BPDC Lease and assign the Severance Lease and the Balance Lease. During these steps, the sites will remain as parking and can only be used as parking.



384(b)(4) Borough Board Approval Scope

The 384(b)(4) Borough Board process is required for approval of the major business terms to be modified from those set forth in the existing BPDC Lease and included in the Balance and the Severance Leases. Below is a summary of select major terms that are expected to be modified.

Deal Term	BPDC Lease	Severance Lease	Balance Lease
Premises	All lots and garages in Balance and Severance Leases	Garage 8, Lot 7, Lot 10, Lot 13B, Lot 13C, Lot 13B Licensed Premises, Lot 13C Licensed Premises, Lot D North, Lot D South	Lot 3, Garage A, Garage B, Garage C, Lot 13A, Lot 15
Term	49 years with 5 ten-year renewal options exercisable by Lessee through December 2106	From the date of Assignment through December 2106 (i.e. 50 years of renewal are now included in base term)	From the date of Assignment through December 2106 (i.e. 50 years of renewal are now included in base term)
Cash Flow Distribution	Payment of Rent and PILOT is subordinated to debt service on the Bonds	Rent and PILOT shall not be subordinate to debt service	Rent and PILOT shall not be subordinate to debt service

In addition, the unpaid rent, PILOT, and interest on accrued rent and PILOT would be forgiven, as it not anticipated that sufficient parking revenues would be available to pay the accrual during the term of the lease.



The Borough Board would approve the revised business terms of the Severance Lease and the Balance Lease, and EDC and the City will share information throughout the process to ensure the Community Board and the Borough Board are informed of the business terms under consideration.

Conclusion

Severing the BPDC Lease, revising the business terms of the severed leases, and resolving the BPDC bond default, are crucial milestones in resolving many of the problems outstanding from the initial BPDC transaction and opening the door to further discussions over whether certain of the parking facilities may be put to more productive uses. This 384b4 Borough Board approval and BPDC Lease severance will change nothing on the ground—the lots will still be required to operate as parking, per zoning and the requirements of the proposed Severance Lease and Balance Lease, and the number of garages and lots included in the YSPS will stay the same. Any potential future redevelopment of the sites would involve a robust community engagement process to study and then propose any land use changes with respect to the YSPS facilities. That process would be separate and apart from this approval.

GLOSSARY

- BPDC Lease – The 2007 parking lease between the City and BPDC. This lease covers the 13 lots and garages around Yankee Stadium and was the only collateral for the \$237 million in IDA bonds issued to fund the construction of the parking system.
- Balance Lease – One of the leases that will result from the restructuring of the 2007 BPDC Lease. The Balance Lease will cover 6 of the lots and garages included in the BPDC Lease and are intended to be used for the remainder of the lease term for the Yankee Stadium Parking System (YSPS). This lease will be owned by the current BPDC bondholders after the lease restructuring.
- Severance Lease - One of the leases that will result from the restructuring of the 2007 BPDC Lease. The Severance Lease will cover 7 of the lots and garages included in the BPDC Lease and could be redeveloped after obtaining the appropriate approvals. Any redevelopment and change in use cannot occur until these approvals are secured. This lease will be owned by Madd Equities, a local developer with significant affordable housing experience. Madd Equities is purchasing the rights to this lease from the current BPDC bondholders.
- Parking Facilities Agreement (PFA) – An agreement between the Yankees, the City, NYCEDC, and Empire State Development regarding parking during Stadium events with. In order for this document to be amended, all parties, including the Yankees, must agree to the terms amended.
- Yankee Stadium Parking System (YSPS) – Parking system composed of 11 garages and lots in the BPDC Lease that serves patrons of Yankee Stadium. Two lots in the BPDC Lease—Lot D North (151st St. North) and Lot D South (151st St. South)—are not part of the YSPS.
- Bronx Parking Development Company, LLC (BPDC) – Non-profit entity created by Community Initiatives Development Corporation to be recipient of the tax-exempt IDA bond proceeds and to oversee the construction and management of the garages and lots under the BPDC Lease.
- Madd Equities – Developer that is planning to buy the Severance Lease.
- IDA Bonds - \$237 million in tax-exempt bonds issued in 2007 by the New York City Industrial Development Agency (IDA) to fund the construction of the BPDC lots and garages. They were supposed to be paid down by revenues collected from the garages and lots, however the revenues were much lower than expected, and were insufficient to make the required debt service payments on the IDA bonds, resulting in a bond payment default.

