

CAPITAL COMMITTEE

June 12, 2014

MEETING AGENDA

1:00 p.m.

125 Worth Street, Room 532
5th Floor Board Room

CALL TO ORDER

Emily A. Youssouf

- ADOPTION OF MINUTES May 8, 2014

Emily A. Youssouf

- SENIOR ASSISTANT VICE PRESIDENT'S REPORT

Roslyn Weinstein

ACTION ITEMS

- **Resolution** **George Proctor**
Authorizing the President of the New York City Health and Hospitals Corporation (the "Corporation") to execute a five year lease extension agreement with Welner Associates (the "Landlord") for 10,900 square feet of space at 279 Graham Avenue, Borough of Brooklyn, to house the Williamsburg Community Health Center (the "Health Center"), operated by Woodhull Medical and Mental Health Center (the "Facility") at an initial rent of approximately \$41 per square foot to increase at a rate of 3.5% per year with the Corporation responsible for the payment of real estate taxes, water and sewer rents, gas, and electricity and with the Corporation holding an option for an additional five years at a rental rate that will continue the pattern of annual 3.5% increases.
- **Resolution** **Meryl Weinberg**
Authorizing the President of the New York City Health and Hospitals Corporation (the "Corporation") to execute five successive one year revocable license agreements with the New York City Human Resources Administration ("HRA") for the use and occupancy of approximately 2,738 square feet of space at 413 East 120th Street, Borough of Manhattan to house for La Clinica del Barrio operated by Metropolitan Hospital Center (the "Facility") at an occupancy fee of \$23 per square foot, a \$2 per square foot utility surcharge, a \$1 per square foot seasonal cooling charge, and a Saturday occupancy charge not to exceed \$25,000 per year.
- **Resolution** **Ernest Baptiste**
Authorizing the President of the New York City Health and Hospitals Corporation (the "Corporation") to execute a revocable five-year license agreement with Eyes and Optics (the "Licensee") for the use and occupancy of approximately 140 square feet of space on the 8th floor of the "E Building" to operate an optical dispensary at Kings County Hospital Center (the "Facility") at an occupancy fee of \$30 per square foot for a total annual occupancy fee of \$4,200 to be escalated by 3% per year.

VENDEX: Pending. Certificate of No Change has been submitted.

INFORMATION ITEMS

- Project Status Reports

Central/North Brooklyn Health Network

Daniel Gadioma/Lisa Scott-McKenzie

- Kings County Hospital: Elevator Upgrade "ABC" Buildings – Delayed
- Woodhull Medical Center: Obstetric Unit Expansion – Delayed

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Queens Health Network

Dean Mihaltses/Juan Izquierdo

- Elmhurst Hospital: Women's Health Center – Delayed
- Queens Hospital: "T" Building Relocation

OLD BUSINESS
NEW BUSINESS
ADJOURNMENT

CAPITAL COMMITTEE MEETING MINUTES

MAY 8, 2014

MINUTES

Capital Committee

Meeting Date: May 8, 2014

Time: 11:00 A.M.

Location: Board Room

Board of Directors:

Members of the Capital Committee

Emily A. Youssouf, Chair

Mark Page

Ramanathan Raju, MD, President

HHC Staff:

Paul Albertson – Senior Assistant Vice President, Operations

Jeremy Berman – Deputy General Counsel, Office of Legal Affairs

Michael Buchholz – Senior Associate Executive Director, Carter-Coler Specialty Hospital and Nursing Facility

Deborah Cates – Chief of Staff, Office of the Chairman

Daniel Collins – Director, Coney Island Hospital

William Hicks – Chief Operating Officer, Bellevue Hospital Center

Lisa Lee – Deputy Inspector General, Office of the Inspector General

Patricia Lockhart – Secretary to the Corporation, Office of the Chairman

Peter Lynch – Senior Director, Office of Facilities Development

John Maher – Associate Director, Bellevue Hospital Center

Antonio Martin – Executive Vice President

Matthew McDevitt – Associate Executive Director, Gouverneur Healthcare Services

Dean Moskos – Director, Office of Facilities Development

Marsha Powell – Director, Office of Facilities Development

Michael Rawlings – Associate Director, Bellevue Hospital Center

Christopher Robertson – Director, Bellevue Hospital Center

Salvatore Russo – General Counsel, Office of Legal Affairs

Luz Soto – Office of the Inspector General

Martha Sullivan, PhD – Executive Director, Gouverneur Healthcare Services

Roslyn Weinstein – Senior Assistant Vice President, President's Office

Dion Wilson – Assistant Director, Office of Facilities Development

Elizabeth Youngbar – Assistant Director, Office of Facilities Development

Frank Zanghi – Audit Manager, Office of Internal Audits

Other Attendees:

Steve Curro – Managing Director, Construction, Dormitory Authority of the State of New York

Barbara Duckett – Bellevue Day Care Center, Inc.

Sarah Maldonado – Bellevue Day Care Center, Inc.

John Pasicznyk – Managing Director, Downstate Operations, Dormitory Authority of the State of New York

CALL TO ORDER

The meeting was called to order by Emily A. Youssef, Chair of the Capital Committee, at 11:07 A.M.

On motion, the Committee voted to adopt the minutes of the April 10, 2014, Capital Committee meeting.

SENIOR ASSISTANT VICE PRESIDENT'S REPORT

Roslyn Weinstein, Senior Assistant Vice President, Office of the President, announced the appointment of Peter Lynch as the new Assistant Vice President of the Office of Facilities Development. She noted that Mr. Lynch had so far made a significantly positive impact on the department and said she was pleased to have him assuming the position. Meeting attendees congratulated Mr. Lynch.

Ms. Weinstein advised that the meeting agenda included one action item, for a license agreement with Bellevue Day Care Center, Inc., for the use of space and services to be provided at Bellevue Hospital Center.

Ms. Weinstein asked Mr. Lynch to provide a brief update on the pre-bid meeting held earlier in May, for the Construction Management (CM) At Risk contract related to 155 Vanderbilt Avenue. Mr. Lynch explained that there were four bidders on the project, an addendum had been issued in the days following the opening, and another opportunity would be provided for any follow-up questions. Mr. Lynch said that award would likely happen in the end of May. Ms. Youssef said she was pleased to hear that the plan was moving forward and she believed it would be an important step, that she hoped would help run projects more smoothly and more economically, to benefit the Corporation.

That concluded Ms. Weinstein's report.

ACTION ITEMS

- **Authorizing the President of the New York City Health and Hospitals Corporation (the "Corporation") to execute a five year revocable license agreement with Bellevue Day Care Center, Inc. (the "Licensee") for the use and occupancy of 3,031 square feet in the C&D Building at Bellevue Hospital Center (the "Facility") in which to operate a daycare center at no charge to the Licensee.**

William Hicks, Chief Operating Officer, Bellevue Hospital Center, read the resolution into the record. Mr. Hicks was joined by Christopher Roberson, Director, Bellevue Hospital Center, and Sarah Maldonado and Barbara Duckett, Bellevue Day Care Center, Inc.

Ms. Duckett explained that the Day Care Center had been in existence for approximately 40 years, operating on the Bellevue Campus for nearly 30 years, and had provided services for Bellevue employees and affiliation employees that work at the facility.

Ms. Youssef asked if the program was operating at capacity. Ms. Duckett said that there were 41 children in the program, ranging from infants to toddlers to preschoolers.

Mark Page asked what percentage of the program participants were from Bellevue and what percent were from New York University (NYU). Mr. Hicks said that 10 of the 21 were NYU Affiliates. He explained that 26 staff members, who provide care to Bellevue patients, were participating in the program. Ms. Maldonado added that NYU employees had to be affiliates at Bellevue in order to participate.

