

CAPITAL COMMITTEE
MEETING AGENDA

November 8, 2017

11:00 AM

125 Worth Street, Room 532
5th Floor Board Room

CALL TO ORDER

Mark Page

- ADOPTION OF MINUTES – October 11, 2017

Mark Page

- VICE PRESIDENT’S REPORT

Roslyn Weinstein

ACTION ITEMS

- **Resolution** **Sheldon McLeod**
Authorizing the New York City Health and Hospitals Corporation (the “System”) to execute lease extension agreement with Third Generation Properties (the “Landlord”), for use and occupancy of 2,400 square feet of ground floor space at 2266 Nostrand Avenue, Borough of the Brooklyn, to operate a Supplemental Food Program for Women, Infants and Children (the “WIC Program”), managed by Kings County Hospital Center (the “Facility”) at a rent of \$86,678 per year, or \$36.11 per square foot for a total of \$115,571 over the sixteen month term.
- **Resolution** **Patricia Yang**
Authorizing the New York City Health and Hospitals Corporation (the “System”) to execute a ten year lease extension agreement with S Properties LLC (the “Landlord”) for approximately 13,000 square feet of warehouse and office space at 49-04 19th Avenue/19-10 49th Street, Astoria, New York (the “Warehouse”) to house Correctional Health Services (the “CHS”) administrative functions at an initial rent of \$364,000 per year or \$28.00 per square foot to be escalated by 2.75% per year for years 1-5 and 3.0% for years 6-10 a total of \$4,141,546 over the ten year term.
- **Resolution** **Jeremy Berman**
Authorizing a Third Revised Statement of Board Policy for the Review and Authorization of Procurement Matters (the “Policy”) by the Board of Directors (the “Board”) of New York City Health and Hospitals Corporation (the “System”) in the form attached that shall be effective as of December 1, 2017 and that shall enable the President of the System to prepare and adopt a revision of Operating Procedure 100-06 to implement such Policy.

INFORMATION ITEMS

OLD BUSINESS

NEW BUSINESS

ADJOURNMENT

CAPITAL COMMITTEE MEETING MINUTES

October 11, 2017

MINUTES

Capital Committee

Meeting Date: October 11, 2017

Time: 10:00 A.M.

Location: Board Room

Board of Directors:

Members of the Capital Committee

Mark Page, Committee Chair
Gordon Campbell, Vice Chair, Acting Chairman of the Board
Josephine Bolus, RN, NP, BC
Stanley Brezenoff, Interim President, Chief Executive Officer

HHC Staff:

PV Anantharam – Senior Vice President, Finance
Jeremy Berman – Deputy General Counsel, Office of Legal Affairs
Daniel Gadioma – Associate Director, NYC Health + Hospitals / Kings County
Colicia Hercules – Chief of Staff, Office of the Chairman
Louis Iglhaut – Assistant Vice President, Office of Facilities Development
Mahendranath Indar – Senior Director, Office of Facilities Development
Patricia Lockhart – Secretary to the Corporation, Office of the Chairman
Sheldon McLeod – Chief Operating Officer, NYC Health + Hospitals / Kings County
Dean Moskos – Director, Office of Facilities Development
Salvatore Russo – General Counsel, Office of Legal Affairs
Sarah Samis – Chief of Staff, Office of the President
Cyril Toussaint – Director, Office of Facilities Development
Roslyn Weinstein – Vice President, President's Office
Dion Wilson – Director of Real Estate, Office of Legal Affairs

Outside Representatives:

Osmund Desouza – Jumper Networks

CALL TO ORDER

The meeting was called to order by Mark Page, Committee Chair, at 10:05 A.M.

On motion, the Committee voted to adopt the minutes of the September 13, 2017, Capital Committee meeting.

VICE PRESIDENT'S REPORT

Ms. Weinstein explained that the first resolution, a license agreement for cellular communications equipment on the roof of Coler, would likely be the last of its kind to come before the Committee for approval. Changes to Operating Procedure 100-05 were being drafted to allow for similar agreements to be made without the need to present to the Capital Committee and full Board of Directors. They will be reported as information items, to keep the Board informed, but will not require Board approval.

