

APRIL 2024

MTA REAL ESTATE

FINANCE COMMITTEE AGENDA ITEMS

1. TRANSACTIONAL ACTION ITEMS

MTA Metro-North Railroad

- a. License extension with City Winery to facilitate an assignment of its license for a restaurant in Grand Central Terminal, New York, NY

Metropolitan Transportation Authority

- b. Letter agreement for the Second Avenue Subway Phase II field office lease at 159 East 125th Street, New York, NY

2. INFORMATION ITEMS

- a. License agreement between NYCT and the Department of Environmental Protection for the construction of a signal tower in Queens NY
- b. Entry permit between B&T and 300 East 40th St. Condominium for the placement of a shed and scaffolding on the sidewalk adjacent to 300 East 40th St., New York, NY
- c. Report on agreements entered into directly by the Real Estate Department pursuant to board policy
- d. Grand Central Terminal Vanderbilt Hall Events

<u>Legal Name</u>	<u>Popular Name</u>	<u>Abbreviation</u>
<u>New York City Transit Authority</u>	<u>MTA New York City Transit</u>	<u>NYC Transit</u>
<u>The Long Island Rail Road Company</u>	<u>MTA Long Island Rail Road</u>	<u>LIRR</u>
<u>Metro-North Commuter Railroad Company</u>	<u>MTA Metro-North Railroad</u>	<u>MNR</u>
<u>Triborough Bridge and Tunnel Authority</u>	<u>MTA Bridges and Tunnels</u>	<u>MTA B&T</u>
<u>MTA Construction and Development Company</u>	<u>MTA Construction and Development</u>	<u>MTA C&D</u>
<u>MTA Bus Company</u>	<u>MTA Bus Company</u>	<u>MTA Bus</u>
<u>MTA Grand Central Madison Operating Company</u>	<u>Grand Central Madison</u>	<u>GCMC</u>

Staten Island Rapid Transit Operating Authority is a subsidiary of the Metropolitan Transportation Authority. Its popular name is MTA Staten Island Railway (abbreviated as SIR).

Manhattan and Bronx Surface Transit Operating Authority is a subsidiary of the New York City Transit Authority (abbreviated as MaBSTOA).

MTA METRO-NORTH RAILROAD

Staff Summary

Subject LICENSE EXTENSION WITH CITY WINERY TO FACILITATE AN ASSIGNMENT OF ITS LICENSE AGREEMENT IN GRAND CENTRAL TERMINAL
Department REAL ESTATE
Department Head Name DAVID FLORIO
Department Head Signature
Project Manager Name KIM TREVISAN

Date APRIL 30, 2024
Vendor Name
Contract Number
Contract Manager Name
Table of Contents Ref. #

Board Action					
Order	To	Date	Approval	Info	Other
1	Finance Committee	04/29/24	X		
2	Board	04/30/24	X		

Internal Approvals			
Order	Approval	Order	Approval
1	Legal		
3	Chief Administrative Officer		
2	Chief Financial Officer		

AGENCY: MTA Metro-North Railroad (“MNR”)
LICENSEE: City Winery, LCC (“City Winery”)
LOCATION: Grand Central Terminal (“GCT”)
PREMISES: Vanderbilt Hall West spaces #MC-16, #MC-17, #MC-20B
USE: Operation of full-service restaurant and bar
ACTION REQUESTED: Authorization to amend the existing License Agreement to allow for the early exercise of the existing extension options and add one additional two (2) year option.

COMMENTS:

By Staff Summary dated April 27, 2022 (attached for reference), the Board approved a License Agreement (“Agreement”) for City Winery to operate a full-service restaurant and bar in Vanderbilt Hall in GCT. The initial term was set for three (3) years (“Initial Term”) with two (2) one-year options (“Original Options”) to extend upon agreement of both Licensor and Licensee (five years in total). City Winery’s Initial Term expires October 31, 2025.

On February 23, 2024, City Winery provided a written request to MTA seeking approval to assign their Agreement to Vizz Group LLC (“Vizz Group”) in accordance with the terms of their Agreement. Vizz Group is a new company whose principal recently headed OTG, a large developer and operator of restaurants and retail, with approximately 350 locations in 22 airport terminals across North America. Consequently, this new entity comes to GCT with a depth of experience in developing and managing restaurants. Vizz Group has proposed a French brassiere concept and is committed to undertaking a renovation of the existing restaurant in Vanderbilt Hall to fully embody their concept.