Mr. Page asked if this was a long standing benefit for NYU staff, and expressed concern that the program ultimately subsidizes day care for NYU by giving the program free space. He said that the affiliation requirement makes slightly more sense but he was interested in whether or not it is a benefit expressed in the terms of the affiliation agreement or whether it was just a given piece of the fabric.

Mr. Roberson said that 51% of the slots were reserved for Bellevue staff and if those were not taken then the program opened up to others. Ms. Youssef asked why only 51% and not 100%. Mr. Page asked if perhaps the program should then be half the size, and accommodate only Bellevue staff and not the general public. Ms. Maldonado said in order to receive funding and subsidies from the Administration of Children's Services (ACS) had to leave a little window open to service folks outside of the facility. She said that the program operates based on need and if 100% were filled by Bellevue staff that would be excellent but it is based on utilization and at times there is not the need. It has fluctuated recently between 51% Bellevue staff, at present, and other times it is 80%, but 51% is the minimum requirement.

Mr. Hicks noted that the NYU affiliates that are participating in the program provided direct care to Bellevue patients as well. The program supports Bellevue, he said.

Ms. Youssef asked if it was in the affiliation agreement. Mr. Roberson said no. He explained that the program is based on salary, so many of the affiliate staff are paying a higher rate for the service than that of other Bellevue employees.

Mr. Page asked what sets the amount that ACS will pay. Ms. Maldonado said a State mandate sets rates.

Mr. Roberson expressed the benefit of having the services so conveniently available. Mr. Page said he understood the great benefit to the employees but said he was unsure about the inclusion of the affiliate staff. Ramanathan Raju, MD, President, said he understood the concern, but explained that affiliate staff were essentially Bellevue staff. Some get paid through NYU and others directly by Bellevue but they all provide services directly to the patients at Bellevue. Dr. Raju added that he thought it relevant that the next affiliation contract explore the issue further.

There being no further questions or comments, the Committee Chair offered the matter for a Committee vote.

On motion by the Chair, the Committee approved the resolution for the full Board's consideration.

INFORMATION ITEMS

- **Major Modernization Status Report: Gouverneur Healthcare Services**

Martha Sullivan, PhD, Executive Director, Gouverneur Healthcare Services provided the status report. Ms. Sullivan was joined by Matthew McDevitt, Associate Executive Director, Gouverneur Healthcare Services, Steve

Curro, Managing Director, Construction, Dormitory Authority of the State of New York, and John Pasicznyk, Managing Director, Downstate Operations, Dormitory Authority of the State of New York.

Ms. Sullivan advised that construction had been progressing and the facility was awaiting a Temporary Certificate of Occupancy (TCO) for part of the first floor and a public assembly permit for the same area. The Nursing Facility was certified for 215 beds to be opened and by the end of June hopefully full 295 would be certified. The Department of Health (DOH) for floors ten (10) and eleven (11), and fire suppression for the elevators needed to be completed. Ms. Youssouf asked about the fire suppression in the elevators and why it was just being discussed. Ms. Sullivan said that changes in regulatory requirements had made the addition of a fire suppression system in the machine room necessary. Mr. Lynch explained that a non-water based fire suppression had to be put into place. Mr. Page asked if this project would be in line with the new requirements. Mr. Lynch said yes.

Mr. Page asked where patients for the new facility would be coming from. Ms. Sullivan said they would come from other HHC facilities, NYU, and voluntary hospitals. Mr. Page noted that there had been a common issue of patients occupying space in acute care areas in lieu of being in appropriate nursing facilities. Ms. Sullivan agreed and said that in the recent months the facility had nearly quadrupled the number of referrals accepted from within HHC.

Antonio Martin, Executive Vice President said that over the past year it had been determined that ten percent (10%) of long term care admissions would be self-pay patients coming from HHC facilities. Mr. Page asked why the 10% threshold was set. Mr. Martin said that was the goal that parties thought could be met. Mr. Page asked if it should not be discussed whether a threshold is appropriate when in some cases weighing gains and losses should be done. Mr. Martin said that Ms. Weinstein had been taking a very close look at detailed information to meet such a balance. Dr. Raju added that HHC needed to work towards improving the number, but would do so carefully. Additionally HHC needs to be sure we are referring internally and not to outside. Ms. Youssouf agreed that was important.

Mr. Curro narrated a power point presentation. He reviewed the scope of the existing facility (316,000 sf): Phased gut renovation of an occupied facility to expand the long-term care capacity from 210 beds to 295; long-term care beds to be located on the 5th to 11th floors, as well as the 13th floor. Upgrades to, and expansion of, the Ambulatory Care facility. Major mechanical infrastructure upgrades. New construction (108,000 sf): Five stories (85,000 sf) for Ambulatory Care Services, addition of 3,000 sf per floor on the 6th through 13th floors, primarily for long term care.

Project Progress: Overall, the project is 94% complete, as measured by construction in place as of March 17, 2014.

In the existing facility: floors 2, 3, 4, 5, 6, 7, 12 and 13 have been completed and are occupied. Floors 8 and 9 received NYC DOB TCO and DOH inspection and are ready to be occupied. Floor 10 received a NYC DOB TCO on December 18, 2013. Floor 11 received a NYC DOB TCO on January 22, 2014. Floor 1 received a NYC DOB TCO on April 9, 2013. TCO for multipurpose room expected in May, 2014.

Mr. Curro advised that additional funding approval was received on April 11, 2014.

Mr. Page asked if funding was from Dormitory Authority of the State of New York (DASNY) bonds. Mr. Curro said no, it is funded through the City.

Mr. Curro overviewed additional scope work or "day two" projects, to be completed after the 1st floor TCO: Multi-purpose room – May 2014, Exterior vertical granite and parking lot paving – May 2014, Henry Street sidewalk replacement – June 2014 *, Henry Street mechanical screen – Design June 2014 *, Courtyard – July 2014 (ACM) *, Low Roof – July 2014 (ACM) *, Linde Gas- September 2014 (ACM) *, Elevator upgrade – November 2015, and Building wide code compliance – Under investigation by Consultants Construction dependent on funding. Mr. Curro advised that project completion dates are tentative as firm schedules have not been developed for the scopes of work.

Ms. Youssouf asked for an explanation of "day two" projects. Mr. Curro said that projects outside of the original scope are the projects that will be taken on after the interior TCOs are in place. Ms. Youssouf noted that there is still some contention as to what is in and out of scope. Mr. Pasicznyk stated that these projects are all in the project budget, with the exception of the last item, and are all outside of the last TCO for the first floor.

Project Budget (contract work in place as of 3/17/14). Current Available Funding of \$247.1 million; Total Construction at \$188.68; Total Soft Costs of \$44.7; and, Furniture, Fixtures and Equipment (FF&E) at \$11.3. Project Contingency is \$2.7 million. Total Project Budget \$247,400,000. There is approximately \$267,000 not funded. Finalizing change orders on the project.

Mr. Curro explained that construction billed to date totaled \$177.37 million, total project billed to date \$227.1 million. Total remaining: \$17.57 million, with \$11.3 million remaining construction, and \$6.27 million of soft costs and FF&E. Project is 94% complete and winding down from a financial standpoint.

Ms. Youssouf stated that there is still a serious disagreement with DASNY regarding the original work of scope and that was a primary cause for initiating CM at risk contracts. The cost overruns and delays associated with this project should not happen again and we hope to work out an agreement with DASNY to finish this up. This is not acceptable and we are attempting to ensure that doesn't happen again.

- **Project Status Reports**

Daniel Collins, Director, Coney Island Hospital, provided delay reports for two projects in the South Brooklyn/Staten Island Health Network; the Boiler Replacement Project at Coney Island Hospital and Renovation of the Isolation Building at Sea View Hospital Rehabilitation Center and Home.

