

September 16, 2014

Nydia M. Velázquez
Congresswoman

Daniel Squadron
State Senator

Joan Millman
Assemblymember

Brad Lander
Councilmember

Stephen T. Levin
Councilmember

Dear Congresswoman Velázquez, Senator Squadron, Assemblymember Millman, and Councilmembers Levin and Lander:

We are in receipt of your letter dated September 3, 2014 requesting certain information regarding the Park's financials.

Contrary to the suggestions made in your letter and statements made by the newly formed groups "Save Pier 6" and People for Green Space Foundation Inc., the Park has been consistently transparent and responsive to questions with respect to its financials. As you know, there have been multiple public meetings convened by BBP on the Pier 6 development sites at which this information has been presented in detail. As discussed at these meetings, the BBP financial model does in fact account for the projected revenue generated by expiring tax abatements. As also discussed at these meetings, this increase will coincide with increased funding needed for both the maritime reserve and the capital reserve required to replace Park installations that will start to reach the end of their useful life and need replacement.

Please note that while the expiry of the tax abatements *is* included in BBP's financial model, the financial presentation at the August 6th Board of Directors meeting analyzed project revenues and expenses annually from FY14 – FY18 in response to Director Raskin's explicit request for a 5 year projection inclusive of FY14. Moreover, FY18 is an appropriate year to provide a 'snapshot analysis' of the BBP budget because it is the first year that Park expenses and revenues are expected to reach stabilized annual levels.

To your requests:

1. There are two existing tax benefits, and two that are projected:
 - a. The residential component of 360 Furman St has a J-51 abatement and exemption that began in 2010 and expires in 2024.

- b. The commercial component of 360 Furman has an ICIP exemption that began in 2009 and expires in 2034.
 - c. In addition, the Empire Stores project and the hotel component of the Pier 1 development are both eligible as-of-right for ICAP exemptions. To date, neither of these projects has applied for this program, and the BBP financial model assumes that each of these projects will be granted an ICAP exemption in 2017, which would run through 2042.
2. The projected incremental revenue associated with the expiration of the J-51 tax abatement at the residential portion of 360 Furman is approximately \$4M per year (\$2014). The projected incremental revenue associated with the expiration of the ICIP tax abatement at the commercial portion of 360 Furman is approximately \$0.7M per year (\$2014). Given that the initial baseline taxable market values for the Pier 1 hotel and Empire Stores have not yet been appraised, and that the twenty-five year ICAP exemptions have not been applied for, let alone granted, any projections as to the amount of any additional revenue to the Park upon their expiration would be highly speculative.
3. The August 6th financial presentation projected Park revenues and expenses over the 5-year period of FY14-FY18. The presentation was based on Brooklyn Bridge Park's long-term financial model in which projected revenue sources include (i) development sites [incorporating one-time payments, PILOT, and ground rent (both scheduled and performance-based)],(ii) concessions, (iii) permitting, (iv) parking, and (v) the marina. We do not anticipate additional revenue from any other sources. You should note that any fluctuations in the assumptions that underlie the model, including projections of growth rates and market conditions, could significantly alter the projected revenue levels to be derived from each of these sources.
4. The BBP financial model projects that the revenue generated from the expiration of the tax benefits will help fund the Park's capital reserve and maritime reserve. As noted in the August 6th presentation, the lump sum payments received upon execution of the development are only projected to fund a portion of the maritime expenses. The revenue from the expiration of the tax benefits helps fund the remaining portion of maritime expenses that will not be supported by the upfront payments. As also noted in the August 6th presentation, the FY2015 budget includes \$1.5 million for the capital reserve, which is the first year that BBP is able to fund its capital reserve. Over time, the financial model projects increases in this annual allocation until it reaches a level equal to 1%-2% of the cost of initial Park construction in order to ensure responsible stewardship of the Park into the future. The revenue projected to be generated from the expiration of tax benefits will be needed to increase the capital reserve contribution to the target level. As BBP will not have access to City capital funds going forward, it is essential that BBP carry a sufficient capital reserve. These reserves are critical to the continued operation and maintenance of the Park, and will be used to provide a ready source of funds to support the appropriate life-cycle replacement of capital assets,

including buildings, structures, park land and surfaces, furniture, fixtures, and equipment.

It is not feasible to project a line item breakdown of anticipated uses to be funded by the capital reserve, but please note that all expenditures in excess of \$100,000 require Board approval.

Revenue generated by the Pier 6 development is essential to the future of BBP, and will provide vital Park funding to guarantee ongoing maintenance of the waterfront Park for generations to come. To halt this development and deny the funding necessary to prevent the deterioration of the Park's piers could be disastrous for the Park and for the millions of people who enjoy this beloved space.

Finally, it is deeply disappointing that our local elected officials and members of the local community are opposed to a project which, within an already approved building envelope, will provide 130,000 square feet of much needed affordable housing to help address the acute shortage of affordable homes in our community. BBP is proud that, with the Pier 6 development, we are able to support the Mayor's affordable housing plan, deliver the housing and jobs this city needs, and secure the future of Brooklyn Bridge Park.

Sincerely,



Regina Myer

Cc: Brooklyn Bridge Park Community Advisory Council
Brooklyn Community Board 2
Brooklyn Community Board 6