




NASSAU COUNTY LEGISLATURE
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Inter-Departmental Memo

To: Hon. Richard Nicoletto, Presiding Officer
Hon. Kevan Abrahams, Minority Leader
All Members of the Nassau County Legislature

From: Maurice Chalmers, Director
Office of Legislative Budget Review 

Date: May 18, 2023

Re: Review of the Nassau County Veterans Memorial Coliseum Lease Transfer

The Office of Legislative Budget Review (OLBR) has prepared this memo for the Legislature to provide a financial and economic overview of the proposed changes from clerk item 156-23. This item is an Ordinance to authorize the County to execute a new lease with LVS NY HoldCo 2, LLC to pursue the development of the approximately 71.6 acres Nassau Veterans Memorial Coliseum site. LVS NY HoldCo 2, LLC, is a Nevada based limited liability company and a subsidiary of the Las Vegas Sands Corporation.

The County is at a juncture where it must consider the diminished economic opportunities from the aging and underutilized facility, especially after the opening of the UBS Arena in Elmont, NY, and the possibility of having a casino built and the ensuing economic impact of the redevelopment. The decision of what to build at the site is a Policy decision that will have to be considered and voted on by many levels of government.

The current lease is held by Nassau Live. The Legislature is being asked to consider transferring the lease to Las Vegas Sands, and this step is critical to Sands' application for a New York State gaming license. About a dozen entities are vying for three state licenses available in the downstate region, which includes New York City and Long Island.

The envisioned development would offer Sands control of the Coliseum property in Uniondale for the next 99 years and the entire development is anticipated to cost approximately \$4.0 billion. Following the execution of the new lease, Sands is required to enter into an agreement with Nassau Live to acquire its interest in the existing coliseum lease within 60 days of the execution of the new lease by the County Executive. The County and Sands will terminate the assumed existing lease and enter into this new lease.

According to the terms of the new lease, Sands will pursue the redevelopment of the Coliseum site and apply to the New York State Gaming Commission (NYSGC) for a gaming facility license through a Request for Application (RFA). Sands will construct an entertainment resort development and will have the ability to develop the land based on two outcomes. Scenario A assumes that the gaming license is granted, and a casino will be built, and Scenario B assumes non-casino uses based on Sands being rejected for the casino license.

In the event that the gaming license is awarded, Sands will pursue at a minimum:

- A world class licensed casino, with slot and video gaming machines, live table games, a poker room, on-site gambling counseling and a childcare facility.
- A luxury hotel containing 500 rooms and amenities, including 24-hour reception, a concierge, dining, valet parking, a pool, fitness center and suites.
- An entertainment venue containing at least 3,600 seats.
- Sufficient parking including valet parking.
- Retail spaces.
- Restaurants, lounges and cafes.

However, if the gaming license is not awarded, Sands will then pursue the development of a mixed-use complex which shall include:

- A hotel branded as a "Ritz-Carlton", "St. Regis" or another reasonably equivalent branded hotel, containing at least 200 rooms and amenities, including a 24-hour reception, a concierge, dining, valet parking, a pool, a fitness center, and suites.
- Up to 500 residences, which may include workforce housing units, condominium units and/or cooperative units.
- An entertainment venue containing at least 3,600 seats.

Background History

The County leased the original Coliseum Site to the Nassau Events Center, LLC (NEC) pursuant to a ground lease as of October 2013. In July 2015, the County severed the original ground lease into two separate leases for portions of the Coliseum Site: 1) a Coliseum arena lease (now known as the Restated Coliseum Lease) on approximately 66 acres, reduced to 61 acres when the County sold five acres to Memorial Sloan Kettering, and 2) a Coliseum Plaza Lease for retail and entertainment development (the Plaza Lease) on approximately 11 acres.

Since the retail and entertainment amenities were not developed in accordance with the provisions of the Plaza Lease, the County decided to exercise its right to terminate the Plaza Lease by Notice of Termination in May 2018. This resulted in the termination of the Plaza Lease and the recapture by the County of the previous 11 acres of land at the site.