Ms. Weinstein advised that the second resolution, seeking approval to construct cogeneration plants at NYC Health +Hospitals / Kings and NYC Health + Hospitals / McKinney, were related to the systems efforts to be more energy independent. She noted that discussion of this resolution had sparked a question from Mr. Page regarding the mission of the system, and how efforts in this field tied into broader missions for the system and its self-sufficiency. In response, Ms. Weinstein stated that she was to present at the November Capital Committee meeting an outline and detailed response to those concerns. Mr. Page said he was particularly concerned with back-up service, the cost of that back-up, and the entire package.

That concluded her report.

ACTION ITEMS

- **Authorizing the New York City Health and Hospitals Corporation ("NYC Health + Hospitals") to execute a five year revocable license agreement with T-Mobile Northeast LLC (the "Licensee") to operate a cellular communications system in approximately 200 square feet of space on the roof of the "A-C" Building at Coler Rehabilitation and Nursing Care Center (the "Facility") at an annual occupancy fee of approximately \$309 per square foot or \$61,814 per year to be escalated by 4% per year for a five year total of \$334,805.**

Dion Wilson, Director of Real Estate, Office of Legal Affairs, read the resolution into the record on behalf of Robert Hughes, Chief Executive Officer, Coler Rehabilitation and Nursing Care Center.

Mr. Wilson noted that this request was for extension of an existing agreement, and was the second agreement of the sort with T-Mobile, to be presented to the Committee this year. In January, the Committee approved equipment on the "A" building of the facility. The proposed occupancy fee was approximately 4% higher than the prior rate, and all equipment complied with FCC regulations and posed no risk to patients or staff.

Josephine Bolus asked if there had been any questions or complaints from patients, staff or community about the equipment, or with the vendor. Ms. Weinstein said no.

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.

- **Authorizing New York City Health and Hospitals Corporation (the "System") to execute an agreement with 2017 ESA Project Company, LLC, a Bloom Energy affiliate ("Bloom") to construct four fuel cell co-generation servers (the "Servers") at the locations on the campus of NYC Health + Hospitals/Kings County and NYC Health + Hospitals/Dr. Susan Smith McKinney (the "Facilities") shown on the attached site map and to maintain the same, both at the sole cost and expense of Bloom and to sell its entire electrical energy output to the System for use by the Facilities and to obligate the System to purchase from Bloom all of such energy for a term of fifteen years at a total projected cost not to exceed \$39.1 Million on the terms outlined in the Statement of Economic Terms attached hereto.**

Sheldon McLeod, Chief Operating Officer, NYC Health + Hospitals / Kings County, read the resolution into the record. Mr. McLeod was joined by Cyril Toussaint, Director, Office of Facilities Development. .

Mr. Toussaint explained that this project was indeed related to the systems desire to be more self-sufficient with regards to energy. There were two co-dependent energy goals; 1) to have a reliable alternative source of energy for the system; and, 2) to meet the Mayor's mandate to reduce greenhouse gas emissions by 80% by 2050. The Kings County and McKinney facilities were both located in a Central Brooklyn neighborhood where the Consolidated Edison (Con Ed) electrical grid was overly taxed. Con Ed had approached Health + Hospitals with the opportunity to lower costs, reduce demand on the community's electrical grid, and achieve the Mayor's mandate to lower their carbon footprint by soliciting companies to submit proposals of alternative, reliable sources for electricity. Con Ed selected Bloom Energy.

Bloom Energy develops, builds and installs servers, which are fuel cell generators that use natural gas, that combine with other electrochemical reaction to create electricity. The proposal of a 3.1 megawatt server will provide 40% of the facility's total electrical needs. This agreement would supply those needs for 15 years. Bloom Energy would cover all costs for construction and maintenance of the server. Estimated savings over 15 years was \$5 million, based on rate projections.

Jeremy Berman, Deputy Counsel asked for an overview of the term negotiations. Mr. Toussaint explained that negotiations with Con Ed and Bloom began approximately a year ago. The initial proposal was for 13 cents per kilowatt hour, and Con Ed offered an incentive of \$2 million. Negotiations resulted in an escalation of the Con Ed incentive, to \$5 million, and rates of 8 cents per kilowatt hour.