Mr. Collins explained that Coney Island Hospital Center Boiler Plant Replacement project was delayed due to re-designing that was done as a result of Hurricane Sandy and the need to elevate the plant beyond 100 year flood plans. He advised that the project was 80% complete with start-up expected the week of June 18, commissioning and approval, with operation, anticipated by the end of July, 2014.

Mr. Collins advised that the Isolation Building Renovation project at Sea View Hospital Rehabilitation Center and Home, three months in delay, was substantially complete and was delayed due to information items that needed to be followed up upon by the architects.

Mr. Page asked if the Coney Island project would be fully funded by the Federal Emergency Management Administration (FEMA). Mr. Collins said it was still being determined, as parts of the project

were in the works prior to the storm and it is unclear whether boiler plants would be covered. Mr. Martin confirmed that discussions with FEMA were ongoing.

There being no further business, the meeting was adjourned at 11:40 AM.

LEASE EXTENSION

WILLIAMSBURG COMMUNITY HEALTH CENTER

279 GRAHAM AVENUE – WELNER ASSOCIATES

WOODHULL MEDICAL & MENTAL HEALTH CENTER

RESOLUTION

Authorizing the President of the New York City Health and Hospitals Corporation (the "Corporation") to execute a five year lease extension agreement with Welner Associates (the "Landlord") for 10,900 square feet of space at 279 Graham Avenue, Borough of Brooklyn, to house the Williamsburg Community Health Center (the "Health Center"), operated by Woodhull Medical and Mental Health Center (the "Facility") at an initial rent of approximately \$41 per square foot to increase at a rate of 3.5% per year with the Corporation responsible for the payment of real estate taxes, water and sewer rents, gas, and electricity and with the Corporation holding an option for an additional five years at a rental rate that will continue the pattern of annual 3.5% increases.

WHEREAS, the Health Center is a community-based health care center that has been providing primary care services to residents of the community since 1994; and

WHEREAS, the services the Health Center provides include pediatrics, adolescent and adult gynecology, obstetrics, family planning, post-partum and well-baby counseling, and HIV counseling; and

WHEREAS, there remains a need for primary care services in this section of Brooklyn and extending the lease for this site will allow the Health Center to continue to serve the community; and

WHEREAS, the retention of this site serves the mission of HHC and the changing focus of health care by bringing primary care into a community with limited access to primary care providers; and

NOW, THEREFORE, be it

RESOLVED, that the President of the New York City Health and Hospitals Corporation be, and hereby is, authorized to execute a five year lease extension agreement with Welner Associates (for 10,900 square feet of space at 279 Graham Avenue, Borough of Brooklyn, to house the Williamsburg Community Hill Health Center, operated by Woodhull Medical and Mental Health Center at an initial rent of \$41 per square foot to increase at a rate of 3.5% per year with the Corporation responsible for the payment of real estate taxes, water and sewer rents, gas and electricity and with the Corporation holding an option for an additional five years at a rental rate that will continue the pattern of annual 3.5% increases.

EXECUTIVE SUMMARY

NORTH BROOKLYN HEALTHCARE NETWORK WILLIAMSBURG COMMUNITY HEALTH CENTER 279 GRAHAM AVENUE BOROUGH OF THE BROOKLYN

OVERVIEW: The President seeks authorization from the Board of Directors of the Corporation to execute a lease extension agreement with Welner Associates for space at 279 Graham Avenue, Borough of Brooklyn, to house the Williamsburg Community Health Center ("Health Center"), operated by Woodhull Medical and Mental Health Center. The site also houses a Child Health Practice operated by the Cumberland Diagnostic and Treatment Center.

**NEED/
PROGRAM:** The Health Center is a community-based site that has been providing primary care services since 1994. The services provided include pediatrics, adolescent and adult gynecology, obstetrics, family planning, post-partum and well-baby counseling, and HIV counseling. There remains a need for primary care services in this section of Brooklyn and extending the lease for this site will allow the Health Center to continue to serve the community. The Health Center has been selected to participate in the N.Y. State Hospital-Medical Home Demonstration Program. Under the program, residents will be sent to the site as part of their primary care training. The Health Center's operating hours are Mondays 11:30 am to 8:00 PM; Tuesday through Friday 8:30 am to 5:00 pm

UTILIZATION: For the FY 2013, the Health Center provided approximately 8,811 visits.

TERMS: The Tenant will continue to occupy approximately 10,900 square feet of space comprising the entire floor area of the two-story building at 279 Graham Avenue (the "Demised Premises"). The lease will contain an initial term of five years with one five-year renewal option exclusive to the Tenant. The base rent will be approximately \$41 per square foot or approximately \$446,900 per year. The base rent will be escalated by 3.5% per year. The rent for the option period shall be set at 3.5% above the rent for the final year of the initial term and escalate 3.5% per year during the option term.

The Landlord will be responsible for structural repairs and maintenance including the roof. The Tenant will be responsible for non-structural repairs and maintenance not caused by the Landlord's negligence. Cleaning and housekeeping will be the Tenant's responsibility.

The Tenant will be responsible for the payment of real estate taxes of approximately \$72,000 per year, water and sewer rents, gas, and electricity.

SUMMARY OF ECONOMIC TERMS

SITE:	279 Graham Avenue Brooklyn, New York 11211 Block 2782, Lot 24
LANDLORD:	Welner Associates 127-09 91 st Avenue Bronx, NY 11418
INITIAL TERM:	Five years
FLOOR AREA:	Approximately 10,900 square feet
RENEWAL OPTIONS:	One five year option
BASE RENT:	\$41 per square foot or approximately \$446,900 per year
ESCALATION:	3.5% per year during initial term and option period
UTILITIES:	Tenant is responsible for payment for electricity, gas, and water and sewer rents
REAL ESTATE TAXES:	Tenant is responsible for payment of real estate taxes of approximately \$72,000 per year
REPAIRS/ MAINTENANCE:	The Tenant will be responsible for non-structural maintenance and repairs not caused by the Landlord's negligence. The Landlord will be responsible for structural maintenance and repair including roof, gutters, foundation and utility supply lines. Cleaning and housekeeping will be the Tenant's responsibility.

NORTH BROOKLYN HEALTH NETWORK
WOODHULL MEDICAL CENTER
WILLIAMSBURG ADULT HEALTH CENTER
279 GRAHAM AVENUE, BROOKLYN, NY 11206
INCOME STATEMENT PRO-FORMA

	<u>FY2013</u>	<u>EST. FY 2014</u>
REVENUE:		
3rd Party Payer		
Medicaid	\$ 288,870	\$ 266,236
Medicare	91,135	89,910
Managed Care	26,446	35,704
Self Pay	12,834	7,020
HHC Options	28,626	20,963
Capitation	950,000	950,000
Subtotal 3rd Party Payers	1,397,911	1,369,832
Grants		
WIC Program	141,137	140,381
Child Health Practice - City Council	509,897	500,069
Subtotal Grants	651,035	640,450
Total Revenue	\$ 2,048,946	\$ 2,010,283
 EXPENSES:		
Personnel Services		
	FTEs	
Nursing	7.15	
Clerical	3.00	
Support Staff	6.00	
Administration	2.00	
Providers - Non NYU Affiliated	2.00	
WIC Program Staff	2.00	
Child Health Practice Staff	3.00	
Subtotal Personnel Services	1,294,512	1,432,484
Affiliations	391,468	391,468
Total Personnel Services	1,685,980	1,823,952
Fringes		
HHC Staff	700,331	772,109
Affiliations	121,065	121,065
Total Fringes	821,396	893,174
Other Than Personal Services		
Central Services & Supply	10,521	10,521
Rent	174,354	181,328
Real Estate Taxes etc.	81,666	96,000
Total Other Than Personnel Services	266,541	287,849
Overhead		
Maintenance & Repairs	80,646	80,646
Operation of Plant	194,041	194,041
Medical Records & Library	0	0
Total Overhead	274,686	274,686
Total Expenses (with Overhead)	\$ 3,048,603	\$ 3,279,661
NET GAIN/(LOSS)	\$ (999,657)	\$ (1,269,378)