As part of City Winery’s assignment request, they have requested the immediate exercise of each of the Original Options (extending the expiration date of the Initial Term to October 31, 2027) and for one (1) additional two-year extension option (“Additional Option”) thereby giving Vizz Group the ability to fully develop their concept, realize a positive operating income and amortize their investment over the course of a full five (5) years (assuming the Additional Option is exercised the expiration date would be October 31, 2029). Except as set forth herein, all other terms and conditions of the Agreement remain the same.

Staff Summary

**FINANCE COMMITTEE MEETING
LICENSE EXTENSION WITH CITY WINERY TO FACILITATE AN ASSIGNMENT OF ITS LICENSE
AGREEMENT IN GRAND CENTRAL TERMINAL (Cont'd.)**

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Based on the foregoing, MTA Real Estate requests authorization for MTA/MNR to amend City Winery's License Agreement under the above-described terms and conditions.

Staff Summary

Subject LICENSE AGREEMENT WITH CITY WINERY IN GRAND CENTRAL TERMINAL
Department REAL ESTATE
Department Head Name DAVID FLORIO
Department Head Signature
Project Manager Name KIM TREVISAN

Date April 27, 2022
Vendor Name
Contract Number
Contract Manager Name
Table of Contents Ref. #

Board Action					
Order	To	Date	Approval	Info	Other
1	MNR Committee	4/25/22		x	
2	Finance Committee	4/25/22	x		
3	Board	4/27/22	x		

Internal Approvals			
Order	Approval	Order	Approval
1	Legal		
2	Chief Administrative Officer		
3	Chief of Staff		
4	Chief Financial Officer		

AGENCY: Metropolitan Transportation Authority ("MTA") and MTA Metro-North Railroad ("Metro-North")

LICENSEE: City Winery, LLC

LOCATION: Vanderbilt Hall West spaces #MC-16, #MC-17, #MC-20B in Grand Central Terminal ("GCT")

ACTIVITY: License Agreement for the operation of a full-service restaurant, bar/gastropub, and grab and go food and beverage.

ACTION REQUESTED: Authorization to enter into a License Agreement for retail space at GCT

TERM: Three (3) years with one, two (2) year option to be agreed upon mutually, subject to at will revocation on 60 days' notice, at no cost to the MTA or Metro-North

SPACE: 15,888 sq. ft. (±)

BASE RENT COMPENSATION:	Period	Fixed License Fee (Annual Rate)
	License Year 1	\$500,000.00
	License Year 2	\$750,000.00
	License Year 3	\$1,000,000.00
	Option Year 4	\$1,100,000.00
	Option Year 5	\$1,200,000.00

PERCENTAGE RENT COMPENSATION:	Period	Percentage License Fee Rate
	License Year 1	Eight percent (8%)
	License Year 2	Nine percent (9%)
	License Year 3	Ten percent (10%)
	Option Year 4	Ten percent (10%)
	Option Year 5	Ten percent (10%)

Staff Summary
FINANCE COMMITTEE
LICENSE AGREEMENT WITH CITY WINERY
IN GRAND CENTRAL TERMINAL(CONT'D)

COMMENTS:

Pursuant to MTA's Real Estate's Merchandising Plan for Grand Central Terminal, a Request for Proposals ("RFP") was issued in September 2020 seeking offers to operate multiple interconnected spaces in Vanderbilt Hall and the Shuttle Passageway. These spaces had previously been master leased to the former Great Northern Food Hall. Due to the lack of competitive response to the RFP, the MTA terminated the RFP in November 2020 and assigned its retail consultant, CBRE, to directly market the west side of Vanderbilt Hall to prospective tenants for a short-term license. CBRE subsequently held discussions with no fewer than twenty (20) prospective retail operators.

In August 21, 2021, a letter of intent was completed with City Winery. City Winery has a robust, existing customer base originating from their prominent locations at Pier 57, Rockefeller Center, Greenwich Village, as well locations in Boston, Atlanta, Washington D.C, Philadelphia and in the Hudson Valley. The proposed Licensee intends to operate a gastropub, a grab & go retail operation and a bar/restaurant. Although they are known for their live music events, this location will focus on their farm-to-table menu, their unique selection of wine with ambient background music.

The proposed compensation structure in year one (\$500,000 and 8% of Gross Sales) is consistent with the transaction that was executed with Cipriani for a new restaurant on the Main Concourse's west balcony (\$850,500 and 7% of gross sales).

MTA Real Estate's Board-approved license Policy #29 for retail spaces in GCT limits MTA Real Estate's ability to enter into license agreements without prior MTA Board approval to thirty-six (36) months. Because of the impact to current retail market conditions created by the Covid-19 global pandemic as well as City Winery's proposed investment to the space, an option for a longer term of five (5) years is requested in order to maintain a high-profile, high-quality use for this space.