Mr. Page asked if the Con Ed subsidy resulted in the lower kilowatt rate because they would benefit from the lightened load on the grid. Mr. Toussaint said yes. Mr. Berman agreed, and added that there were ongoing discussions to further increase the subsidy from Con Ed, which would in turn lower the kilowatt hour rate. Mr. Berman said it would be possible that those decisions may be made prior to the upcoming Board meeting. Mr. Page said that would be great.

Mr. Page said that when a 15 year forecast was being performed, he was confident that there was inaccuracy in the numbers as the ability to predict the future is impossible. He appreciated that the estimated

savings of \$5 million was a strong savings, and he understood the desire to be self-sufficient when it came to energy, he believed the cost of power was also a significant goal, but was having difficulty understanding if the effort to “go-green” was practical. While it was desirable, under the circumstances it was the need to decrease drain on the grid that was behind this, any options (new or old) would rely on Natural Gas and so he was not sure this option would make us any “greener” than other projects.

Mr. Page said he had asked a number of questions about how this would be different than co-generation, another avenue for independence, green-ness, and savings, but understood that when you include the financing costs, the expected cost of power between a co-generation plant and the units associated with this project were more or less comparable.

Mr. Toussaint agreed that Mr. Page was making relevant comments. He added that analysis of cogeneration projects had shown increased savings but installation of the system was very lengthy, with 3-4 years of construction required prior to benefits being recognized.

Ms. Weinstein noted that the cogeneration project at Kings County would be active in May, 2018, and at that time the system would be able to see actual savings. One of the benefits of the project was that it would allow us to recapture the heat and provide hot water at a lower cost. Cogeneration may be the more efficient way to go but those projects involve longer lead time and dollars are required for construction, etc. This alternative allows us to see benefits within months and savings much faster.

Mrs. Bolus asked for a more clear understanding of the differences between the cogeneration projects and the project being presented. Ms. Weinstein explained that the previously approved project, when complete, would provide 20% of required energy for the facility, and this newly proposed project with Bloom energy would provide 40% of the required energy, so combined, the facility would be able to operate with 60% of the electrical services off the grid. If we were to wait, and do another cogeneration project, we would be waiting way longer to see benefits.

Mr. Page said that one way of looking at this was; there is potential to reduce our cost of energy, by cogeneration, which is known to work very well, but requires a greater investment of time and dollars; or, this more immediate option that requires less input on behalf of the system. Mrs. Bolus asked how. Mr. Page said that another cogeneration project would require purchasing the machine and finding appropriate space for the machine, along with construction.

Mrs. Bolus said she recalled the original project, and thought it was underway and asked what else needed to be done. Ms. Weinstein explained that in order to be totally self-sufficient the system would need a larger cogeneration unit. Ms. Weinstein said that Kings County does have a large campus, which would make it an ideal space. Mr. Page added, that a project of that type would require approximately four (4) years to see results, as well as funding for construction, while this new option involves units being delivered and just hooked-up, pre-fabricated, and financed.

Mrs. Bolus asked about vandalism. Mr. Page asked how exposed these units would be. Mr. Toussaint said they would be fenced in for protection. Louis Iglhaut, Assistant Vice President, Office of Facilities Development, said that the cases would be locked and alarmed, and there has been discussion about whether to construct perimeter fencing that would limit access to only Bloom Energy and Health + Hospitals staff.

Mr. Page said that taking advantage of this opportunity, including finance, fabrication, etc., was likely a good idea. He added that Bloom was obligated to rotate new units as existing units aged, and would likely be replaced three to four times over the course of the agreement.

Mrs. Bolus asked if the neighborhood would utilize the energy from the units. Ms. Weinstein said no, it allows us to lighten the load on the grid and therefor makes energy more available to the community. Mr. Page added that Con Edison was in favor of the project.

Mrs. Bolus said her main concern was the length of time, 15 years, and asked if other, better options would be presented over the course of that time, and if we would be left behind. Ms. Weinstein said she understood the concerns, and in turn we had to be aware and flexible and be able to find additional funding for future projects, which we were always doing, in an effort to more self-sufficient.

