

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
MEETING OF THE MEMBERS
One World Financial Center, 24th Floor
New York, NY 10281
January 12, 2010

Members Present

James F. Gill, Chairman
Frank J. Branchini, Member (by telephone)
David B. Cornstein, Member
Evelyn K. Rollins, Member
Andy K. Shenoy, Member

Authority Staff in Attendance: James E. Cavanaugh, President and Chief Executive Officer
Alexandra Altman, Executive Vice President and General Counsel
Daniel Baldwin, Senior Development Counsel
Lauren Bruggess, Administrative Assistant
Megan Churnetski, Assistant General Counsel and Assistant
Corporate Secretary
Sidney Druckman, Director, Special Projects
Stephanie Gelb, Vice President, Planning & Design
Antigona Hajdaraj, Special Assistant to the President
Steven E. Harper, Vice President, Safety & Site Management
Robert Holden, Vice President, Human Resources &
Administration
Carl D. Jaffee, Senior Development Counsel and Corporate
Secretary
Susan Kaplan, Director, Sustainability
Wilson Kimball, Senior Vice President, Operations
Lisa Miller, Vice President, Internal Audit and Compliance
Stan Molinski, Director, Information Technology
Leticia Remauro, Vice President, Community Relations,
Affirmative Action and Press
Robert M. Serpico, Senior Vice President, Finance and
Treasurer/Chief Financial Officer

Others in Attendance: Tessa Huxley, Executive Director, Battery Park City Parks
Conservancy
Betty Chin, Director of Administration & Finance, Battery Park
City Parks Conservancy
Eric T. Fleisher, Director of Horticulture, Battery Park City Parks
Conservancy
Bruno Pomponio, Director of Maintenance, Battery Park City
Parks Conservancy
Vincent McGowan, Assistant Executive Director, Battery Park
City Parks Conservancy

Randolph Tancer, Human Resources Manager, Battery Park City
Parks Conservancy
Margaret Lin, Battery Park Realty
Tim Sheehan, CB Richard Ellis
Julie Shapiro, Downtown Express
Brian Krapf, George Arzt Communications, Inc.
Carl Glassman, Tribeca Tribune

The meeting, called on public notice in accordance with the New York State Open Meetings Law, convened at 10:05 a.m.

The first item on the agenda was approval of the minutes of the November 17, 2009 meeting.

Upon a motion made by Mr. Branchini and seconded by Ms. Rollins, the following resolution was unanimously adopted:

APPROVAL OF MINUTES OF THE NOVEMBER 17, 2009 MEETING

BE IT RESOLVED, that the minutes of the meeting of the Members of the Hugh L. Carey Battery Park City Authority held on November 17, 2009 are hereby approved.

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The next item on the agenda, introduced by Mr. Gill, was a request to authorize the use of \$6,838,052 from the Authority's Operating Reserve, Contingency and Replacement Fund in order for the Battery Park City Parks Conservancy to recognize the actuarial accrued liabilities associated with the proposed new Conservancy post-retirement health insurance benefits program. Mr. Gill declared that he is very pleased that the Conservancy's employees will now be on equal footing with the Authority's employees.

Mr. Cavanaugh noted that at a meeting of the Conservancy Directors scheduled to follow this meeting, the Directors will be asked to approve a post-retirement health insurance benefits program for Conservancy employees.

Next, Mr. Serpico explained that the Authority had retained Buck Consultants ("Buck"), an actuarial firm, to determine the costs associated with providing a post-retirement health insurance benefits program to Conservancy employees. Buck has established \$6,838,052 as the current value of the projected benefits through January 31, 2010. Because Buck quantified this accrued benefit, the Authority must account for it on its balance sheet as a liability. Therefore, he continued, Management recommends that the Directors approve a separate fund in which to set aside assets equal to the accrued benefit to fully recognize and segregate assets equal to the liability. The source of the \$6,838,052 is the Authority's Operating Reserve, Contingency and Replacement Fund (the "Fund"), Mr. Serpico explained. He further noted that the normal annual costs associated with the new Conservancy post-retirement health insurance benefits program as of February 1, 2010 will come out of the Conservancy's annual operating budget which is approved by the Conservancy's Directors each year.

Mr. Serpico continued by noting that the Fund was created to meet certain needs of the Conservancy over time. It is held and invested by the Authority in accordance with its approved investment guidelines, and monies from the funds, which now total approximately \$21 million, have been used from time to time to meet various Conservancy expenses, he stated. In response to inquiry by Ms. Rollins, Mr. Serpico explained that the Fund is no longer annually funded by the Authority because it has already grown so large.

In response to an inquiry from Mr. Branchini, Mr. Jaffee explained that in February of 1991, the Members authorized the Fund to provide for “operating, administrative and/or maintenance costs and working capital needs” of the Conservancy in accordance with the Management Agreement between the Authority and the Conservancy. Therefore, he explained, use of the fund for the post-retirement health insurance benefits program is completely consistent with its originally-stated purpose. Mr. Branchini requested that the minutes include such explanation.

Mr. Cavanaugh then reminded the Members that they had previously approved a resolution which changed the Conservancy’s health care insurance provider from Oxford Health Care to the New York State Health Insurance Program (NYSHIP), which will save the Conservancy approximately \$300,000 in annual insurance premiums, and will partly mitigate the additional costs related to granting health care benefits for the Conservancy’s future retirees.

Ms. Huxley and Mr. Gill expressed their gratitude to Mr. Holden for his efforts in moving the Conservancy into NYSHIP.

