



**Battery Park
City Authority**

Condo Ground Rent Discussion

Last update: 4/11/2023

Agenda

- Overview
- Condo Framework
- Aligning 1st Reset
- Market-Based Model (for future resets)
- Ground Rent Relief

Overview

- All of the condominium buildings have ground rent resets as part of the existing leases for each building.
- The reset formulas existed at the time homeowners purchased their units.
- BPCA is open to discussing a modification of the existing resets, but any resulting change must be fiscally responsible.
- Any changes are also subject to all required legal approvals, consents, and notifications.
- BPCA has addressed several ground rent resets for 13 condominium buildings in the past – all of which were agreed to by the condominium boards.

Overview

- Homeowners pay for the land they live on either through purchasing it outright (and factoring it into the price) or renting it. In BPC, it is the latter.
- BPCA owns the land underlying all of Battery Park City. Land is leased to building owners for development and ongoing management of all buildings. Ground rent compensates BPCA for the value of the underlying land.
- As a public authority, BPCA has a fiduciary duty to receive an appropriate value for its property, a public asset on behalf of the City, while maintaining the neighborhood for residents, visitors, workers, and students.
- The average BPCA condo owner paid \$480 in ground rent in 2021 out of ~\$3,270 in monthly common charges, the bulk of which is PILOT (real estate taxes set by the City of New York) and building operations and maintenance.

Monthly Common Charges
Estimated BPC Unit Average

CFM, \$60

Ground Rent

\$480

Bldg. Ops & Maint.