SAVITT PARTNERS

February 28, 2014

Mr. Dion Wilson
Office of Facilities Development, Real Estate
NYC Health and Hospitals Corporation
346 Broadway, 12 West
New York, 10013

Re: Fair Market Value/appraisal of 279 Graham Avenue, Brooklyn, New York, a satellite office of Woodhull Medical Center
On behalf of NYC Health & Hospitals Corporation

Dear Dion:

Pursuant to your request, the referenced property was inspected on Friday, January 17, 2014 in order to assess its fair market value, specifically regarding the renewal terms presented by the landlord, David Weiner of Weiner Associates. This assessment is inclusive of the value of the tenant improvements, CAM charges, if any, and real estate taxes and assumes that other operating expenses are directly procured by the tenant unless indicated otherwise. This evaluation is subject to the following:

- The unit is currently occupied and zoned for use as a medical office.
- The lease expires 6/30/2014.
- The landlord has proposed renewal terms for a five year period with 4% escalations per annum and one five-year renewal options.
- The unit is approximately 10,900RSF.
- This evaluation is for the purpose of a lease renewal.

Medical offices in this area are typically situated in stand-alone buildings or retail “tax payers” used for various commercial purposes. Rents for turn-key (ready to use), generally retail medical space range from approximately \$25 -\$35 per rentable square foot with a median price of \$30/RSF. This is typically a ‘net’ rent, with tenant responsible for taxes, water, sewer and utilities. Older, retrofitted and side street medical spaces garner the lower rents with the larger mall-type spaces and newly constructed spaces receiving higher rents. These higher rent properties typically offer more amenities, i.e., on-site property management, parking, security, etc. Most of the opportunities for medical office space in these markets are for undeveloped offices in small commercial buildings or retail sites, which will require extensive capital improvements. The premises being evaluated is considered retail and was a theater prior to its existing medical use.

Current market conditions for these types of spaces provide for minimal landlord concessions. Additionally retail transactions do not provide for landlord concessions other than rent abatements, which are not usually applicable in a renewal, although always negotiable. Most of

the opportunities for medical office space in these markets are for undeveloped offices in commercial buildings or retail strips, where the tenant will be offered few concessions by the landlord despite market conditions denoting more of a “tenant’s market”. Concessions are minimal and landlords have been inflexible; preferring to see current market conditions as a prelude to a return to stability. Rents in general have improved over the past two years and are expected to continue to do so well into 2014. Brooklyn has also seen significant rent support as areas within the borough continue to “gentrify”.

This requires that the tenant improvements be provided greater weight as an overall factor in the assessment of the FMV rental due to the cost associated with relocation; relocating, or rebuilding with new construction, would entail an up-front expense of no less than \$150/RSF or approximately \$1,635,000.00 for construction. Despite possible lower rents opportunities in the same market area this expense cannot be appropriately amortized over the proposed renewal term of 10 years.

The referenced medical office is a retail tenant user located in the eastern section of the Williamsburg neighborhood of Brooklyn, just east of the Brooklyn-Queens Expressway. The neighborhood consists of moderately priced one- and two-family houses, both single and attached, higher end luxury condos and full-service rental properties, as well as small apartment buildings. It is also near both the subway (L train) and surface transportation along. On-site is available in addition to street parking, which consists of metered parking on main thoroughfares and ‘free’ parking on side streets. During my visit to the site, I experienced no difficulty with street parking but could imagine that such parking might be difficult to find at certain times of day and as the area’s population continues to grow.

The building is a two-story medical facility converted from a onetime theater. There is an internal elevator and 2 stairwells connecting the floors. The entrance to the building is on-grade and is ADA compliant. The building houses several large waiting areas, numerous exam and clinical spaces, lab, storage, staff areas and private offices. The space is in need of modernization and renovation. The current method with which medicine is practiced renders this facility inefficient, although it does appear to be code compliant.

During the inspection, the clinic manager commented on the condition of the building systems. Numerous roof leaks and HVAC problems have been reported. I found the second floor stairway roof to be in poor condition, with peeling paint and water stains present. The building structural condition should be addressed as part of any tenant renewal negotiations.

The tenant has signage on the main entrance door to the premises, as well as a sign on the façade of the building, which is visible from Graham Avenue. The existing medical practice operates in the building during normal business hours. The office is comprised of approximately 5,450RSF on grade and 5,450RSF on the second floor, for a total of approximately 10,900RSF. There is a basement and the HVAC and mechanicals are located on the roof of the building. The front entrance and interior areas are accessible via wheelchair and compliant with the American Disabilities Act.

Rents in the commercial and retail markets along the Graham Avenue corridor have been on the rise for the past two years and are expected to continue to do so well into 2014. The tenant improvement (T.I., build out of the space) has been fully depreciated and is in need of additional work to meet current standards and expectations.

As part of a renewal negotiation the Landlord should agree to the following work at Landlord's cost and expense:

- Structural repairs including the roof
- Maintenance and repairs of the HVAC system
- New hot water equipment

The renewal terms presented by the landlord are aggressive, both in general terms as well as for this location. The landlord has proposed a rent increase to \$44/RSF based on the building size of 10,900RSF and 4% annual base rent increases compounded. The other terms shall remain in effect from the original lease. It is our conclusion that the fair market value of this space with the referenced services and amenities is between \$29 - \$35per RSF. This takes into consideration comparable commercial/retail rents within the immediate market areas (see Schedule A attached) and the subsequent tenant improvements of the space, as well as current availability for similar opportunities.

While it is our professional opinion that the presented terms are expensive given current conditions and immediate vacancies within the surrounding areas for this use, we would recommend further negotiations regarding the base rent at a price consistent with \$35/RSF and yearly escalations of 2.5% to 2.75%, which we consider within market terms but on the higher end of said market. It should be noted, however that as this community's population continues to grow, there will be tenants, albeit for divergent uses, willing to pay a premium rent for a location of this size.

In the event that I can be of any further assistance to you, please do not hesitate to call.

Thank You.