Mrs. Bolus said she recalled recommending plug-ins for electrical cars in the newer garages, and it wasn't done and now it was an issue, and so she wanted to be sure that her concerns were heard and noted. Mr. Page said that it was possible that the system could pull out of the arrangement prior to the 15 years, with a minimal penalty, and that penalty cost went down if one could prove a better alternative was available.

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.

There being no further business, the meeting was adjourned at 10:33 P.M.

LEASE EXTENSION

**THIRD GENERATION PROPERTIES
2266 NOSTRAND AVENUE**

NYC HEALTH + HOSPITALS / KINGS COUNTY

RESOLUTION

Authorizing the New York City Health and Hospitals Corporation (the "System") to execute lease extension agreement with Third Generation Properties (the "Landlord"), for use and occupancy of 2,400 square feet of ground floor space at 2266 Nostrand Avenue, Borough of the Brooklyn, to operate a Supplemental Food Program for Women, Infants and Children (the "WIC Program"), managed by Kings County Hospital Center (the "Facility") at a rent of \$86,678 per year, or \$36.11 per square foot for a total of \$115,571 over the sixteen month term.

WHEREAS, in November 2012, the Board of Directors authorized the execution of a lease extension with the Landlord which allowed the WIC Program to continue to operate from its current location for an additional five years; and

WHEREAS, the Facility's WIC Program provides nutrition services to pregnant, breastfeeding and postpartum women, infants, and children less than five years of age, who are determined to be at nutritional risk and are of low income; and

WHEREAS, extending the lease at the site will allow continued provision of needed WIC Program services to the community; and

WHEREAS, the program is fully funded by a New York State Department of Health ("DOH") grant and DOH has approved of the site and the lease terms; and

WHEREAS, the Landlord was unwilling to extend the lease for longer than sixteen months so that its expiration coincides with the expiration of a lease at an adjoining property owned by Landlord and thus to create an opportunity for the Landlord to rent both sites together to a single larger uWICser; and

WHEREAS, the proposed lease extension will be administered by the Executive Director of the Facility.

NOW, THEREFORE, be it

RESOLVED, that the New York City Health and Hospitals Corporation (the "System") be and hereby is authorized to execute a lease extension agreement with Third Generation Properties (the "Landlord"), for use and occupancy of 2,400 square feet of ground floor space at 2266 Nostrand Avenue, Borough of Brooklyn, to operate a Supplemental Food Program for Women, Infants and Children (the "WIC Program"), managed by Kings County Hospital Center (the "Facility") at a rent of \$86,678 per year, or \$36.11 per square foot for a total of \$115,571 over the sixteen month term.

EXECUTIVE SUMMARY

KINGS COUNTY HOSPITAL CENTER SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS AND CHILDREN 2266 NOSTRAND AVENUE BOROUGH OF BROOKLYN

- OVERVIEW:** Authorizing the Board of Directors of NYC H+H (the "System") to execute a sixteen month lease extension agreement with Third Generation Properties (the "Landlord") for use and occupancy of space at 2266 Nostrand Avenue, Borough of Brooklyn, to operate a Women, Infants and Children Program ("WIC Program"), managed by Kings County Hospital Center (the "Facility").
- NEED/
PROGRAM:** The WIC Program has been providing services to the surrounding community at this site since 1996. The program provides comprehensive WIC services to eligible pregnant, breastfeeding and postpartum women, infants and children less than five years of age, who are determined to be at nutritional risk. Under normal circumstances the System would renew the lease for at least a term of five years but the Landlord is willing to give only a 16 month renewal as he seeks to preserve a larger development opportunity in 16 months when the lease on an adjacent property he owns comes due.
- UTILIZATION:** In 2017, there were approximately 12,000 patient visits to the program.
- TERMS:** The WIC Program will continue to occupy approximately 2,400 square feet of ground floor space, and will pay base rent in the amount of \$86,678 per year, or \$36.11 per square foot for a total of \$115,571 over the sixteen month term. The rent for the sixteen month term represents a 2.5% increase over the current rent. The System will be responsible for payment of separately metered electricity. The cost of water and sewer rents will be the Landlord's responsibility. The System will pay its share of real estate tax increases above the 2013/2014 base year. The Landlord will be responsible for all interior and exterior maintenance and structural repairs. The System will be responsible for non-structural maintenance and repairs and also responsible for the repair and maintenance of sidewalks, curbs and passageways adjoining and/or appurtenant to the premises.
- FINANCING:** Rent and operating expenses are covered by a NYSDOH grant. There is no cost incurred by the System for the operation of this program.