\$1,160

PILOT

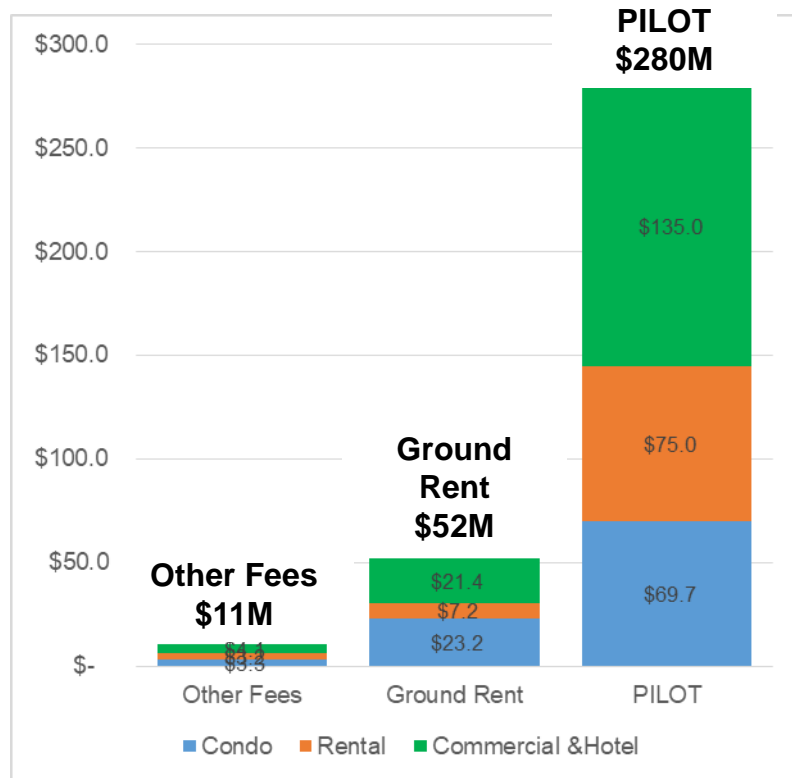
\$1,570



**Battery Park
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Overview

Collected by BPCA



Utilized by BPCA

BPCA:
\$135M
Operating costs
 + *Capital costs*
 + *Debt service*

Distributed to NYC/NYS**

NYC
 General Fund

\$210M

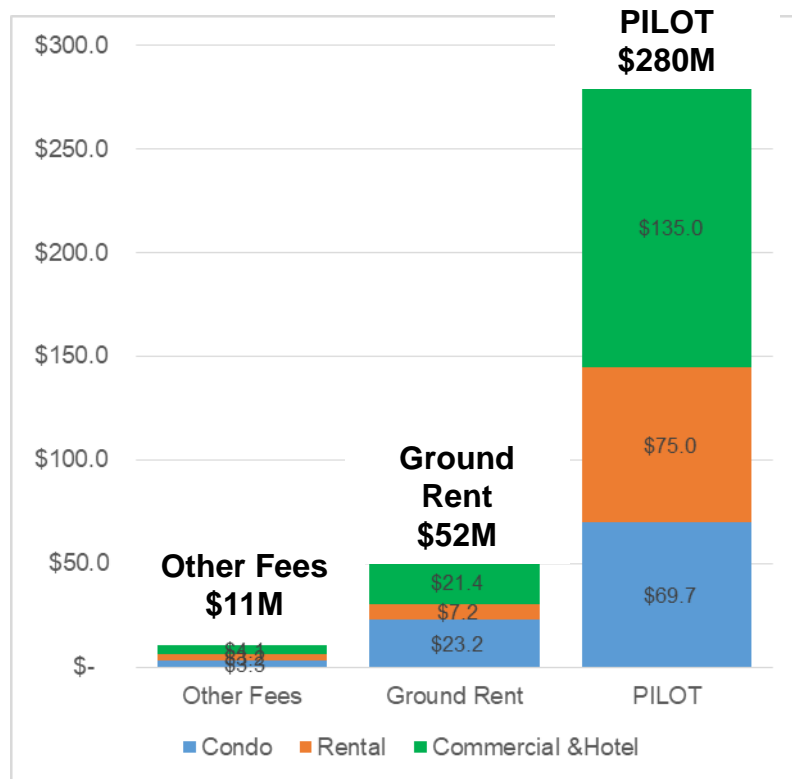
Joint Purpose Fund

*BPCA FY2023 budget. Graphic for illustrative purposes only. Does not include approximately \$2M from other revenue sources.

**Pro rata based on % of revenues from PILOT (NYC) and ground rent (joint purpose fund).

Overview

Collected by BPCA



Utilized by BPCA

\$0

Distributed to NYC/NYS**

NYC
General Fund

\$345M

Joint Purpose Fund

*BPCA FY2023 budget. Graphic for illustrative purposes only. Does not include approximately \$2M from other revenue sources.

