



**ANDREW M. CUOMO**  
Governor

**SUSAN G. ROSENTHAL**  
President & CEO

**BOARD OF DIRECTORS**

RuthAnne Visnauskas, Chair, Commissioner of NYSHCR  
Robert F. Mujica Jr., Director of BUDGET  
Conway S. Ekpo  
Jeffrey R. Escobar  
David Kapell  
David Kraut  
Howard Polivy  
Michael Shinozaki

Agenda Item V, 1. October 17, 2019

**PROPOSED RESOLUTION**

**AUTHORIZATION OF CONSENT TO ASSIGNMENT OF LEASE BY BSREP UA ROOSEVELT LANDINGS LLC (THE EASTWOOD TENANT) TO ROOSEVELT LANDINGS OWNER HOUSING DEVELOPMENT FUND CORPORATION, AS LEASEHOLD NOMINEE FOR ROOSEVELT LANDINGS OWNER LLC, BENEFICIAL TENANT**

**RESOLVED.** by the Board of Directors of the Roosevelt Island Operating Corporation of the State of New York (the “Corporation”), as follows:

Section 1. The Corporation is hereby authorized to consent to the assignment by BSREP UA Roosevelt Landings, which is the tenant under the Amended and Restated Lease between the Corporation and North Town Roosevelt. LLC dated as of September 16. 2006 (as amended by a First Amendment to Lease Agreement, dated as of December 5, 2018 and effective as of May 1, 2017, and as affected by that certain Tax Equivalent Payment Agreement, dated as of December 5, 2018, by and between New York State Urban Development Corporation (“UDC”) and BSREP UA Roosevelt Landings LLC, and acknowledged and agreed to by the Corporation, as amended by that certain Amendment to Tax Equivalent Payment Agreement (Roosevelt Landings), dated as of December 5, 2018, by and between UDC and BSREP UA Roosevelt Landings LLC, and acknowledged and agreed to by the Corporation (collectively, the “Eastwood Lease”), of all of its right, title and interest in the Eastwood Lease to Roosevelt Landings Owner Housing Development Fund Corporation, as leasehold nominee for beneficial tenant Roosevelt Landings Owner LLC, along such terms and conditions substantially similar to those outlined in the Memorandum from Susan G. Rosenthal to the Board of Directors dated October 15, 2019 attached hereto;

Section 2. The Corporation is authorized to acknowledge and agree to the Preservation Plan between UDC and Assignee, and any amendment to the Tax Equivalent Payment Agreement (Roosevelt Landings) as is needed to implement the Preservation Plan, and to execute a Second Amendment of Lease to memorialize the terms of any further amendment to the Tax Equivalent Payment Agreement.

Section 3. The Corporation is hereby authorized to consent to the use by Roosevelt Landings Owner Housing Development Fund Corporation, as leasehold nominee for beneficial tenant Roosevelt Landings Owner LLC, of C&C Apartment Management LLC as its property manager;

Section 4. The President/Chief Executive Officer or her designee is hereby authorized to take such actions and execute such agreements as deemed necessary to effectuate the foregoing; and

Section 5. This resolution shall take effect immediately.



**ANDREW M. CUOMO**  
Governor

**SUSAN G. ROSENTHAL**  
President & CEO

**BOARD OF DIRECTORS**

RuthAnne Visnauskas, Chair, Commissioner of NYSHCR  
Robert F. Mujica Jr., Director of BUDGET  
Conway S. Ekpo  
Jeffrey R. Escobar  
David Kapell  
David Kraut  
Howard Polivy  
Michael Shinozaki

**MEMO**

To: RIOC Board of Directors  
From: Susan G. Rosenthal, President/CEO  
Re: **Eastwood Lease Assignment**  
Date: October 15, 2019

---

**Background – Proposed Transaction**

The property located at 510-580 Main Street, Roosevelt Island (commonly known as “Eastwood”) is leased to BSREP UA Roosevelt Landings LLC (“BSREP”) pursuant to an Amended and Restated Lease dated as of September 21, 2006 (the “Original Lease”) between Roosevelt Island Operating Corporation (“RIOC”) as landlord, and North Town Roosevelt, LLC (“North Town”), as tenant, as assigned from North Town to BSREP by an Assignment and Assumption Agreement dated October 22, 2014, and amended by a First Amendment to Lease Agreement dated as of December 5, 2018 by and between RIOC and BSREP, and as affected by that certain Tax Equivalent Payment Agreement (Roosevelt Landings), dated as of December 5, 2018, by and between New York State Urban Development Corporation (“UDC”) and BSREP, and acknowledged and agreed to by RIOC, as amended by an Amendment to Tax Equivalent Payment Agreement (Roosevelt Landings) dated as of December 5, 2018, by and between UDC and BSREP, and acknowledged and agreed to by RIOC (the Original Lease, as amended by the aforementioned agreements is collectively referred to as the “Eastwood Lease”). BSREP (together with other affiliated BSREP entities) entered into a Purchase and Sale Agreement dated as of July 25, 2019 (the “PSA”) by and among BSREP, as one of the sellers, and Putnam Harlem JV LP, as purchaser, pursuant to which Tenant’s interest as tenant in the Lease is to be assigned to the purchaser, or its designee. (The PSA covers multiple properties owned by multiple sellers.) The