NEC stopped paying rent in 2020 due to the COVID-19 pandemic and announced the following June 2020 that they did not plan to operate the Coliseum going forward. As such, the leasehold lender activated its rights and took over the Restated Coliseum Lease from NEC. At such point, NEC and the leasehold lender entered into a foreclosure settlement agreement. Pursuant to the foreclosure, NEC assigned and transferred to Nassau Live all its rights, title and interest in the Restated Coliseum Lease. On August 20, 2020 Nassau Live became the tenant under the Restated Coliseum Lease and assumed all of the terms, covenants and conditions of the restated lease.

Historical and Current Finances

OLBR extracted from the financial system, the revenues associated with the Coliseum and summarized the totals by year in the following table:

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 YTD
Coliseum Rental	382,367	320,490	(472,789)	2,648,371	3,007,757	3,493,328	2,154,632	(175,186)	3,621,735	1,833,333
Coliseum Concessions	528,491	(284,019)	(250,691)	-	-	-	-	-	-	-
Coliseum Advertising Revenue	76,618	163,721	-	-	-	-	-	-	-	-
Coliseum Parking Revenue	397,789	310,319	(310,319)	-	-	-	-	-	-	-
Approvals period Rent for Coliseum	-	390,000	-	-	-	-	-	-	-	-
Construction period Rent for Coliseum	-	-	1,090,000	330,000	20,000	-	-	-	-	-
Islander's Coliseum Payment	-	-	-	333,333	83,333	-	-	-	-	-
Entertainment Tax - Coliseum	511,265	318,658	-	946,028	-	705,503	-	-	120,559	-
Nassau Events Center (NEC)	-	24,926	-	249,780	948,519	68,882	-	-	-	80,813
Grand Total	1,896,530	1,244,095	56,201	4,507,513	4,059,610	4,267,712	2,154,632	(175,186)	3,742,294	1,914,146

*Revenues do not include reimbursement from Coliseum Utilities.

As demonstrated above, the Coliseum has experienced dwindling revenues in recent years, some caused by the COVID-19 pandemic, but there is no clear pathway to transforming the approximate 72-acre site, commonly known as the Nassau Hub, into an economic powerhouse for the County. The revenues in the table above, from FY 14 to FY 23 May 12th year-to-date, total approximately \$23.7 million.

Proposed Finances

The proposed development comes with great financial opportunities for the County as it would not only offer upfront revenues but also significantly increased recurring payments to the County if the project is approved to the fullest and a casino is built. The financial terms of the agreement include:

- Sands will make an upfront non-refundable payment of \$54.0 million to the County within 62 days of the execution of the lease.
- Sands will provide a tenant security deposit of \$5.0 million to the County as full, faithful, and timely performance of the tenant's obligations.
- The County anticipates receiving General Municipal Law Section 239-f fees of approximately \$8.8 million. Section 239-f of New York State General Municipal Law

(GML§239-f) requires municipalities to refer certain proposed subdivision plots of land or building permit applications to the County’s Commissioner of Public Works for review.

The table below summarizes the revenues that the Administration quantifies as the upfront payments that are included in the documents:

<u>UPFRONT</u>	<u>County</u>
Upfront Advance Rent	54,000,000
Tenant Security Deposit	5,000,000
Projected 239-F Fees	8,750,000
	67,750,000
	<u>Non-County</u>
TOH Permit fees	8,000,000
Grand Total	75,750,000

The largest revenue would be a one-time payment to the County of \$54.0 million, payable within 62 days. In comparison, that amount alone represents a significant increase from the current level of revenue that the County has received from the current Coliseum lease. That payment is unconditional, and not based on whether Sands is awarded the casino license from the State or not. The other revenues included as upfront revenues are detailed in the table above.