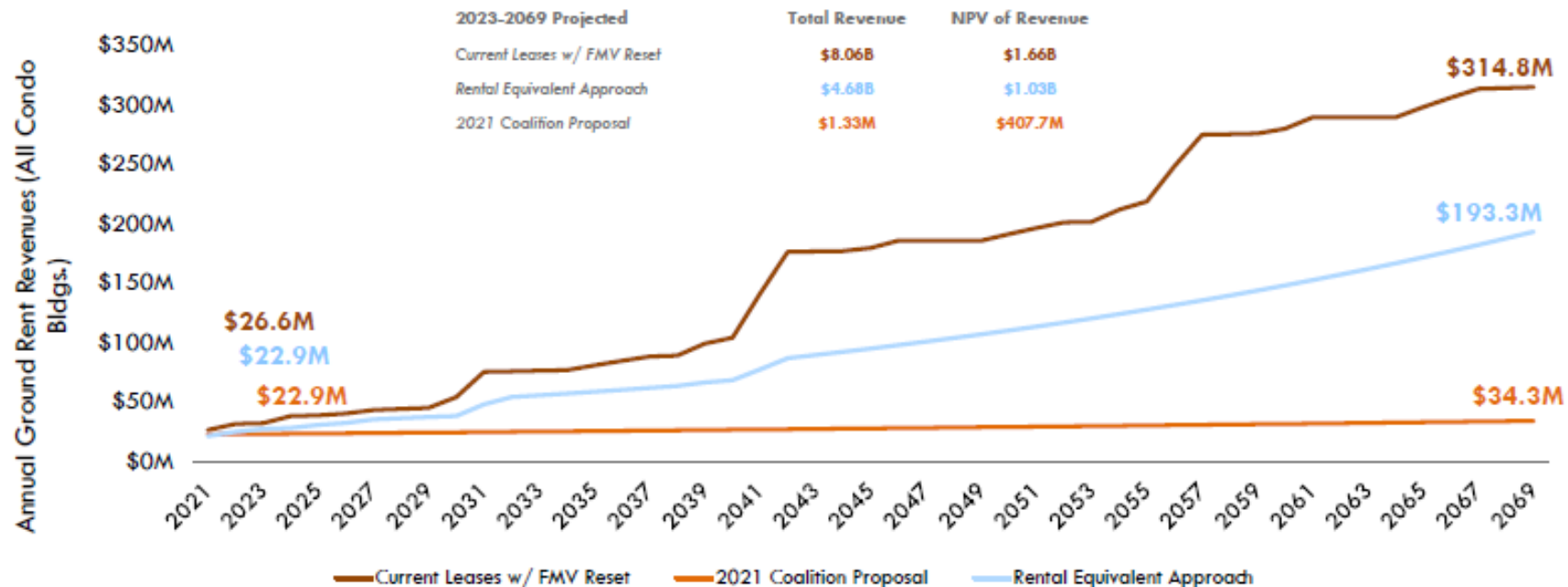
**Pro rata based on % of revenues from PILOT (NYC) and ground rent (joint purpose fund).



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Annual Ground Rent Revenues

Ground Rent Revenue Projections, All 18 Condo Buildings Comparison of Potential Ground Rent Scenarios



Note: FMV Reset projections assume a land value of \$350/ SF.
 NPV calculated using 6% discount rate
 Rental Equivalent approach solving for 30% of NOI, growing 3% thereafter

Condos (2021 Ground Rent PSF)

Close to market and next reset at 2036 or after

Regatta	\$ 8.86
Liberty View	\$ 8.28
Hudson View West	\$ 7.99
Cove Club	\$10.48

Below market and next reset at 2036 or after

Liberty House	\$3.79
Liberty Terrace	\$3.77
Rector Park	\$4.47
Hudson View East	\$5.95
Hudson Tower	\$4.84
Battery Pointe	\$6.33
Soundings	\$4.75
Liberty Court	\$3.49
River & Warren	\$5.81

Below market and first reset to occur within 8 years

Ritz	\$2.00
225 Rector	\$2.08
Millenium	\$2.48
Riverhouse	\$4.51
Visionaire	\$3.43