aggregate sales price set forth in the PSA for all of the various properties is \$1,160,000,000, of which \$340,000,000 has been allocated to the assignment of the Eastwood Lease. Pursuant to Article 10 of the Original Lease, BSREP has requested RIOC's consent to the assignment of BSREP's right, title and interest in the Eastwood Lease to Roosevelt Landings Owner Housing Development Fund Corporation ("HDFC") and Roosevelt Landings Owner LLC (collectively, the "Assignee"), as assignees of Putman JV's right, title and interest in the PSA with respect to the Lease. HDFC will hold its leasehold interest as nominee for Roosevelt Landings Owner LLC, the beneficial owner (the "Beneficial Owner"). The Eastwood Lease provides that Landlord's consent may not be unreasonably withheld, conditioned or delayed.

In addition to the assignment of BSREP's interest in and to the Eastwood Lease, BSREP will assign to Assignee, and Assignee will assume, all of BSREP's right, title and interest in and to the Sublease dated as of September 21, 2006 by and between BSREP's predecessor-in-interest, North Town Roosevelt, LLC, as Sublandlord, and Roosevelt Island Operating Corporation, as Subtenant for the ground floor commercial space in Eastwood.

Immediately following the lease assignment, Assignee will enter into an Amended and Restated Residential Tax Equivalent Payment Agreement (Roosevelt Landings) (the "A/R TEP Agreement"), which will freeze the TEP Payments payable under the Eastwood Lease at the current 2019/2020 level (approximately \$6,409,969) for the remaining term of the Eastwood Lease. (This should also maintain the level of RIOC's 4.8% TEP reimbursement to UDC under RIOC's commercial space sublease for the remainder of the term of the commercial space sublease.) RIOC and Assignee will enter into an amendment of the Eastwood Lease to incorporate the terms of the A/R TEP Agreement.

In addition to entering into the A/R TEP Agreement, Assignee will enter into a Preservation Plan to preserve affordable housing at Roosevelt Landings, which will remain in effect throughout the remainder of the term of the Eastwood Lease. This plan will preserve 67% of Roosevelt Landings at rents ranging from 80% - 150% of AMI, with the remainder of the property at market rates. Tenants with market rate apartments at the time of closing will receive renewal leases with rent increases tied to the Rent Guideline Board increases, until these in-place tenants vacate their apartments. Section 8 and LAP (Landlord Assistance Program) tenants will remain in place.

### **Eastwood Lease Provisions Regarding Assignments**

Together with its request for consent to a lease assignment, Tenant is obligated to notify RIOC of names and addresses of all managers and managing members and all other members of the assignee having, directly or indirectly, a five percent (5%) or greater ownership interest in the Assignee. This information was provided for the Beneficial Owner, which delivered to RIOC an affidavit which provided the names and addresses of all managers and managing members of the

Beneficial Owner, and all other members of the Beneficial Owner having, directly or indirectly, a five percent (5%) or greater ownership interest in the Beneficial Owner. Following the closing, Beneficial Owner will be owned and controlled by Roosevelt L + M Workforce Holding, LLC, which, in turn is owned and controlled by L + M Workforce Housing Fund Holdco, LLC, which in turn is wholly owned and controlled by L + M Workforce Housing Fund LP.

Following the closing, the manager of the property will be C&C Apartment Management LLC.

### **Calculation of Transaction Payment**

RIOC is entitled to receive a Transaction Payment in connection with an assignment of the Eastwood Lease. The Transaction Payment is the total of (a) three percent (3%) of the initial \$8,200,000 of Net Proceeds from the assignment, and (b) ten percent (10%) of the Net Proceeds in excess of \$8,200,000. As noted above, the portion of the purchase price allocated in the PSA to the assignment of the Eastwood Lease is \$340,000,000. BSREP is permitted to deduct certain expenses from the sales price to determine the Net Proceeds of sale. These expenses are (i) actual out-of-pocket standard closing costs paid by Tenant to unaffiliated third parties, (ii) repayment of mortgages, if any, (iii) return of all equity contributed to Tenant as reasonably evidenced by Landlord, with a 6% return on such equity from the time contributed, to the extent not deducted from the calculation of Net Proceeds in a prior transaction, (iv) the unamortized cost of all capital improvements, to the extent not deducted from the calculation of Net Proceeds in a prior transaction, and (v) capital gains tax liability of Tenant (the exclusion of capital gains tax liability applied solely with respect to the first taxable Transaction, and so was not available for this transaction). The total deductions set forth in BSREP's calculation are \$316,174,406.80 which includes repayment of the outstanding \$174921,550 mortgage (but does not include any deduction for capital gains tax liability.) Based on these numbers, the Net Proceeds from the transaction are \$23,624,297.28, resulting in a Transaction Payment payable to RIOC in the sum of \$1,788,429.73. RIOC has asked for evidence of the amount of the mortgage being repaid, and clarification of certain of the numbers set forth in this schedule, and the Transaction Payment may be adjusted as necessary if the amount of the Net Proceeds changes.