Very Truly Yours,



Michael E. Dubin
Partner

Schedule A – Comparables

343 Lorimer Street
Entire 1st & 2nd Floors
Area: 10,000rsf
Price: \$22/sf

43-65 Meadow Street
Part 1st Floor
Area: 10,000rsf
Price: \$30/sf NNN

299 Meserole Street
Entire 1st & 2nd Floors
Area: 38,000rsf
Price: \$23.26/sf

987 Metropolitan Avenue
Part 1st Floor
Area: 5,000rsf
Price: \$12/sf

14-16 Powers Street
Entire 1st & 2nd Floors
Area: 5,000rsf
Price: \$20.16/sf

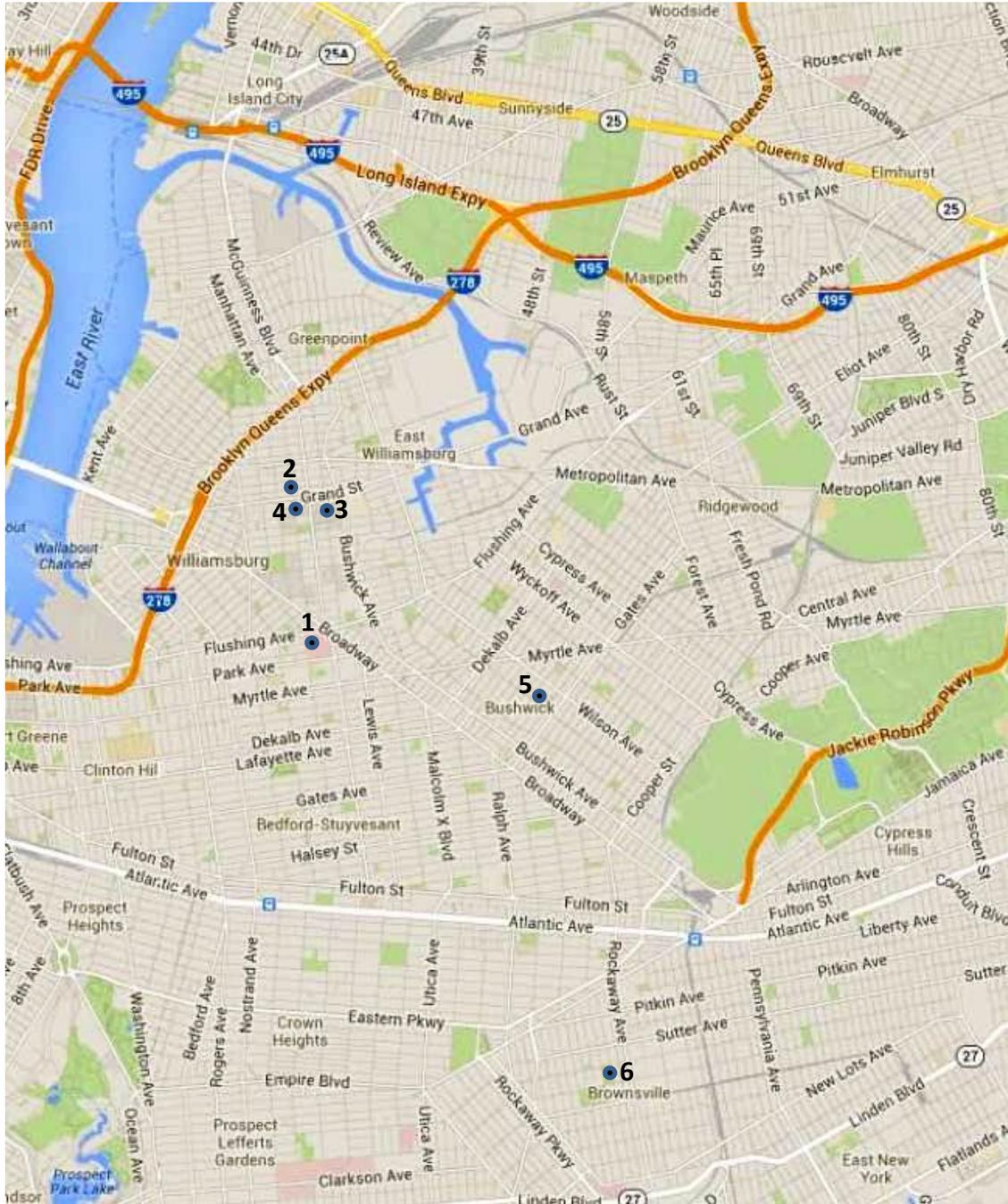
71 White Street
Part 1st Floor
Area: 8,500rsf
Price: \$40/sf

155 Powers Street
Area: 3,000sf built medical
Price: Leased for \$29/sf

260 Graham Avenue
Area: 2,500rsf
Price: \$38.40/sf

Waterbury & Grand Avenue
Area: 2,500rsf + basement
Price: \$45/sf

279 Graham Avenue City-Owned Space Options



- 1) Woodhull Medical & Mental Health Center
- 2) 279 Graham Avenue
- 3) 176 Maujer Street
- 4) 151 Maujer Street
- 5) 335 Central Avenue
- 6) 259 Bristol Street

LICENSE AGREEMENT

LA CLINICA DEL BARRIO

NYC HUMAN RESOURCES ADMINISTRATION

413 E. 120TH STREET

METROPOLITAN HOSPITAL CENTER

RESOLUTION

Authorizing the President of the New York City Health and Hospitals Corporation (the "Corporation") to execute five successive one year revocable license agreements with the New York City Human Resources Administration ("HRA") for the use and occupancy of approximately 2,738 square feet of space at 413 East 120th Street, Borough of Manhattan to house for La Clinica del Barrio operated by Metropolitan Hospital Center (the "Facility") at an occupancy fee of \$23 per square foot, a \$2 per square foot utility surcharge, a \$1 per square foot seasonal cooling charge, and a Saturday occupancy charge not to exceed \$25,000 per year.

WHEREAS, in June 2011 the Board of Directors of the Corporation authorized the President to execute three one-year revocable license agreements with HRA for the use of approximately 2,738 square feet of space at 413 East 120th Street at \$20 per square foot and surcharges per square foot of \$2 for utilities and \$1 for cooling; and

WHEREAS, the prior license agreement allowed the Corporation to continue to operate the facility known as La Clinica del Barrio providing to the community surrounding 413 East 120th Street family practice, pediatrics, internal medicine, OB/GYN, immunization, family planning, primary care, an outpatient mental health program for adults and children and a maternal/infant health program as it had done at the same location since 2003; and

WHEREAS, in October 2012 the Board of Directors of the Corporation authorized the President to increase the payments to HRA for the occupancy of La Clinica del Barrio (and two other sites licensed by HRA to the Corporation) to bring the basic occupancy fee from \$20 per square foot to \$23 per square foot; and

WHEREAS, the Board's authorization to execute the successive one-year license agreements offered by HRA will soon expire and the Facility desires to continue operating La Clinica del Barrio at the current occupancy rates at its current location.

NOW, THEREFORE, be it

RESOLVED, that the President of the New York City Health and Hospitals Corporation be and is hereby authorized to execute five successive one-year revocable license agreements with the New York City Human Resources Administration for the use and occupancy of approximately 2,738 square feet of space at 413 East 120th Street, Borough of Manhattan to house La Clinica del Barrio operated by the Metropolitan Hospital Center at an occupancy fee of \$23 per square foot, a \$2 per square foot utility surcharge, a \$1 per square foot seasonal cooling charge, and a Saturday occupancy charge not to exceed \$25,000 per year.

**EXECUTIVE SUMMARY
LICENSE AGREEMENT
METROPOLITAN HOSPITAL CENTER
413 EAST 120TH STREET
LA CLINICA DEL BARRIO, BOROUGH OF MANHATTAN**

OVERVIEW: The President seeks authorization from of the Board of Directors to execute five successive one-year revocable license agreements with the New York City Human Resources Administration ("HRA") for the continued use and occupancy of space at 413 East 120th Street, New York, for La Clinica del Barrio operated by Metropolitan Hospital Center.

NEED/PROGRAM: La Clinica has been providing health care services to the East Harlem community since 2003. The primary care services provided at the site include family practice, pediatrics, internal medicine, OB/GYN, immunization, and family planning. In addition to primary care, Metropolitan administers a mental health outpatient program for adults and children at the site and also a new maternal/infant health program.

TERMS: The Corporation will be have the continued use and occupancy of approximately 2,738 sq. ft. on the first floor of the building. The Corporation shall pay a base occupancy fee of \$23/sq. ft., a \$2/sq. ft. utility surcharge, and a cooling season surcharge of \$1/sq. ft. from June through September, resulting in an additional charge of about \$912/year for an annual total of approximately \$69,362. In addition to occupancy fee, utility charges and cooling season charges, the Corporation will also pay overtime for the building's boiler engineer, security guard and custodian to work on Saturday calculated together at \$100/ hour but prorated based upon the number of other occupants using the building on Saturdays. The Corporation will pay not more than \$25,000/year for use of the clinic on Saturdays with the actual amount depending on total building occupancy.

HRA will provide hot and cold water, utilities, housekeeping, security and rubbish removal at no further charge. HRA will also be responsible for maintenance, structural and non-structural repairs to the building, unless such repairs are the result of the negligence of the Corporation, its employees or invitees.