RECOMMENDATION:

Based on the foregoing, the MTA Real Estate requests authorization for the MTA and Metro-North to enter into a license agreement with City Winery based upon the above-described terms and conditions.

FOR REFERENCE PURPOSES ONLY

**METROPOLITAN
TRANSPORTATION
AUTHORITY**

Staff Summary

Subject LETTER AGREEMENT FOR THE SECOND AVENUE SUBWAY PHASE II FIELD OFFICE LEASE AT 159 EAST 125TH STREET, NEW YORK, NY
Department REAL ESTATE
Department Head Name DAVID FLORIO
Department Head Signature
Project Manager Name XAVIER CARRERA

Date APRIL 30, 2024
Vendor Name
Contract Number
Contract Manager Name
Table of Contents Ref. #

Board Action					
Order	To	Date	Approval	Info	Other
1	Finance Committee	04/29/24	X		
2	Board	04/30/24	X		

Internal Approvals			
Order	Approval	Order	Approval
1	Legal		
2	Chief Administrative Officer		
3	Chief Financial Officer		

AGENCY: Metropolitan Transportation Authority (“MTA”)
LESSOR: BDG Gotham Plaza, LLC (“Lessor”)
LOCATION: 159 East 125th Street, New York, NY
PREMISES: 17,647 SF in a portion of the third floor
USE: Field office for the Second Avenue Subway Phase 2 (“SAS2”)
ACTION REQUESTED: Authorization to enter into a letter agreement
TERMINATION / REIMBURSEMENT: i) MTA right to terminate during a 90-day period after the Office of the New York State Comptroller’s (“OSC”) approval
 ii) Reimbursement to Lessor of Design Work expenditures if the SAS2 Lease is not approved by OSC
TERMINATION / REIMBURSEMENT PAYMENT: Up to \$225,000.00
LESSOR SERVICES: Lessor shall provide schematic, design development, and construction drawing services (“Design Work”) to the MTA, in support of delivering the field office lease (“SAS2 Lease”) by 1st quarter of 2025.

COMMENTS:

In support of the field office for SAS2, the Project team required that the office space become available by the 1st quarter of 2025. MTA Real Estate received Board approval for the SAS2 Lease terms in September 2023 (attached Staff Summary). In order to meet the Project team’s requirement, the SAS2 Lease requires design and construction services from the Lessor for the field office buildout to commence immediately. The Lessor refuses to expend any resources to further Design Work until the MTA has obtained all required approvals unless the MTA agrees to reimburse the Lessor for Design Work expenditures if the SAS2 Lease is not approved by OSC.

FINANCE COMMITTEE MEETING

LETTER AGREEMENT FOR THE SECOND AVENUE SUBWAY PHASE II FIELD OFFICE LEASE AT 159 EAST 125TH STREET, NEW YORK, NY (Cont'd)

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The MTA has agreed to reimburse the Lessor for the Design Work expenditures at a cap of \$225,000 if (i) OSC does not approve the SAS2 Lease, or (ii) OSC approves the SAS2 Lease, but the Project team decides not to go forward and directs MTA Real Estate to terminate the SAS2 Lease. Both parties have agreed to enter into a letter agreement, separate from the SAS2 Lease, to document the conditions for reimbursement to the Lessor for Design Work as aforesaid.

It is noted that since Board approval the Premises was reduced in size from up to 26,402 square feet, down to 17,647 square feet.

Based on the foregoing, MTA Real Estate requests authorization to enter into a letter agreement on behalf of the Metropolitan Transportation Authority under the above-described terms and conditions.

Staff Summary

Subject LEASE AGREEMENT FOR THE SECOND AVENUE SUBWAY PHASE II FIELD OFFICE NEAR 125TH STREET AND SECOND AVENUE IN MANHATTAN, NY
Department REAL ESTATE
Department Head Name DAVID FLORIO
Department Head Signature
Project Manager Name XAVIER CARRERA

Date SEPTEMBER 20, 2023
Vendor Name
Contract Number
Contract Manager Name
Table of Contents Ref. #

Board Action					
Order	To	Date	Approval	Info	Other
1	Finance Committee	09/18/23	X		
2	Board	09/20/23	X		

Internal Approvals			
Order	Approval	Order	Approval
1	Legal		
2	Chief Administrative Officer		
3	Chief Financial Officer		