In addition to the upfront revenues, the lease positions the County to collect more than it currently does whether a casino is built or not. If the casino is built, revenues would include the following:

- The County will receive an initial annual base rent of \$5.0 million, which could increase to \$10.0 million upon the earlier of the commencement of the casino operation or the three-year anniversary of the license award.
- The County will also receive a Public Safety payment of \$900,000, which could increase to \$1.8 million upon the earlier of the commencement of the casino operation or the three-year anniversary of the license award.
- The tenant will ensure the County a minimum amount of \$25.0 million for the Gaming Revenue Guarantee upon the earlier to occur of the commencement of the casino operation or after the third year which, will increase to \$50.0 million upon the earlier to occur of 1) the issuance of the Certificate of Occupancy for the full gaming space or 2) the three-year anniversary of either a) the commencement of the casino operation or b) the three-year anniversary of the license award.

- Sands will also fund Community Benefits Programs at no less than \$2.0 million annually; commencing on the opening of the casino, this will increase to \$4.0 million annually during the term.
- Sands will construct, at their expense, an appropriate monument, memorial, or other tribute to Veterans of the Armed Forces of the United States of America at a total cost of not less than \$1.0 million.

The table below lays out the different scenarios:

	Annual Revenue Projections		
	Non-Casino	Casino Phase I	Casino Phase II
<u>Recurring Payment</u>			
Base Rent	5,000,000	10,000,000	10,000,000
Public Safety	900,000	1,800,000	1,800,000
County First Host County Gaming Revenue Guarantee		25,000,000	50,000,000
Community Benefits	2,000,000	4,000,000	4,000,000
Projected County Hotel Occupancy Tax			4,500,000
Projected County Sales tax		2,500,000	5,500,000
Entertainment Tax			500,000
Town Minimum		10,000,000	20,000,000
Grand Total	7,900,000	53,300,000	96,300,000

As illustrated above, the base rent coupled with the Public Safety payment under the **non-casino scenario**, surpasses what the County is currently receiving. Some of the projected revenues above are conservative and may surpass the current projections in the out-years. In addition, as no data has been made available for the non-casino scenario, no amounts were captured in the table, and this represents a very conservative approach since some revenues will be generated from County entertainment and sales taxes.

However, if Sands secures a gambling license, revenues that are anticipated to be paid out to the County and other municipalities jump to **\$53.3** million under Phase I. This includes \$4.0 million in Community Benefits, \$2.5 million in additional County sales tax revenues and \$10.0 million that is guaranteed to the Town of Hempstead. Highlights include:

1. An increase in the base rent from \$5.0 million under the no-casino scenario to \$10.0 million.
2. An increase from \$900,000 for Public Safety under the no-casino scenario to \$1.8 million.
3. It was also brought to OLBR's attention, that the minimum guarantees for the Town of Hempstead (TOH), will more than double compared to the amounts shown in the chart above, since the State budget doubled the allocation from 5% to 10% of the gaming related revenue to the TOH.

This revenue will grow in Phase II to **\$96.3** million in total. This includes \$4.0 million in Community Benefits, \$10.5 million in additional County tax revenues and \$20.0 million that is guaranteed to the Town of Hempstead. The latter coupled with the increase in the

County Gaming Revenue Guarantee from \$25.0 million to \$50.0 million by Phase II make up most of the growth.

The projected \$10.5 million in County tax revenues are projected after the construction of the casino in Phase II. These taxes include:

4. The projected County Hotel Occupancy tax based off generating approximately \$146.6 million in hotel revenue times the 3.0% tax which equates to approximately \$4.5 million.
5. County sales tax estimates were calculated assuming approximately \$200.0 million solely from Food and Beverage/Liquor sales from the casino and that calculation would be in excess of the \$5.5 million reflected in the table.
6. Entertainment taxes are based on projected ticket surcharges.

In addition, revenues in the out-years, beyond Phase II, will further increase due to an annual 2% escalator. Should the development end in a casino, this will be lucrative as base revenues would augment. For example, the Guarantee alone could grow to approximately \$54.1 million by year 10 and \$59.8 million by year 15.

The enhanced revenue will be a result of Sands building a casino with table games such as poker, blackjack and roulette, a resort that includes a hotel, ballrooms and conference spaces, a live entertainment venue, restaurants and a health club and spa. It is envisioned that only 10% of the project's total square footage will be for the gambling facilities.