HRA's practice is to give only one-year license agreements and to offer new agreements to its licensees annually. The authority granted by this resolution will permit the President to sign five successive one-year license agreements The License Agreements will be revocable by either party on thirty days' notice.

FINANCING: Revenues derived from self-pay and third-party payers.

SUMMARY OF ECONOMIC TERMS

SITE:	413 East 120 th Street Borough of Manhattan
LANDLORD:	City of New York, Human Resources Administration (HRA)
SIZE:	2,738 square feet
TERM:	No more than five successive one-year agreements without further approval by the Board of Directors. Revocable by either party on thirty days' notice.
RENT:	\$23 per square foot occupancy fee, \$2 per square foot utility surcharge, \$1 per square foot seasonal cooling charge, maximum not-to-exceed of \$25,000 per year for Saturday operation depending upon pro-rata portion based upon total building occupancy
UTILITIES/ MAINTENANCE:	Licensors shall provide hot and cold water, utilities, housekeeping, rubbish removal, structural and non-structural repairs, and security.

METROPOLITAN HOSPITAL CENTER
LA CLINICA - PRIMARY CARE CLINIC - EAST HARLEM
413 EAST 120TH STREET, NEW YORK, NY 10035
INCOME STATEMENT PRO-FORMA

EXPENDITURES

FYTD14 FY14 PROJECTED FY15 FY16 FY17 FY18 FY19
 THRU 4/30/2014 THRU 6/30/2014

PERSONAL SERVICES (PS)

TITLE	FTE	FYTD14	FY14 PROJECTED	FY15	FY16	FY17	FY18	FY19
		THRU 4/30/2014	THRU 6/30/2014					
Asst. Coord. Mgr.	1.00	\$24,699	\$45,039	\$45,490	\$45,945	\$46,404	\$46,868	\$47,337
Asst. Director	1.00	\$72,462	\$94,460	\$95,405	\$96,359	\$97,322	\$98,295	\$99,278
Asst. Head Nurse	1.00	\$84,719	\$100,397	\$101,401	\$102,415	\$103,439	\$104,474	\$105,519
Attendings	3.24	\$367,052	\$403,757	\$403,757	\$403,757	\$403,757	\$403,757	\$403,757
Clerical	2.00	\$67,999	\$80,583	\$81,389	\$82,203	\$83,025	\$83,855	\$84,693
Head Nurse	1.00	\$78,542	\$93,077	\$94,007	\$94,947	\$95,897	\$96,856	\$97,824
LPNs	2.00	\$56,393	\$83,170	\$84,002	\$84,842	\$85,690	\$86,547	\$87,412
Midwives	0.75	\$52,165	\$57,382	\$57,382	\$57,382	\$57,382	\$57,382	\$57,382
PCAs	1.00	\$33,055	\$39,172	\$39,564	\$39,960	\$40,359	\$40,763	\$41,171
Public Health Educator	0.02	\$6,034	\$7,150	\$7,222	\$7,294	\$7,367	\$7,441	\$7,515
RNs	0.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Service Aide	0.00	\$29,006	\$36,127	\$36,488	\$36,853	\$37,221	\$37,594	\$37,970
Social Worker	0.08	\$11,825	\$14,014	\$14,154	\$14,296	\$14,438	\$14,583	\$14,729
SUB-TOTAL HHC STAFF	9.10	\$464,734	\$593,189	\$599,121	\$605,112	\$611,164	\$617,275	\$623,448
FRINGE BENEFIT RATE: 57.21%		\$265,874	\$339,364	\$342,757	\$346,185	\$349,647	\$353,143	\$356,675
TOTAL HHC STAFF		\$730,608	\$932,553	\$941,878	\$951,297	\$960,811	\$970,418	\$980,123
SUB-TOTAL AFFIL STAFF	3.99	\$384,283	\$461,139	\$461,139	\$461,139	\$461,139	\$461,139	\$461,139
AFFIL F.B. RATE 19.00%		\$64,715	\$77,658	\$77,658	\$77,658	\$77,658	\$77,658	\$77,658
AFFIL OVERHEAD 2.50%		\$11,225	\$13,470	\$13,470	\$13,470	\$13,470	\$13,470	\$13,470
AFFIL FPP CARVEOUT		-\$55,403	-\$66,483	-\$66,483	-\$66,483	-\$66,483	-\$66,483	-\$66,483
TOTAL AFFIL STAFF EXPENSE		\$404,820	\$485,784	\$485,784	\$485,784	\$485,784	\$485,784	\$485,784
TOTAL PS SERVICES	13.09	\$1,135,428	\$1,418,337	\$1,427,662	\$1,437,081	\$1,446,594	\$1,456,202	\$1,465,907

OTHER THAN PERSONNEL SERVICES (OTPS)

CATEGORY	DESCRIPTION	FYTD14	FY14 PROJECTED	FY15	FY16	FY17	FY18	FY19
MED/SURG. SUPPLIES		\$5,281	\$6,338	\$6,473	\$6,612	\$6,753	\$6,898	\$7,046
OFFICE & ADMIN. SUPPLIES		\$810	\$972	\$993	\$1,014	\$1,036	\$1,058	\$1,081
NON-MED/NON SURG. SUPPLIES		\$2,035	\$2,441	\$2,494	\$2,547	\$2,602	\$2,657	\$2,714
TELECOMMUNICATIONS		\$489	\$587	\$599	\$612	\$625	\$638	\$652
PURCHASED SERVICES		\$182	\$218	\$223	\$228	\$233	\$238	\$243
RENT/LEASE PAYMENTS		\$66,055	\$79,266	\$94,362	\$94,362	\$94,362	\$94,362	\$94,362
OTHER		\$6,865	\$8,238	\$8,414	\$8,594	\$8,778	\$8,966	\$9,158
TOTAL OTPS		\$81,717	\$98,061	\$113,558	\$113,969	\$114,389	\$114,817	\$115,255
TOTAL DIRECT EXPENSES		\$1,217,145	\$1,516,398	\$1,541,220	\$1,551,050	\$1,560,983	\$1,571,019	\$1,581,162
TOTAL EXPENSE		\$1,217,145	\$1,516,398	\$1,541,220	\$1,551,050	\$1,560,983	\$1,571,019	\$1,581,162

REVENUE

THIRD PARTY REVENUE

CAPITATION	\$487,500	\$585,000	\$677,574	\$772,925	\$871,137	\$972,295	\$1,076,488
COMMERCIAL MANAGED CARE	\$51,892	\$66,178	\$62,392	\$55,480	\$55,203	\$55,203	\$55,203
COMMERCIAL	\$51,646	\$65,990	\$62,040	\$54,938	\$54,653	\$54,653	\$54,653
MEDICAID	\$35,294	\$45,053	\$41,670	\$37,639	\$37,447	\$37,447	\$37,447
MEDICAID MANAGED CARE	\$373,193	\$476,384	\$440,611	\$397,989	\$395,960	\$395,960	\$395,960
MEDICARE	\$30,870	\$39,406	\$36,447	\$32,921	\$32,753	\$32,753	\$32,753
MEDICARE MANAGED CARE	\$142,178	\$181,491	\$167,862	\$151,625	\$150,852	\$150,852	\$150,852
SELF PAY	\$44,572	\$56,896	\$52,624	\$47,533	\$47,291	\$47,291	\$47,291
OTHER	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL REVENUE:	\$1,217,145	\$1,516,398	\$1,541,220	\$1,551,050	\$1,645,295	\$1,746,453	\$1,850,646