SUPPORTING DOCUMENTS**2007 BPDC Transaction Documents**

1. BPDC Master Lease
2. Lots 13B & 13C Licenses
3. Memorandum of BPDC Master Lease
4. Parking Facilities Agreement
5. Parking Facilities Agreement 1st Amendment
6. Parking Facilities Agreement 2nd Amendment
7. Borough Board Approval
8. Borough Board Fact Sheet

Yankee Stadium Redevelopment

1. CPC Reports
2. City Maps

BPDC Garage and Lot Info

1. BPDC Lots and Garages Photos

**SUPPLEMENTARY INFORMATION ON ANCILLARY ACTIONS TO YANKEE STADIUM
REDEVELOPMENT**

Mill Pond Park

Community Board 4's Executive Committee asked whether Mill Pond Park is part of the BPDC Lease between the City and BPDC as well as whether BPDC receives revenue for the use of Parking Lot 13A by the Tennis Center. Mill Pond Park is not included in the BPDC Lease and is not part of the Yankee Stadium Parking System, both of which are described above. The Executive Committee also asked about the relationship between Mill Pond Park and the adjacent parking lots and whether they are part of the same tax lot. Mill Pond Park occupies a portion of Bronx Block 2539, Lot 2, a lot that is entirely separate from the tax lots that comprise Parking Lots 13A and 13B (copies of the relevant tax maps are included in the file of supplemental material).

As described above, the ULURP actions included establishing Mill Pond Park as parkland as well as a major concession to allow a tennis facility within the park (the relevant CPC reports and City Map sections are included in the supplemental information file). The City Planning Commission report notes that parking for the tennis facility would be available on Lot 13A, a parking lot that is directly adjacent to the tennis facility and within the Yankee Stadium Parking System. The Final Environmental Impact Statement for the Redevelopment Project noted that "approximately 50 parking spaces would be available for tennis patrons during non-game times in Parking Lot 13A." Parking is available on Lot 13A to members of the public when it is open, including customers of the tennis center. Consistent with the City's obligations to ensure that the Yankee Stadium parking facilities are available for stadium events, stadium event parking rates apply to lot 13A when a stadium event is occurring. The Tennis Center concession agreement does not obligate the City to make available designated parking spaces in lot 13A to the concessionaire. Pursuant to the BPDC Lease with the City, BPDC does not have an obligation to provide designated parking to the Tennis Center concessionaire, nor does BPDC have an agreement with the Tennis Center concessionaire to provide designated parking spaces to the concessionaire. BPDC collects parking fees from members of the public utilizing lot 13A for parking and those fees increase during stadium events.

Macombs Dam Bridge Approach

The Executive Committee asked about the relationship between the BPDC Lease and the Macombs Dam Bridge Approach (Bronx Block 2499, Lot 104) and whether the City had the legal authority to lease the area beneath the Macombs Dam Bridge Approach (the "Lot 104 Premises"). The City did not lease the mapped City street to BPDC. Instead, the City leased a portion of property lying below the mapped street. The City topographical map for the Macombs Dam Bridge Approach shows that the mapped City street is located at an elevation of 32'+/- and the Lot 104 Premises that is leased by the City to BPDC excludes all space lying at or above a vertical plane located ten (10) feet below the lower surface of the Macombs Dam Bridge Approach, an area that excludes the mapped portion of the street. It should be noted that portions of Macombs Dam Bridge Approach between Jerome Avenue and East 161st Street were de-mapped pursuant to ULURP application (C 060059 MMX).