

B.J. Jones

President & Chief Executive Officer

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May 8, 2023

Mr. Pat Smith
President
Battery Park City Homeowner's Coalition
300 Rector Place #7-S
New York, NY 10280

Dear Pat,

Thank you for meeting with me and members of the BPCA Board on Thursday for a productive discussion on ground rents. Some of the important points we discussed included:

- The Authority and the Battery Park City Homeowners Coalition agree, and have agreed for some years now, that the rent reset formulas currently in the ground leases would cause significant spikes in ground rent.
- Based on the census data, there are a number of lower income homeowners that are likely housing cost burdened and would benefit from limits on ground rent increases.

Next steps that we discussed included:

- The Authority would review the step-up schedule for Liberty Court, Liberty Terrace, and Liberty House to determine if a modified ground rent schedule could be established through 2040 that would replace the step-ups with more incremental increases over that same period, while capturing the same total value.
- The Coalition would provide feedback on how it views an affordable ground rent program could be structured (either as designed by the Authority or in a modification to Senator Kavanagh's proposed 2022 bill) to assist those with a demonstrated need.

A few additional important points:

- Ground rent is based on the value of the public property that is rented by homeowners. It is not at all based on how much money the Authority needs to operate. The Authority has a responsibility to collect a fair value for the land that is rented on behalf of the City of New York, to which our revenues are obligated. To date these funds have primarily been used to fund affordable housing development for low-income New Yorkers.
- In 2011 and 2012, the Authority and the Coalition agreed to a ground rent schedule in which all buildings reach approximately \$10 per square foot by 2040.



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The Authority respects that agreement and envisions bringing the remaining five buildings that have not negotiated their first reset formula into alignment with the other buildings during that same time frame.

- Based on the Authority's analysis, a fair market value for ground rent today would, on average, be at least \$10 per square foot — with some variation across the buildings. Please note that the \$10 average is based on 2022 market benchmarks, and would need to be adjusted upward based on estimated growth in CPI if it were to kick in at a future year. This informs what a justifiable alternative to future rent reset formulas could be (those after 2036).
- Several condominium boards are in direct conversations with the Authority, and we will continue those conversations. Given that the buildings do have some unique qualities, such conversations are likely to be the most effective way to achieve both parties' mutual objectives, and the Authority will continue to meet with any individual condominium board that chooses to do so.
- Though we agree that the rent reset formulas would cause a significant increase in ground rent, they are nevertheless part of the existing, contractual, longstanding ground lease agreements. If condominium boards and the Authority cannot agree on a responsible alternative that is acceptable to the City by the time of their next rent resets, there will be no other recourse than to adhere to the lease terms.

Please reach out if you have any questions or comments.

Sincerely,



B.J. Jones

CC:

Senator Brian Kavanagh

Assembly Member Charles Fall

Council Member Christopher Marte

Justine Cuccia, BPC Homeowner's Coalition

Maryanne Peronti, BPC Homeowner's Coalition



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