AGENCY: Metropolitan Transportation Authority ("MTA")
LESSOR: BDG Gotham Plaza, LLC ("Lessor")
LOCATION: 159 East 125th Street, New York, NY
PREMISES: Up to 26,402 SF in a portion of the third floor
USE: Field office for the Second Avenue Subway Phase 2 ("SAS2")
ACTION REQUESTED: Authorization to enter into a lease agreement
TERM: Ten (10) year term with two (2) five (5) year renewal options at 95% fair market value.
TERMINATION: Termination option from the seventh (7th) anniversary of rent commencement by providing twelve (12) months prior written notice
RENT COMMENCEMENT: Three (3) months from possession
BASE RENT

Year 1: \$56.00/SF (inclusive of estimated taxes to be reduced upon tax exemption) with 2% annual escalations
 Year 2: \$57.12/SF
 Year 3: \$58.26/SF
 Year 4: \$59.43/SF
 Year 5: \$60.62/SF
 Year 6: \$61.83/SF
 Year 7: \$63.07/SF
 Year 8: \$64.33/SF
 Year 9: \$65.61/SF
 Year 10: \$66.93/SF

FINANCE COMMITTEE MEETING

LEASE AGREEMENT FOR THE SECOND AVENUE SUBWAY PHASE II FIELD OFFICE NEAR 125TH STREET AND SECOND AVENUE IN MANHATTAN, NY (Cont'd)

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OPERATING EXPENSES	Included in base rent
ELECTRICITY	Direct meter or sub-metered at actual costs with no markup but will include 3 rd party meter reading costs
LESSOR'S WORK	Lessor shall provide and install a "turnkey" office buildout of the Premises based on the MTA's test fit plan. Lessor will provide architectural and engineer services for space planning and preparation of construction documents. The Lessor will contribute \$100.00/SF (\$2,640,200) to the cost of the MTA's improvements. The MTA will reimburse any costs over the \$100.00/SF, which overage is estimated to be \$207.36/SF.
LESSOR'S SERVICES	Lessor shall provide domestic water, communication, electrical, and gas connections to the Premises so that the MTA may obtain all required services directly from the utility provider.
REAL ESTATE TAXES	None. Lessor will convert building to a condominium structure. The MTA will reimburse the Lessor for conversion costs but will benefit from an annual savings of reduced base rent, estimated at \$5.16 per square foot through the term of the lease. Conversion costs will not exceed \$175,000.
SECURITY DEPOSIT	None
CLEANING	Lessor will provide cleaning services, pursuant to cleaning specifications, the costs of which are included in the base rent.

COMMENTS:

Phase 2 of the Second Avenue Subway Project will extend the Q line into Harlem and improve commutes for area residents by creating new stations on Second Avenue at 106th, 116th, and 125th Streets. During SAS2's design and buildout period over the next 10 years, MTA staff and contractors working on SAS2 will require a field office in a proximate location to the new stations. All personnel working on SAS2 will report to 159 East 125th Street for the purpose of collaboration with different departments, plan/design development, review and execution and preparation of materials needed to conduct field work. The field office is expected to be operational by April 2024, which will coincide with the onboarding of SAS2 contractors.

MTA Real Estate engaged real estate brokerage services from its consultant, CBRE, to provide market surveys, site inspection/selection, negotiation, and architectural services. MTA Real Estate also conducted market research such as identifying completed comparable transactions, searched for available alternatives, and participated in negotiation of lease terms in conjunction with SAS2 project requirements. In addition, MTA Real Estate also engaged its architecture and design consultant, CSA, to identify the square footage requirement and maximize efficiency. As a result, the current requirement shall not exceed 26,402 square feet, however, we are seeking additional efficiencies to reduce the required footprint.

Viable office space in the geographical catchment area is very limited, therefore, only two availabilities were presented which met SAS2's requirements. SAS2 selected 159 East 125th Street because of the Lessor's ability to meet occupancy deadlines, efficiency of all staff being located on one floor, the economics of the deal, proximity to the project, and a Lessor amenable to constructing the premises on behalf of SAS2.

Considering the market area and limited available space, there are no alternative options that fully meet SAS2's requirements.

The rental rate of \$56.00 per square foot is within the fair market value range of \$49.50 - \$63.00 per square foot provided by MTA Real Estate's consultant, CBRE.

Staff Summary

FINANCE COMMITTEE MEETING

LEASE AGREEMENT FOR THE SECOND AVENUE SUBWAY PHASE II FIELD OFFICE NEAR 125TH STREET AND SECOND AVENUE IN MANHATTAN, NY (Cont'd)

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Based on the foregoing, MTA Real Estate requests authorization to enter into a lease agreement on behalf of SAS2 under the above-described terms and conditions.

FOR REFERENCE PURPOSES ONLY