

## **FOR CONSIDERATION**

January 21, 2010

**TO:** The Directors

**FROM:** Dennis M. Mullen

**SUBJECT:** New York City (New York County) -- Moynihan Station Civic and Land Use Improvement Project

**REQUEST FOR:** Authorization to Extend Current Financing; and Authorization to Take Related Actions

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### I. Background

New York State Urban Development Corporation d/b/a Empire State Development Corporation (“ESDC”), with its subsidiary Moynihan Station Development Corporation, is planning and developing the Moynihan project, including redevelopment of the Farley Post Office Building (“Farley” or the “Building”).

In March of 2007, ESDC purchased Farley from the United States Postal Service for \$230 million, plus certain CPI adjustments. As authorized by the Directors, a portion of that purchase price was paid from the proceeds of a \$75 million loan from The Bank of New York Mellon that is secured by a first mortgage lien on Farley (the “Loan”). The maturity date of the three-year Loan is April 1, 2010. Interest accrues at a fixed rate of 5.375% per annum. Interest accruing on the Loan is capitalized as additional principal. It was anticipated that the capitalized interest and principal amount of the Loan would be repaid from the proceeds of a long term lease of Farley’s private development opportunities to a private developer. Such a lease transaction is unlikely to take place prior to the maturity of the Loan.

The approaching maturity date for the Loan requires a prompt extension.

### II. Essential Terms

The terms of the proposed Loan extension and modification (the “Extension”) are as follows:

**Term:** an additional three years from the Extension closing date (on or before March 31, 2010).

**Amount:** Approximately \$94 million. The Extension will include: (a) the original Loan amount of \$75 million, inclusive of the accrued and capitalized interest through the initial three year term; (b) accrued and capitalized interest through the additional three year term; (c) the 2010-2011 insurance on the Building (approximately \$1M); and (d) funding to pay costs and expenses, including mortgagee fee, incurred in connection with the Extension.

**Interest Rate:** Fixed Rate of 5.875% per annum.

**Security:** Security for the Extension is the same as for the Loan; i.e., the Extension will continue to be secured by a first mortgage lien on Farley, as was the Loan. It is important to

note that Farley's value (inclusive of existing "transferable development rights", or TDRs) remains multiples of the \$94M Extension Amount.

Prepayment: After the first anniversary of the Extension closing date, the extended loan can be prepaid in whole or in part. It remains expected that the Extension will be wholly prepaid upon execution of a long term lease for Farley's private development opportunities. The Extension also will be repaid in whole or part as (and if) portions of the Farley private development value are sold or leased during the Term of the Extension.

### III. Environmental Review

The requested authorization for a loan extension constitutes a Type II action as defined by the New York State Environmental Quality Review Act (SEQRA) and the implementing regulations of the New York State Department of Environmental Conservation. No further environmental review is required in connection with this authorization.

### IV. Requested Actions

The Directors are requested to authorize ESDC to: (1) extend and modify the current Loan as described above; and (2) to take related action with respect to the Extension of the Loan.

### V. Recommendation

Based on the foregoing, I recommend approval of the requested actions.

### VI. Attachments

Resolutions

January 21, 2010

NEW YORK CITY (New York County) -- Moynihan Station Civic and Land Use Improvement Project – Authorization to Extend Current Financing; and Authorization to Take Related Actions

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BE IT RESOLVED, that upon the basis of the materials presented to this meeting (the “Materials”), a copy of which is hereby ordered filed with the records of the Corporation, the Corporation be, and hereby is, authorized to enter into an extension and modification of the of the Loan as described in the Materials with such changes as the Chief Executive Officer-Designate, or other officer of the Corporation, or his or her designee(s), may deem appropriate; and be it further

RESOLVED, that the Chief Executive Officer-Designate, or other officer of the Corporation, or his or her designee(s), be, and each of them hereby is, authorized to take such action and execute such documents as may be necessary or appropriate to carry out the foregoing Resolution.

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