SUMMARY OF ECONOMIC TERMS

- SITE:** 2266 Nostrand Avenue
Borough of Brooklyn
Block 7575, Lot 11, 77
- FLOOR AREA:** Approximately 2,400 square feet of ground floor space
- TERM:** 16 months
- RENT:** The System will pay a base rent in the amount of \$86,678 per year, or \$36.11 per square foot. The total rent over the sixteen month term will be \$115,571. Rent will commence January 1, 2018.
- UTILITIES:** The System will be responsible for the payment of separately metered electricity. The cost of water and sewer rents will be the Landlord's responsibility.
- MAINTENANCE/
REPAIRS:** The Landlord will be responsible for all interior and exterior maintenance and structural repairs. The System will be responsible for non-structural maintenance and repairs. The System will also be responsible for the repair and maintenance of sidewalks, curbs and passageways adjoining and/or appurtenant to the premises.
- TAXES:** The System will be responsible for the payment of its share of real estate tax increases above the 2013/2014 base year.
- FINANCING:** Rent and operating expenses are covered by a NYSDOH grant. There is no cost incurred by the System for the operation of this program.

SAVITT PARTNERS

October 31, 2017

Mr. Dion Wilson
Director of Real Estate
NYC Health + Hospitals
125 Worth Street, Rm 527
New York, NY 10013

Re: Opinion of Reasonableness of Rent
2266 Nostrand Avenue
Brooklyn, NY 11210

Dear Dion:

This letter confirms that I have visited the referenced location on October 27, 2017 and subsequently reviewed the summary of the economic terms of the Lease Extension for the referenced property by and between Third Generation Properties as Landlord, and NYC Health + Hospitals as Tenant, comprising of the following terms:

Use: WIC Program managed by Kings County Hospital Center
Floor Area: 2,400 rentable square feet located on the ground floor
Base Rent: \$36.11 per square foot, or \$86,678 per year, for a total of \$115,571 over the 16-month term
Real Estate Taxes: Tenant's proportionate share above the 2013/2014 Base Year

Based on my review of the proposed lease term (16 months), the starting base rent (\$36.11 per square foot plus Tenant's proportionate share of Real Estate Taxes over 2013/2014 Base Year), and reviewing comparables presented for leased spaces of similar size and location, it is my professional opinion that the economic terms proposed and set forth above are fair and reasonable in the commercial marketplace found in this area of Brooklyn.

I am a licensed real estate broker in New York and am familiar with current market rates for professional and commercial spaces in the vicinity of this property.

Please feel free to contact me if you require additional information.

Sincerely,



Michael Dubin
Partner

LEASE EXTENSION

S PROPERTIES, LLC

49-04 19TH AVENUE / 19-10 49TH STREET

CORRECTIONAL HEALTH SERVICES

RESOLUTION

Authorizing the New York City Health and Hospitals Corporation (the "System") to execute a ten year lease extension agreement with S Properties LLC (the "Landlord") for approximately 13,000 square feet of warehouse and office space at 49-04 19th Avenue/19-10 49th Street, Astoria, New York (the "Warehouse") to house Correctional Health Services (the "CHS") administrative functions at an initial rent of \$364,000 per year or \$28.00 per square foot to be escalated by 2.75% per year for years 1-5 and 3.0% for years 6-10 a total of \$4,141,546 over the ten year term.