### **Recommendation**

I hereby recommend that the RIOC Board of Directors consent to (i) the Assignment of the Eastwood Lease, (ii) BSREP's calculation of the Transaction Payment in connection therewith (subject to possible adjustment as indicated above), in compliance with the Eastwood Lease, and (iii) following the Assignment, the amendment of the Eastwood Lease to reflect the terms of the Amended and Restated Residential Tax Equivalent Payment Agreement (Roosevelt Landings).

# Term Sheet



October 11, 2019

Roosevelt Island Operating Corporation (RIOC) Board of Directors  
c/o Susan Rosenthal, President/CEO  
591 Main Street, Roosevelt Island, NY 10044

RE: Roosevelt Landings Preservation Transaction

Dear Susan:

L+M Fund Management LLC (“L+M”), on behalf of one or more of its affiliates and funds under management (collectively the “Purchaser”) is pleased to present the terms of its preservation of Roosevelt Landings, located at 510-580 Main Street, New York, NY 10044, to the RIOC Board. L+M has worked with HCR, ESD and RIOC in order to enter into a long-term regulatory agreement (the “Regulatory Agreement”) to preserve Roosevelt Landings (“Preservation Transaction”). The terms of the Preservation Transaction are outlined below.

Since 1984, L+M and its affiliates have been responsible for investment in and development of more than 23,000 high-quality residential units in the New York City Metro Area, the West Coast, and Gulf Coast regions. L+M and its affiliates have significant experience and expertise acquiring and operating mixed-income housing, including former Mitchell-Lama and Enhanced Voucher assets, such as Roosevelt Landings.

**Term:** The Regulatory Agreement effectuating the Preservation Transaction will be coterminous with the Amended and Restated Lease, dated as of September 21, 2006 (the “Ground Lease”). The expiration date of the Ground Lease is December 22, 2068.

**Closing Date:** Closing of the Preservation Transaction is set to take place on October 23, 2019

**Property Tax Abatement:** Real property taxes will remain at \$6,409,969 (current 2019/2020 taxes) for the Term of the Regulatory Agreement.

**RIOC Payment:** Due to the Property Tax Abatement, RIOC’s 4.8% Tax Equivalency Payment (“TEP”) to Purchaser under the Commercial Sublease Agreement will remain \$307,679 for the Term of the Regulatory Agreement. The 4.8% TEP payment is in Section 5(a) of the Commercial Sublease Agreement.

**Affordability:** Roosevelt Landings is currently a market rate property but about 55% of its residents either qualify for Section 8 vouchers or are subject to a Landlord Assistance Program (“LAP”) agreement. The Preservation Transaction will have

no impact on the tenant portion of the Section 8 or LAP rents and tenants who live in market rate units on the Closing Date will receive rent increases tied to Rent Guideline Board increases until such tenant vacates the unit.

Additionally, going forward, L+M intends to increase the affordability at the property. Currently, as Section 8 or LAP tenants vacate, affordability decreases at the property since all units become market rate and no units are preserved at specified rent levels. However, upon closing this Preservation Transaction, 67% of the residential units of Roosevelt Landings will be preserved at rents, set between 80% - 150% of AMI for newly rented units.

**Capital Expenditures:** The Purchaser plans to perform over \$25MM of capital improvements at Roosevelt Landings. These funds are financed with private capital coming from the Purchaser.

**Confidentiality:** The terms and conditions of this letter and the transaction, including the identities of all parties referred to in this letter, will be held by the recipient hereof in strict confidence and will not be disclosed to anyone other than (i) legal counsel, agents, and representatives who need to know such information in connection with the transaction, or otherwise advisable, after prior written approval from L+M Fund Management LLC or (ii) to the extent required by law or court order. Subject to the requirements of applicable law, no recipient hereof nor any of its agents or representatives shall make any news releases or other public disclosure with respect to the transaction without prior written consent of L+M Fund Management LLC, which consent shall not be unreasonably withheld or delayed.

Sincerely,

**L+M Fund Management LLC**

By:   
Eben Ellertson  
Partner