

# Empire State Development

## FOR CONSIDERATION

February 21, 2013

TO: The Directors

FROM: Kenneth Adams

SUBJECT: New York City (New York County) – Proposed Development at 121 West 125<sup>th</sup> Street

REQUEST FOR: Authorization to Conditionally Designate Developer and Enter into a Pre-Development Agreement; Authorization to Take Related Actions

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### Summary of Proposed Action

Proposed Developer: National Urban League, Inc. and The Hudson Companies, Inc. (“NUL/Hudson”)

Site: 121 West 125<sup>th</sup> Street, between Adam Clayton Powell Jr. Boulevard and Lenox Avenue/Malcolm X Boulevard (“the Site”), New York City and County

Proposed Action: Conditional Designation of NUL/Hudson as Developer of a mixed-use retail, commercial, community, and cultural project on 125<sup>th</sup> Street

### Site Overview

121 West 125<sup>th</sup> Street (the “Site”) is located between Adam Clayton Powell Jr. Boulevard and Lenox Avenue/Malcolm X Boulevard, east of the Adam Clayton Powell Jr. State Office Building and west of the Harlem Center project developed by Forest City Ratner Companies and Abyssinian Development Corporation in 2002.

The Site is an approximately 42,000 square feet through lot that extends from 125<sup>th</sup> Street to 126<sup>th</sup> Street and consists of 1) a Lower Parcel, located below an elevation of 80.20 feet, and 2) an Upper Parcel located above an elevation of 80.20 feet. The State of New York, acting through the Office of General Services (“OGS”), is the owner of the Upper Parcel. The City of

New York ("City") is the owner of the Lower Parcel, subject to an automatic reversion back to the State of New York in 2053.

There is currently an approximately 160,000 square foot, four-story structure on the Lower Parcel, which the City leases to the New York City Economic Development Corporation ("EDC"). EDC, in turn, licenses a portion of the structure for use as a 304-space public parking garage and subleases six small retail spaces fronting 125<sup>th</sup> Street.

### **Selection Process**

In June 2009, ESD entered into a Memorandum of Understanding with EDC with the goal of jointly seeking a developer to redevelop the Site into a mixed-used facility consistent with the 2008 City re-zoning of the 125<sup>th</sup> Street corridor and an April 2008 Points of Agreement Letter with certain New York City Council Members to complement the rezoning.

On May 15<sup>th</sup> 2012, EDC and ESD issued a joint Request for Proposals entitled, "Central Harlem Mixed Use" (the "RFP") for the redevelopment of the Site. The RFP specified the following development goals for the sale or long-term lease of the Site:

- Expand the retail and commercial character of 125<sup>th</sup> Street to physically and economically reactivate the street.
- Strengthen the critical mass of local arts, cultural and entertainment venues.
- Commit to develop at least 5% of total office space for use by local non-retail businesses at below market rents.
- Commit to develop at least 5% of total retail space for use by non-formula retail businesses at below market rents.
- Commit to develop at least 5% of the project for use as a cultural exhibition center.
- Maintain maximum parking spaces allowed by existing zoning.
- Demonstrate design excellence, innovation and sustainability.
- Create construction and permanent job opportunities.

In addition to the development goals, the RFP required that the proposals include: (1) details regarding proposed lease payments or purchase price; (2) a narrative description of the proposed uses including the type of commercial tenants and a list of any committed tenants; (3) financial projections for both construction and operating periods; and (4) information that demonstrates the proposed development team's financial and professional ability to successfully complete and operate the proposed project.

On July 13<sup>th</sup> 2012, two proposals were received in response to the RFP, one by a team consisting of Grid Properties and Gotham Organization (together, "Grid/Gotham"), and the other by a team consisting of National Urban League ("NUL") and The Hudson Companies (together, "NUL/Hudson"). After an initial review of the proposals, ESD and EDC interviewed both teams on September 5<sup>th</sup> 2012. Thereafter, given that one proposal assumed leasing the

Site while the other assumed purchasing the Site, each team was asked to submit their best and final offer for both a sale and a lease scenario.

After further review of the proposals, staff from ESD and EDC scored the NUL/Hudson team highest in terms of meeting the overall goals of the RFP based upon the following criteria:

- *Project Scope and Design:* The proposed NUL/Hudson project calls for the demolition of the existing parking garage and the construction of a mixed-use building utilizing the maximum zoning allowance for the Site, including office, retail, cultural exhibition space, mixed-income affordable rental apartments and the maximum parking spaces permitted under City zoning laws. The new building would serve as the national headquarters for the National Urban League and incorporate an entrepreneurship center/incubator, a state-of-the-art conference center and the first urban civil rights museum in New York.
- *Cultural Space:* The proposed Museum of the Urban Civil Rights Experience and accompanying Harlem Welcome Center offers a unique concept that would serve as a magnet not only to the Harlem community but would draw national and international attention to the Site, increasing Harlem's already high profile as a New York tourist destination, and thereby increasing foot traffic to retail tenants along 125<sup>th</sup> Street.
- *Development Team:* The National Urban League was founded in Harlem over a century ago. The decision by the NUL Board of Trustees to locate the organization's new headquarters in Harlem represents an historic opportunity for NUL and the Harlem community. With the imminent expiration of NUL's current lease on Wall Street in 2017, NUL seriously considered relocating their headquarters to other cities, most notably, Washington, D.C. where occupancy costs and the execution of NUL's activities with its 90 affiliates throughout the country could be equally well-served, at less expense. In recent years, both the NAACP and United Negro College Fund have followed this course. Notwithstanding these considerations, NUL is eager to not only remain in New York, but to return to its birthplace in Harlem, to continue its long history of serving the community and advancing its mission of fostering economic development and employment opportunities.