WHEREAS, the Warehouse had previously been used by Prison Health Services Inc. ("PHS") which is a subsidiary of Corizon Health, Inc. ("Corizon") for office and storage space in connection with its work to provide health care to the inmates in the custody of the New York City Department of Correction facilities; and

WHEREAS, in August 2015 pursuant to Mayoral executive order, the City of New York transferred the responsibilities for correctional health services provided by the New York City Department of Health and Mental Hygiene ("NYC DOHMH") through its contractor, Corizon, to the System; and

WHEREAS, pursuant to resolution of the System Board of Directors given in December, 2015, in January 2016, the PHS lease for the Warehouse space was assigned to the System and, since the assignment, CHS has been using the building for back office functions, storage and staging for the provision of health care to inmates in the custody of the New York City Department of Corrections; and

WHEREAS, the close proximity of the Warehouse to Rikers Island makes it a good location for serving Rikers and other New York City Department of Correction facilities and the building is configured to support the health care functions that CHS provides, and therefore extending the lease will assist CHS with meeting its program goals; and

WHEREAS, the administration of the proposed lease will be the responsibility of the Senior Vice President for Correctional Health Services.

NOW, THEREFORE, be it

RESOLVED, that the New York City Health and Hospitals Corporation be and hereby is authorized to execute a ten year lease extension agreement with S Properties LLC for approximately 13,000 square feet of warehouse and office space at 49-04 19th Avenue/19-10 49th Street, Astoria, New York to house Correctional Health Services administrative functions at an initial rent of \$364,000 per year or \$28.00 per square foot to be escalated by 2.75% per year for years 1-5 and 3.0% for years 6-10 for a total of \$4,141,546 over the ten year term.

EXECUTIVE SUMMARY

WAREHOUSE LEASE WITH S PROPERTIES FOR CORRECTIONAL HEALTH SERVICES

49-04 19TH AVENUE/19-10 49TH STREET, ASTORIA

OVERVIEW: Authorizing the Board of Directors of NYC H+H (the "System") to execute a ten year lease extension agreement with S Properties LLC (the "Landlord") for warehouse and office space at 49-04 19th Avenue/19-10 49th Street, Astoria, New York (the "Warehouse") to house the administrative functions of System's Correctional Health Services ("CHS") division.

**NEED/
PROGRAM:** The Warehouse had previously been used by Prison Health Services Inc. ("PHS") for office and storage space in connection with the work of its affiliate, Corizon Medical, Inc. ("Corizon") which provided health care to the inmates in the custody of the New York City Department of Correction facilities under contract with the New York City Department of Health and Mental Hygiene ("DOHMH"). The Warehouse is located near the bridge used to access Rikers Island. The building contains a mix of office and warehouse/storage space. In August 2015 pursuant to Mayoral executive order, the City of New York transferred the responsibilities for correctional health services that had been provided by DOHMH through its contractor, Corizon, to the System. In January 2016, when there were two years remaining of the ten year term, the PHS lease for the Warehouse space was assigned to the System. . During the past two years, CHS has been using the building for back office functions, storage and staging for the provision of health care to inmates in the custody of the New York City Department of Corrections. The proximity of the Warehouse to Riker's Island makes it a suitable logistical location for serving Rikers and other New York City Department of Correction facilities. Moreover, the Warehouse is configured to support the healthcare functions that CHS provides and extending the lease will assist CHS with meeting its program goals.

TERMS: The lease extension provides for a ten year term. The rent will commence at \$364,000 per year or \$28.00 per square foot. The rent will be escalated by 2.75% per year for years 1-5 and 3.0% per year for years 6-10. The total rent paid over the ten year term will be \$4,141,546. The rent for the new term is 8.6% above the current rent. The System will be responsible for all utilities at the Warehouse and for keeping the sidewalks clear of snow, ice and rubbish. The Landlord is responsible for payment of all taxes, water and sewer charges and for making any structural or exterior repairs to the Warehouse that are required.

FINANCING: The full cost of this lease is included in the funding provided to the System by the City of New York under its Memorandum of Understanding with the System for its operation of the correctional health program.

