

ECEC 004

## **Potential lease at 815**

From: Geoffrey Smith

In: [Executive Committee of Executive Council](#)

Date: Thu Oct 25 2018 at 8:18am

We propose to lease to Midtown Hardware, a very highly qualified tenant, the ground floor retail space and mezzanine space of 3,463 square feet, for a 15 year, 6 month term. Our financial analysis estimates the gross revenue over the term of the lease will be \$2,564,380, less our costs (preparation of the space and broker commission) incurred in the first year of \$168,412, or \$2,395,968 net. Security will be six months' rent in cash or Letter of Credit.

As discussed at with the Governance and Operations Committee, the space leased to Midtown Hardware is currently subject to New York City property taxes, under a current revision to the tax regulations in New York. The generally accepted market process for sharing this tax liability between landlord and tenant is for the tenant to pay only the increase in property taxes generated by the lease above a base year (2019). Under this market approach, Midtown would pay us over the life of the lease \$243,000. The proposal we have made, which they are prepared to accept, increases their contribution towards the property taxes to \$392,449.

This lease will generate 95% of the income targeted for this space, as measured against our expectations set in November, 2017. We believe that should this proposal not be approved, it is conceivable the space could remain vacant for at least another 6-12 months, as the retail leasing market in New York City is extraordinarily weak. We urge you to approve this proposal. Thank you