Condo Ground Rent Framework

BPCA

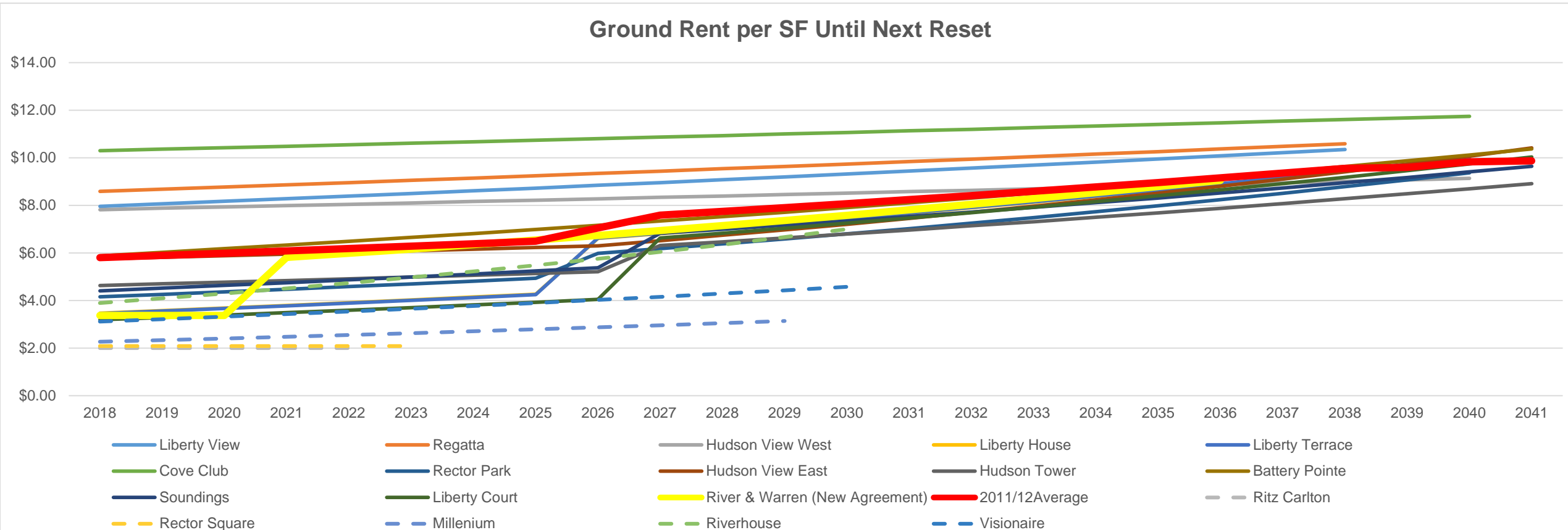
1. Replace the remaining 6% FMV resets in the existing leases
2. Maintain 2011 agreement
3. Phase 1: For the 5 buildings not part of the 2011 agreement, align first reset with average rent PSF of the other buildings – as done with River & Warren
4. Phase 2: For all buildings, replace next reset (2036 and after) with rental-equivalent value, 2% annual increases, and adjustments every 10 years tied to CPI
5. Introduce a component to limit increases for existing tenants with a demonstrated need (e.g., <130 AMI)

Condo Coalition (2021)

1. Replace the remaining 6% FMV resets in the existing leases
2. Eliminate all interim step-ups in 2011 agreement
3. For 15 of the condo buildings, limit annual increases to 0.5% to 1%, depending on the building starting in 2022
4. For 3 of the condo buildings (River & Warren, Ritz Condos, and Rector Square), increase 2021 ground rent by about 100% with 1% annual increases thereafter

Phase 1: Aligning 1st Reset

- Five condos have rent resets between now and 2031
- Remaining condos agreed to ground rent that brings them closer into alignment with one another by 2041