SUMMARY OF ECONOMIC TERMS

SITE:	49-04 19 th Avenue/19-10 49 th Avenue Astoria, New York Borough of Queens Block 755, Lot 29
LANDLORD:	S. Properties LLC
SIZE:	13,000 square feet
TERM:	Ten years
RENT:	\$364,000 per year, or \$28.00 per square for a total of \$4,141,546 over the ten year term
PRIOR RENT:	\$335,987 per year, or \$25.78 per square foot
ESCALATION:	2.75% for years 1-5, 3.0% for years 6-10
MAINTENANCE:	The Landlord is responsible for all structural and non-structural exterior and interior maintenance and repairs.
UTILITIES:	Utilities, including electricity and gas will be provided by the Tenant
TAXES:	Landlord is responsible for payment of real estate taxes

SAVITT PARTNERS

October 31, 2017

Mr. Dion Wilson
Director of Real Estate
NYC Health + Hospitals
125 Worth Street, Rm 527
New York, NY 10013

**Re: Opinion of Reasonableness of Rent
49-04 19th Avenue/19-10 49th Street
Astoria, NY 11370**

Dear Dion:

This letter confirms that I have visited the referenced location on August 17, 2017 and subsequently reviewed the summary of the economic terms of the Lease Extension Agreement for the referenced property by and between S Properties LLC as Landlord, and NYC Health + Hospitals on behalf of Correctional Health Services as Tenant, comprising of the following terms:

Floor Area: Approximately 13,000 rentable square feet of warehouse and office space
Base Rent: \$28.00 per square foot, or \$364,000 per year, for a total of \$4,141,546 over the 10-year term
Escalation: 2.75% for years 1-5, 3.0% for years 6-10
Real Estate Taxes: Landlord is responsible for payment of real estate taxes

Based on my review of the proposed lease term (10 years), the starting base rent and escalations (\$28.00 per square foot with 2.75% compounded escalations for years 1-5 and 3.0% compounded escalations for years 6-10), and reviewing comparables presented for leased spaces of similar size and location, it is my professional opinion that the economic terms proposed and set forth above are fair and reasonable in the commercial marketplace found in the East Elmhurst area as of the date of this letter.

I am a licensed real estate broker in New York and am familiar with current market rates for professional and commercial spaces in the vicinity of this property.

Please feel free to contact me if you require additional information.

Sincerely,



Michael Dubin
Partner

REVISED STATEMENT OF BOARD POLICY

REVIEW & AUTHORIZATION OF PROCUREMENT MATTERS

RESOLUTION

Adopting a Third Revised Statement of Board Policy for the Review and Authorization of Procurement Matters (the "Policy") by the Board of Directors (the "Board") of New York City Health and Hospitals Corporation (the "System") in the form attached that shall be effective as of December 1, 2017 and that shall enable the President of the System to prepare and adopt a revision of Operating Procedure 100-06 to implement such Policy.

WHEREAS, at its September 22, 2011 meeting, the Board adopted a Revised Policy; and

WHEREAS, at its October 26, 2017 meeting, the Board adopted a Second Revised Policy to permit certain changes in Operating Procedure 100-5 dealing with the procurement of goods and services and the Board's requirements for review; and

WHEREAS, a portion of the Policy applies to the Board's approval requirements as to real estate transactions; and

WHEREAS, the Board wishes to further update the Policy with a Third Revised Policy to allow renewals of real estate space licenses of the System's property without Board approval except in those cases where the licensee is a health care provider; and

WHEREAS, the proposed Third Revised Policy will not detract from the requirement to bring all real estate leases to the Board, all licenses for the use of the System's property that have not been previously approved, all licenses of the System's property given to health care providers and all licenses by the System of the property of any third party; and

WHEREAS, the New York State Public Authorities Accountability Act requires that entities such as the System have in place written policies regulating its procurement activities and the Board intends that the adoption of the Third Revised Policy and Operating Procedure 100-06 be in satisfaction of such requirement.

NOW THEREFORE, be it

RESOLVED, that the Board of the New York City Health and Hospitals Corporation hereby adopts the Third Revised Statement of Board Policy for the Review and Authorization of Procurement Matters in the form attached that shall be effective as of December 1, 2017 and that shall enable the President of New York City Health and Hospitals Corporation to prepare and adopt a revision of Operating Procedure 100-06 to implement such Policy.

**EXECUTIVE SUMMARY
ADOPTION OF THIRD REVISED STATEMENT
OF BOARD POLICY FOR
THE REVIEW AND AUTHORIZATION OF PROCUREMENT MATTERS**

BACKGROUND: The Revised Statement of Board Policy for the Review and Authorization of Procurement Matters (the "Policy") was adopted in 2011. It primarily deals with the procurement of goods and services and establishes the broad outline of the System's Operating Procedure 100-5. It also contains one key sentence that applies to real estate transactions and thus dictates part of Operating Procedure 100-6.