Ms. Altman noted that the proposed resolution addresses the last significant inequity in benefits between the Authority staff and the Conservancy staff. Mr. Cornstein noted that this is long overdue.

Upon a motion made by Ms. Rollins and seconded by Mr. Branchini, the following resolution was unanimously adopted:

AUTHORIZATION FOR UTILIZATION OF A PORTION OF THE OPERATING RESERVE, CONTINGENCY AND REPLACEMENT FUND TO RECOGNIZE CONSERVANCY HEALTH INSURANCE PLAN LIABILITIES

BE IT RESOLVED, that in accordance with the materials presented to this meeting, the amount of \$6,838,052 in the Operating Reserve, Contingency and Replacement Fund established to meet certain operating, administrative and/or maintenance costs and working capital needs of the Battery Park City Parks Conservancy may be utilized for the purpose of establishing a separate, designated fund to satisfy the actuarial accrued liabilities associated with a proposed new Conservancy Post- Retirement Health Insurance Benefits Program of the Conservancy.

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There was then a brief recess during which a meeting of the Directors of the Battery Park City Parks Conservancy was held to authorize the approval of the post-employment health care

benefits program. Upon resumption of the meeting of the Members of the Authority, Mr. Cavanaugh presented the next item on the agenda, a request to approve a five-year extension of the term of the Authority's lease of space in the Regatta Condominium, for the 7,420 square feet of space occupied by the Authority, subject to possible future reduction.

Mr. Cavanaugh stated that at the request of the Members made at the September 2009 meeting at which approval for this lease extension was first requested, Authority staff has attempted to renegotiate the proposed initial base rent of \$65 per square foot and 2% annual increase, but that the landlord was unwilling to reduce the rent he was asking.

Mindful of the Members' concern regarding cost control, the Authority plans to reconfigure the space to reduce the amount required by the Authority, Mr. Cavanaugh said. The Authority does have to take into account that currently a portion of the space is utilized by FJC Security Services, the Authority's contract security force. It also contains a community meeting room, used by residents for various functions, as well as by a senior citizen group that meets several times a week. It is also used as a polling place for primary and general elections and the Authority makes office space available to the Battery Park City Citizens Emergency Response Team, which is a federally-sponsored volunteer program enacted after 9/11.

Therefore, Mr. Cavanaugh stated, Management recommended continuing to lease space at the Regatta Condominium, but to further downsize the amount of space rented there in the future in order to lower costs. However, the landlord will not finalize an agreement as to a further reduction of the size of the Authority space until the New York State Department of Transportation ("DOT") vacates the adjoining space, previously sublet from the Authority, which it and its engineering firm currently occupy. DOT has informed the Authority that it plans to vacate the Regatta within the next few months, but will not provide a firm date. However, the landlord has agreed to permit the Authority to downsize its space once DOT vacates, Mr. Cavanaugh explained.

In response to inquiry by Ms. Rollins, Mr. Cavanaugh explained that even when the north neighborhood's Community Center is operating, there will still be a need for community meeting space in the south neighborhood. Ms. Remauro confirmed that there is a need for this type of space in both the north and south neighborhoods.

Next, Mr. Gill requested more information as to what efforts were made to determine whether or not the Authority could get appropriate space at a lesser price. Mr. Serpico explained that he and Mr. Jaffee inquired of building managers throughout Battery Park City as to space availability, including basement space, but found that there was no comparable or usable space available in the area for a lesser price.

Then, as to the rental under the proposed lease renewal at the Regatta, Mr. Sheehan explained that CB Richard Ellis ("CBRE") assessed the Authority's needs with regard to the space, examined comparable retail ground floor spaces and came to the conclusion that \$65 per square foot as a starting rent for a five-year lease term, is within the range, albeit at the high end, of market rents. He noted that other considerations include the lack of escalation payments in the lease for common area expenses and taxes, the avoidance of relocation fees for a move to another space, and the flexibility of a five-year lease term. Given those factors and given the market comparables, "it was our opinion that the negotiated terms of this lease renewal were fair

and reasonable within the market context,” Mr. Sheehan stated. At Mr. Gill’s request, CBRE’s memorandum will be attached to these minutes.

Upon a motion made by Mr. Shenoy and seconded by Mr. Branchini, the following resolution was unanimously adopted:

AUTHORIZATION OF EXTENSION OF LEASE TERM FOR SPACE IN THE REGATTA CONDOMINIUM

BE IT RESOLVED, that in accordance with the materials presented to this meeting, the President of the Authority or his designee(s) be, and each of them hereby is, authorized and empowered to execute an agreement (the "Agreement") extending the term of the lease of 7,420 square feet of space in the Regatta Condominium for a period of five years; and be it

RESOLVED, that the President of the Authority or his designee(s) be, and each of them hereby is, authorized and empowered to execute and deliver the Agreement on behalf of the Authority, subject to such changes as the officer or officers securing the Agreement shall, with the advice of counsel, approve as necessary and appropriate and in the best interest of the Authority such approval to be conclusively evidenced by the execution and delivery of the Agreement; and be it further

RESOLVED, that the President of the Authority or his designee(s) be, and each of them hereby is, authorized and empowered to execute all such other and further documents and to take all such other and further actions as may be necessary, desirable or appropriate, in connection with the transaction contemplated in the foregoing resolutions, and any such execution of documents and any other and further actions heretofore taken are hereby ratified and any action hereafter taken are confirmed and approved.

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There being no further business, the meeting thereupon adjourned at 10:30 a.m.

Respectfully submitted,



Carl D. Jaffee
Corporate Secretary