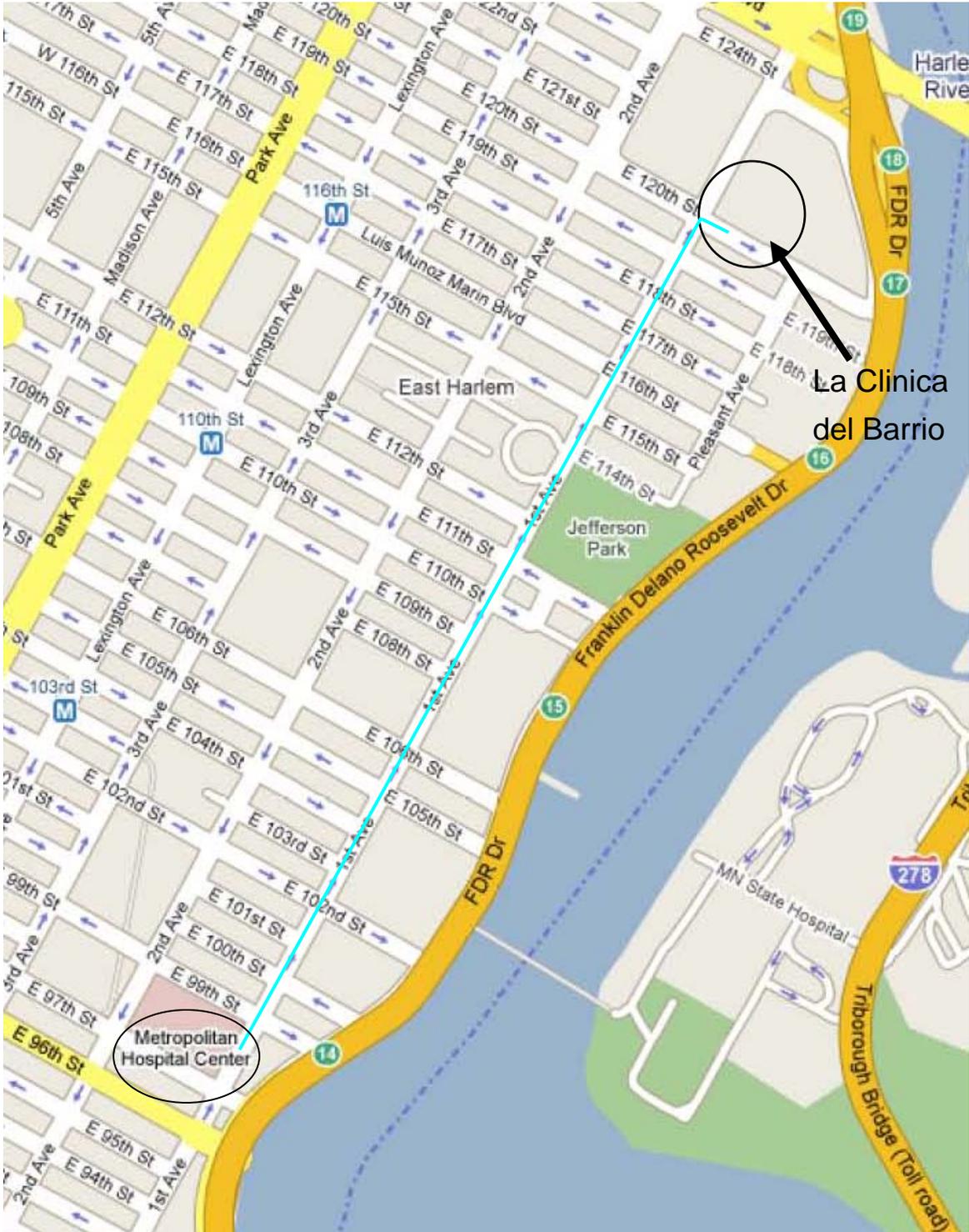
NET GAIN/(LOSS) \$0 \$0 \$0 \$0 \$84,312 \$175,434 \$269,485

(1) Clinic visit activity is based on historical activity of 9,200 visits and a average annual growth rate of 3%.

Metropolitan Hospital Center

La Clinica del Barrio

413 East 120th Street, New York, New York
(approximately 1.2 miles from the facility)



LICENSE AGREEMENT

EYES & OPTICS

KINGS COUNTY HOSPITAL CENTER

RESOLUTION

Authorizing the President of the New York City Health and Hospitals Corporation (the "Corporation") to execute a revocable five-year license agreement with Eyes and Optics (the "Licensee") for the use and occupancy of approximately 140 square feet of space on the 8th floor of the "E Building" to operate an optical dispensary at Kings County Hospital Center (the "Facility") at an occupancy fee of \$30 per square foot for a total annual occupancy fee of \$4,200 to be escalated by 3% per year.

WHEREAS, the Facility's Ophthalmology Department, located on the 8th floor of the Ambulatory Care Center, performs vision screenings, diagnostic tests and ophthalmic procedures for its patient population, and the department's outpatient visits continue to trend upward; and

WHEREAS, since 2008 the Licensee has operated an on-site ophthalmic dispensary at Gouverneur Healthcare Services ("Gouverneur") pursuant to resolutions of the Board of Directors adopted in 2008 and again in 2012; and

WHEREAS, the Licensee's dispensary at Gouverneur has been successful and the Facility now desires to augment its own department's resources by establishing an ophthalmic dispensary providing moderate to low cost options for its patient population; and

NOW, THEREFORE, be it

RESOLVED, that the President of the New York City Health and Hospitals Corporation be and hereby is authorized to execute a five-year revocable license agreement with Eyes and Optics for its use and occupancy of approximately 140 square feet of space on the 8th floor of the "E Building" at Kings County Hospital Center to operate an optical dispensary at an occupancy fee of \$30 per square foot for a total annual occupancy fee of \$4,200 to be escalated by 3% per year.

EXECUTIVE SUMMARY

LICENSE AGREEMENT EYES AND OPTICS KINGS COUNTY HOSPITAL CENTER

The President of the New York City Health and Hospitals Corporation seeks authorization from the Board of Directors to execute a revocable license agreement with Eyes and Optics for its use and occupancy of space to operate an optical dispensary at Kings County Hospital Center ("Kings County").

The Ophthalmology Department at Kings County, located on the 8th floor of the Ambulatory Care Center, performs vision screenings, diagnostic tests and ophthalmic procedures for its patient population, and the department's outpatient visits continue to trend upward. Since 2008 Eyes and Optics has operated an on-site ophthalmic dispensary at Gouverneur Healthcare Services pursuant to resolutions of the Board of Directors adopted in 2008 and again in 2012. The Eyes and Optics dispensary at Gouverneur has been successful and Kings County now desires to augment its own department's resources by establishing an ophthalmic dispensary providing moderate to low cost options for its patient population.

Eyes and Optics shall have the use and occupancy of approximately 140 square feet of space on the 8th floor of the "E Building" (the "Licensed Space"). Eyes and Optics shall pay an occupancy fee of \$30 per square foot for a total annual fee of \$4,200. The occupancy fee represents the fair market value of the space. The cost of electricity shall be included in the occupancy fee. The occupancy fee shall be escalated by 3% per year.

Eyes and Optics will indemnify and hold harmless the Corporation and the City of New York from any claims arising by virtue of its use of the licensed space and will also provide appropriate insurance naming each of the parties as additional insureds.

The term of this agreement shall not exceed five years without further authorization of the Board of Directors of the Corporation. The license agreement shall be revocable by either party on ninety days' notice.