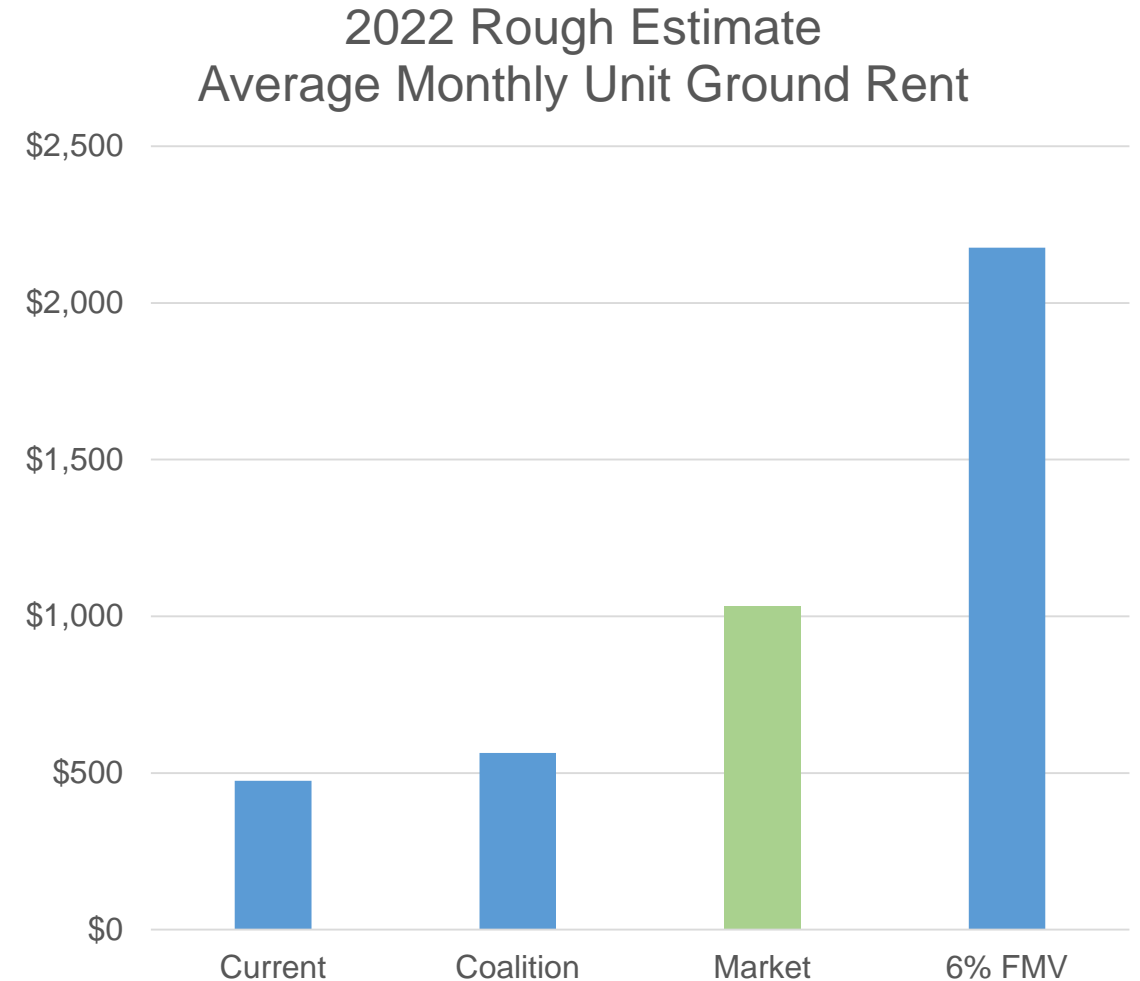
Note: Near Term Increases

- Several buildings have scheduled increases in ground rent as part of their previous agreement in order to bring them closer in alignment with the ground rents of the other buildings.
- These increases are *not* rent resets.

Building	Year of Step Up	Initial Ground Rent	New Ground Rent	Increase %
Liberty Court	2027	\$4.04	\$6.63	64.1%
Liberty Terrace	2026	\$4.25	\$6.63	56.0%
Liberty House	2026	\$4.27	\$6.61	54.8%
Soundings	2027	\$5.37	\$6.83	27.2%
Hudson Tower	2027	\$5.21	\$6.31	21.1%
1 Rector Park	2026	\$4.94	\$5.98	21.1%

Phase 2: Market-Based Ground Rent

- Amend the ground leases to replace existing contractual FMV rent reset formulas with a market-based alternative.
 - Estimate rental revenue by apartment type (studio, 1BR, 2BR, etc.) based on market rents
 - Market rental value based in part on actual sublets in BPC condo buildings
 - Also includes estimated revenue from other units, such as retail and garage
 - Incorporate CPI-based escalations
 - Approach results in different ground rent estimate depending on building