In this regard it is useful to distinguish licenses from leases. Licenses are agreements for use of space that can be terminated at will by either party. When licensing its own property, the System prefers licenses over leases as they provide greater flexibility than leases and do not involve as many approvals external to the System. All of the agreements given for the siting of roof-top antennas, agreements with City agencies and agreements given to community-based not-for profits for use of System space are licenses.

Leases are agreements for use of space for a fixed term that can be terminated only for breach. When the System is a tenant, it prefers leases because of the more definite commitment made. When 3rd parties who wish to use System property need a firm commitment (because they intend a substantial investment), they also ask for a lease. All of the System's agreements as tenant for its offices or clinics have been leases and all its agreements as landlord to permit construction on System property (for affordable housing, etc.) have been leases.

Over the five years from 2012 through 2017 60 total licenses were brought before the Board of which 45 were renewals and 15 were being presented for the first time. Of the 60 licenses, 4 were given to health care providers.

NEED: As written, the Policy requires all real estate transactions to be brought before the Board for approval. To better align the Board's oversight with the System's scale, the Board wishes to permit the renewal of licenses without renewed approval. The Board requires, however, that all leases (whether the System is landlord or tenant), all licenses proposed to be issued for the first time, all licenses given to health care providers to use System space and all licenses by the System of the property of 3rd parties, be approved by the Board.

REVISING THE BOARD STATEMENT OF POLICY ON PROCUREMENT TO PERMIT A CHANGE TO OPERATING PROCEDURE 100-6

CAPITAL COMMITTEE



CURRENT RULE

- CURRENTLY, THE BOARD STATEMENT OF POLICY FOR PROCUREMENT STATES:
 - “...Further, the following require the Board’s prior approval regardless of the amount of money involved: (a) all leases, licenses and other agreements for the disposition or acquisition of real property rights; (b) all contracts for the services of auditors”
 - Thus, currently all leases and licenses are now brought to the Board for approval.

DEFINITIONS

- **Real Estate Licenses**- Agreements for use of space that can be terminated at will by either party. When licensing its own property, NYC Health + Hospitals prefers licenses over leases as they provide greater flexibility than leases and do not involve as many approvals external to NYC Health + Hospitals. All of the agreements given for the siting of roof-top antennas, agreements with City agencies and agreements given to community-based not-for profits for use of NYC Health + Hospitals' space are licenses.
- **Real Estate Leases**- Agreements for use of space for a fixed term that can be terminated only for breach. When NYC Health + Hospitals is a tenant, it prefers leases because of the more definite commitment made. When 3rd parties who wish to use NYC Health + Hospitals property need a firm commitment (because they intend a substantial investment), they also ask for a lease. All of NYC Health + Hospitals' agreements as tenant for its offices or clinics have been leases and all its agreements as landlord to permit construction on NYC Health + Hospitals property (for affordable housing, etc.) have been leases.

BOARD APPROVALS OVER LAST 5 YEARS

- All licenses are brought to the Board to be renewed.
- Over the last five years 60 licenses have presented to the Board of which 45 were presented to be renewed and 15 were presented for the first time.
- Of the 60 licenses presented to the Board, four were for medical providers.

PROPOSED CHANGE TO BOARD STATEMENT OF POLICY

- The proposed change to the Board Policy would eliminate the need to bring to the Board most license agreements that were previously approved but are up for renewal. Licenses to health care providers would need to get Board approval even on renewal. All licenses of every type will be reported. There will be no change in the treatment of leases all of which will require Board approval both on initial presentation and on renewal.
- The change in the Board Statement of Policy now under consideration would provide: “Further, the following require the Board’s prior approval regardless of the amount of money involved: (a) all real property leases where NYC Health + Hospitals is either landlord or tenant; (b) all real property licenses where NYC Health + Hospitals is either licensor or licensee that are not renewals of licenses previously approved by the Board unless any such license is with a healthcare provider in which case Board approval is required including on renewal ; (c) all contracts for the services of auditors”