The Hudson Companies, Inc. is a private real estate development company started in 1986 that has grown into a leading developer of new housing for all market segments in the New York metropolitan area. The firm is experienced in both new construction and rehabilitation, and is active in the affordable and institutional housing markets. With a focus on urban development, Hudson has sought out and successfully completed a broad array of complex projects, many of which are joint ventures or public-private partnerships, such as Riverwalk on Roosevelt Island. To date, Hudson has completed more than 4,250 housing units and has almost 2,000 additional units currently in construction or predevelopment.

- *Financial Feasibility:* NUL/Hudson would ground lease the site for a term of 99-years at an annual base rent of \$1 million, subject to periodic escalations, and a purchase option starting in year 95. The financial information provided by both NUL and Hudson, including financial statements, pro forma analyses of the proposed operating income and expenses, and lender expressions of interest, demonstrated their financial capacity to successfully complete the proposed development.

### **Pre-Development and Conditional Designation Agreement**

Based upon having ranked the NUL/Hudson proposal highest, ESD and EDC staff negotiated with NUL/Hudson on the terms and conditions of the proposed Pre-Development and Conditional Designation Agreement (“PDA”).

The PDA commits NUL/Hudson to a redevelopment plan for the Site consistent with their RFP proposal, including the financial terms described above. The new building will include the following specific uses:

- ***National Urban League Headquarters:*** At least 70,000 SF
- ***United Negro College Fund Office Space:*** At least 5,000 SF
- ***Civil Rights Museum & Conference Center:*** At least 80,000 SF
- ***Commercial Retail Space:*** At least 65,000 SF
- ***Community Facility Space:*** At least 50,000 SF
- ***Mixed Income Housing:*** No more than 101,000 SF
- ***Public Parking Garage:*** At least 225 spaces

The PDA also includes conditions that must be satisfied in order to authorize the transfer of the Site to NUL/Hudson, including but not limited to New York State Environmental Quality Review Act (“SEQRA”) review; the approval and adoption of a General Project Plan (“GPP”) by the ESD Directors in accordance with the requirements of the New York State Urban Development Act (the “UDC Act”); and the approval of the proposed development by the EDC Directors and the Public Authorities Control Board (“PACB”). During the term of the PDA, NUL/Hudson would also engage in project due diligence, environmental assessments and other pre-development work.

The PDA has a proposed ground lease attached as an exhibit. The ground lease would not be executed unless and until the conditions of the PDA, including the Directors’ approval and adoption of a GPP, requisite SEQRA review, PACB approval and required actions by the City, EDC, OGS, and ESD are completed.

The PDA requires NUL/Hudson to pay third party costs incurred by ESD or EDC in facilitating the project and to indemnify ESD and EDC for claims related to the redevelopment of the Site. In the event the conditions set forth in the PDA are not satisfied by December 31, 2013, the PDA terminates.

## **RESPONSIBLE PARTIES**

Pursuant to State Finance Law Section 139-j and 139-k and ESDC's policy related thereto, staff has (a) considered the ability of NUL/Hudson to perform the services as set forth in these materials, and (b) consulted the list of offerers determined to be non-responsible bidders and debarred offerers maintained by the New York State Office of General Services. Based on the foregoing, staff finds NUL/Hudson to be responsible.

## **AFFIRMATIVE ACTION**

ESD's Non-Discrimination and Affirmative Action program will apply.

## **ENVIRONMENTAL REVIEW**

ESD staff has determined that the requested authorization to conditionally designate Developer and enter into a Pre-Development Agreement does not constitute an action as defined in the State Environmental Quality Review Act ("SEQRA") and therefore, no environmental review is required for this request. Furthermore, ESD will undertake appropriate environmental review for the proposed development prior to any final commitments, and therefore, will ensure that no actions related to this authorization that are subject to SEQRA will be undertaken until any necessary SEQRA review is completed.

## **REQUESTED ACTIONS**

The Directors are requested to authorize the Corporation to Conditionally Designate NUL/Hudson as the Developer of the 121 West 125<sup>th</sup> Street site and enter into a Pre-Development Agreement with NUL/Hudson substantially on the terms and conditions set forth in these materials.

## **RECOMMENDATION**

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

## **ATTACHMENTS**

Site Plan  
Renderings  
Resolution

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BE IT RESOLVED, that based on the materials presented at this meeting (the “Materials”), a copy of which is hereby ordered filed with the records of the Corporation, the Corporation hereby finds NUL/Hudson to be responsible; and be it further

RESOLVED, that in accordance with the Materials, the Corporation is hereby authorized to Conditionally Designate NUL/Hudson as the Developer of the 121 West 125<sup>th</sup> Street site and enter into a Pre-Development Agreement with NUL/Hudson substantially on the terms and conditions, as set forth in the Materials; and be it further

RESOLVED, that the President, 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 Resolutions.

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121 West 125<sup>th</sup> Street