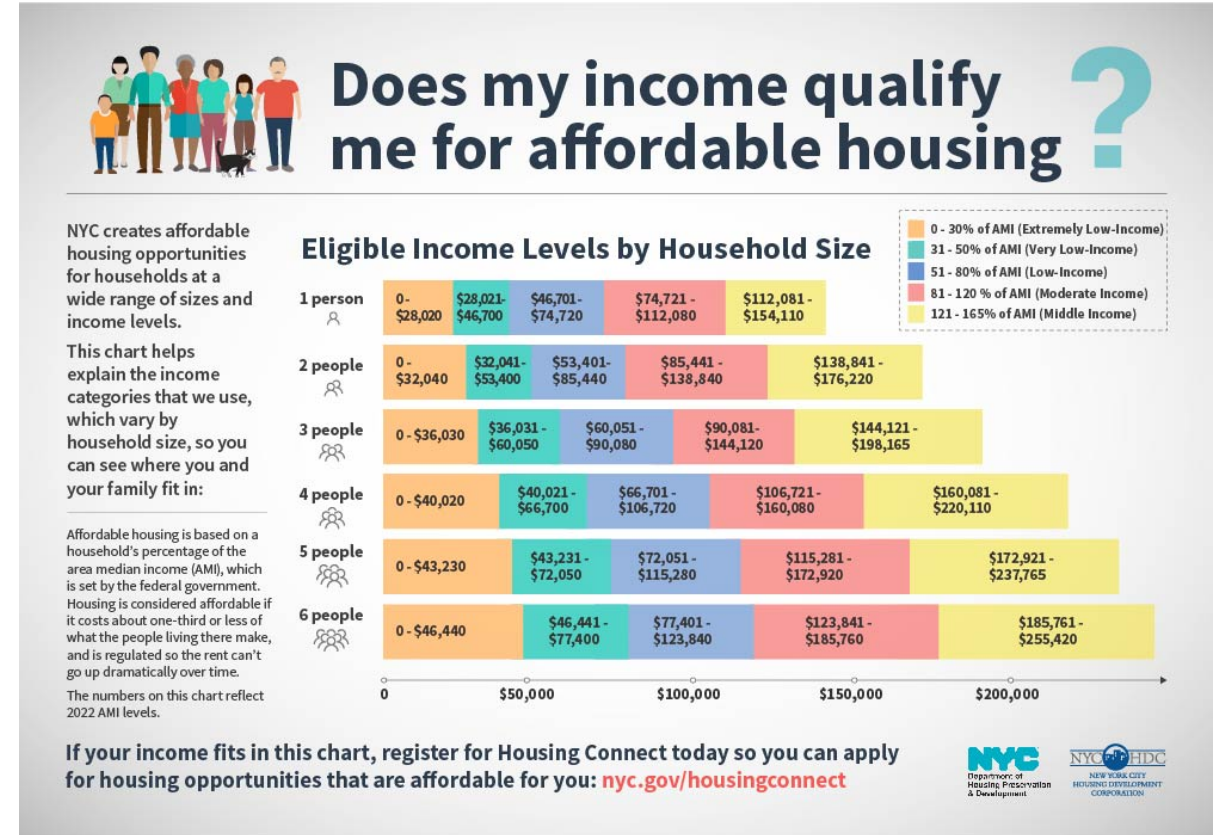


Condo Next Steps

- Bring remaining 5 condos into alignment with 2011/12 agreement and River & Warren
 - Ritz condos must negotiate their 2022 reset promptly
 - Other 4 buildings may work with Authority now in shifting their first reset period to these terms; otherwise can wait until closer to their next reset (priority 225 Rector – 2024 reset)
- Initiate discussions with other condos interested in negotiating based on the Authority's market-based framework
 - Issue new data request - confirm sublets, apartment mix and other info needed
 - BPCA calculates estimated ground rent and revises as needed based on relevant information
 - BPCA negotiates with condo boards

Ground Rent Relief

- The Authority is exploring options through which eligible owners would be granted ground rent relief. Examples might include:
 - Discount/abatement on ground rent based on verified ability to pay
 - Deferral of a portion of ground rent to be collected at the time of sale
 - Use of transaction fees to enable lower increases on ground rent.
- Develop operational framework with NY State's Department of Homes and Community Renewal (state affordable housing agency)
 - Income testing requirements and process
 - Determine qualifying AMI level



Thank you