SAVITT PARTNERS

June 2, 2014

Mr. Dion Wilson
Director
Office of Facilities Development, Real Estate
NYC Health and Hospitals Corporation
346 Broadway, 12 West
New York, NY 10013

Re: Fair Market Value/appraisal of optical dispensary within Kings County Hospital
Located at 541 Clarkson Avenue, Brooklyn, NY in the East Building, 8th Floor, Suite C
On behalf of NYC Health & Hospitals Corporation

Dear Dion:

Pursuant to your request, on Wednesday, April 16, 2014, the referenced location was inspected in order to assess the Fair Market Value (FMV) of the designated office/retail space. This assessment is inclusive of the value of the tenant improvements and specified operating expenses such as utilities, housekeeping, security, service contracts, repairs and maintenance, etc. As the owner is designated as a not for profit (501(c)(3)) real estate taxes may not be applicable, however this expense will also be considered when evaluating the value of the space in order to provide a comprehensive FMV. This appraisal will assess the estimated value of the base rent inclusive of the tenant improvements and operating expenses. This evaluation is subject to the following:

- The optical dispensary space is appropriately zoned for the use (office/retail) within the medical facility.
- The premises are located within the medical facility on the 8th floor within the Ophthalmology Department.
- This evaluation is for the purpose of establishing the FMV to lease/license the referenced property and considers numerous factors including but not limited to location, market conditions, market area comparables, lease terms and conditions, as well as tenant improvements.

There are two variables that must be considered in this evaluation which are in fact weighted greater than other variables. These unique factors are location and use.

The location of the space provides the tenant with an immediate and “captured” client base according to Dr. Douglas Lazzaro, Professor and Chairperson of Kings County Hospital’s Ophthalmology Department, who toured us through the space. Eye wear prescriptions generated by Ophthalmology and Optometry physicians within the medical facility generate essentially all of the client base for this tenant; the facility sees and treats approximately 30,000 patients annually. The hospital also benefits by providing this amenity to the patients; the convenience of

access to a vendor that can fill the prescription immediately. The proposed retail operation compliments the physician practices.

It would be inappropriate to evaluate the value of the referenced space as merely retail. Despite the obvious benefit of the readily available retail client base the space does not have the one most important value to be considered retail, street presence. Therefore the space must be assessed as commercial property with a retail build out and operation. Our assessment of the value of the tenant improvement for an optical, retail operation within the hospital at this specific location would be that it is dramatically less than the cost for a typical store front optical store. The space is open (minimal walls or partitions) with appropriate space for display cases, both free standing and mounted on the unit's walls.

Another important factor is the value of the space to support the adjoining medical use. It is our experience that space within built medical facilities is valued at a premium simply due to the fact that it is a finite resource which is in demand and entirely accessible. Allocation of medical space for ancillary use is a primary cause for concern for medical facility administrators. This is the case even when the organization can garner a higher rent for the space. This assessment takes into consideration the value of this space for medical facility operations.

It is apparent that proximity within the medical facility complex is attractive to this tenant and benefits the facility's patients as well. The provision of tenant services that are uncommon for retail facilities, i.e., 24-7 access, even if not utilized and the provision of full time services such as HVAC, repairs and maintenance, security, etc. must also be factored in this evaluation. However, when assessing the value, the fact that the client base is limited to foot traffic within the medical facility impacts the success of the tenant. Pedestrians walking by the building would not be aware of this retail operation and so that must be taken into consideration as well.

The method of measurement used to calculate the available square footage within the institution gives us an accurate reading, leading to a truer measure of the useable square footage than in a traditional office space. A traditional office space generally suffers a loss factor of 30% or greater, meaning that a 100 sf requirement necessitates approximately 140 sf to achieve the same net square footage result.

The referenced medical space will be located on the 8th floor of the East building of Kings County Hospital. It will be housed in Suite "C", a large wing that houses the Department of Ophthalmology. It will consist of approximately 100 square feet net (140sf gross). The customers/patients will share the larger waiting room(s) found adjacent to the space and will not be counted as a part of the retail square footage.

When assessing the FMV for this space we took into consideration the referenced factors and used comparables for medical space, hospital space and retail space within the immediate market where available to establish benchmarks for market rents. The proposal offers the licensee a full service building with amenities typically provided only by hospitals and full service medical office buildings and not retail properties. Typical retail operations are triple net, with the tenant absorbing all of the related operational expenses. However, this opportunity provides the tenant with comprehensive services which will be reflected in our evaluation.

Market conditions for each use were established for comparison. Medical space, specifically physician, private offices garners rents at \$18 - \$26 per RSF in the subject area. Asking rents in this market remained flat in 2013 and early 2014 but landlord concessions are still negligible. Although these areas have medical offices, the lack of product, i.e., rental opportunities has maintained a stable rental market.

CONCLUSION

The ability to access the space and the provision of services without interruption is an amenity that benefits this retail tenant. This retail tenant, however, remains viable only as long the Ophthalmology practice remains present at the premises. The minimal expense for tenant improvements was a variable that was evaluated as well.

Not all of the locations that were inspected for this report were handicapped accessible. To reiterate, 24-7 security is a valuable and an attractive amenity provided by the landlord. All of the lavatories throughout the facility are ADA compliant. The corridors are also wheelchair accessible.

For the purpose of this appraisal, we shall assume that all operating expenses, i.e., security, refuse removal, utilities, repairs and maintenance, service contracts, etc. are provided by the landlord

In addition to the base rent of \$18, which we previously described as net, you would add in approximately \$3.50/sf for utility services, \$2.25/sf for cleaning services and as much as \$5/sf for IT and telephone services depending on the level of sophistication provided. In addition to these services, the tenants occupying the spaces do not have to maintain service contracts or maintenance of AC, communications or office equipment etc. That can be value-added into the cost of the space as well. Accordingly, we value the space at a gross rent of approximately \$29/rsf with services provided, which would be consistent with general office tenants found within the surrounding community.

In conclusion this analysis finds that the FMV for this space is essentially a hybrid due to the location of the space, proposed use and lack of opportunity to promote a true retail operation. However, it also provides the user with an immediate client base.

It is our professional opinion that the value of the referenced space is **\$28-30** per RSF (140rsf). It would not be appropriate to provide a tenant with a construction concession of rent abatement given the size of the unit.

It would be appropriate for the tenant to negotiate an escalation provision to the base rent/fee of 2.75% to 3% commencing in the second year of the license agreement. These would be commercially fair and reasonable terms based on the data and information assessed in this report.

In the event I can be of any further assistance to you, please do not hesitate to call me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael Dubin". The signature is fluid and cursive, with a prominent initial "M" and a long, sweeping underline.

Michael Dubin
Partner

PROJECT STATUS REPORTS

Central/North Brooklyn Health Network
Queens Health Network

Network: CENTRAL / NORTH BROOKLYN HEALTH NETWORK

Facility: KINGS COUNTY HOSPITAL CENTER

Project Number	PROJECT TITLE	Project Budget (\$000s)	Paid to Date (\$ 000s)	% Paid to Date	Construction Start	Projected Completion	Forecast/ Actual Completion	Delay (if any)	Comments
29201101	Upgrade Ten (10) Elevators "ABC" Buildings	5,148	3,900	75.00%	Mar-14	May-14	Jun-14	(13)	Phase I (Freight elevators in the ABC Buildings): Completed and approved for operation by the NYC DOB. Phase II (one passenger elevator in each of the ABC Building plus the hydraulic elevator): All passenger elevators completed and approved for operation. For B Building hydraulic elevator: DOB appointment scheduled for May 23, 2014. Phase III (remaining passenger elevator in each of the ABC Buildings): scheduled for substantial completion for end of June 2014.

Facility: WOODHULL MEDICAL AND MENTAL HEALTH CENTER

Project Number	PROJECT TITLE	Project Budget (\$000s)	Paid to Date (\$ 000s)	% Paid to Date	Construction Start	Projected Completion	Forecast/ Actual Completion	Delay (if any)	Comments
48200803	Obstetric Unit Expansion	2,479	249	10.00%	Jun-13	Feb-14	Oct-14	(8)	Start of construction was delayed because of the need to relocate the Overflow Postpartum Nursing Unit and several offices from the site to other areas throughout the building. Demolition is being scheduled for the end of January 2014.