In addition, Las Vegas Sands will apply for a Payment in Lieu of Taxes (PILOT) Agreement with the Nassau County Industrial Development Agency (IDA). OLBR was informed that currently there is no PILOT payment to the County with the existing Coliseum. If a new PILOT is granted, this would bring more revenue to the County in addition to the currently projected funds. However, since PILOT payments must go through the State Environmental Quality Review Act (SEQRA) process, this could be a lengthy procedure, and therefore any possible PILOT payment may not be received until the out-years.

Economic Impact

Although the entire \$4.0 billion investment will happen in phases, the magnitude of the venture will nonetheless have a significantly large economic impact on the County. OLBR used the U.S. Bureau of Economic Analysis (BEA), Regional Input/Output Modeling System (RIMS II) multipliers to quantify the impact of the anticipated spending. This is illustrated on the following page:

Economic Impact of Spending				
Industry	Output*	Earnings*	Value Added*	Employment
Agriculture, forestry, fishing and hunting	\$0.00	\$0.00	\$0.00	-
Mining, quarrying, and oil and gas extraction	\$0.00	\$0.00	\$10.92	-
Utilities*	\$18.76	\$1.40	\$1,444.52	8
Construction	\$2,804.76	\$671.44	\$63.56	9,517
Durable goods manufacturing	\$157.64	\$17.64	\$13.44	263
Nondurable goods manufacturing	\$49.00	\$5.04	\$94.08	62
Wholesale trade	\$155.96	\$23.24	\$102.20	238
Retail trade	\$161.00	\$35.56	\$16.52	932
Transportation and warehousing*	\$37.24	\$7.28	\$12.04	153
Information	\$22.68	\$2.52	\$23.80	23
Finance and insurance	\$39.48	\$7.28	\$51.52	79
Real estate and rental and leasing	\$73.36	\$8.96	\$57.12	318
Professional, scientific, and technical services	\$85.96	\$28.28	\$10.92	297
Management of companies and enterprises	\$17.36	\$5.32	\$22.68	37
Admin & Support & waste management and remed svcs	\$36.12	\$9.80	\$0.56	198
Educational services	\$0.84	\$0.28	\$0.56	6
Health care and social assistance	\$1.12	\$0.28	\$1.68	5
Arts, entertainment, and recreation	\$2.52	\$0.84	\$0.56	21
Accommodation	\$0.84	\$0.28	\$2.24	3
Food services and drinking places	\$4.20	\$1.12	\$7.00	29
Other services*	\$12.88	\$3.92	\$0.00	88
Total	\$3,681.72	\$830.48	\$1,935.92	12,277

*Values in millions

Upon meeting with Sands representatives and the Administration, OLBR was informed that the \$4.0 billion investment may go upwards to \$4.5 billion, of which they intend to invest \$3.5 billion in “hard” construction costs, and \$1.0 billion in “soft” costs. To compute the estimated economic impact, OLBR used the total construction spending of \$3.5 billion, discounted by 20%, to \$2.8 billion, to account for the portion of spending that will benefit economies outside of Nassau County.

As reflected above, with a discounted \$3.5 billion investment, RIMS II multipliers project that the infusion of these funds will generate a total of 12,277 jobs of which 9,517 are construction jobs; increased output of nearly \$3.7 billion, earnings of roughly \$830.5 million and an estimated \$1.9 billion in value added. According to testimony from Sands, they also anticipate that after the construction is complete, operation jobs will exceed 6,000 on an ongoing basis if the casino is built.

According to the BEA, output represents the total market value of industry output (sales). Earnings reflect compensation of employees plus the net earnings of sole proprietors and partnerships. Value added includes the total value of income generated from production, it is equivalent to Gross Domestic Product (GDP).

Labor Representation

According to testimony at the May 8, 2023, legislative hearing, there will be at least 30% MWBE participation for both construction and operation labor contracts. Sands agrees to remain neutral with respect to any union organizing activities.

Challenges/Concerns

While there are many positive financial and economic benefits from the possible construction of a casino, there are adverse concerns that have been discussed. One such concern is that gambling can have negative effects on the quality of life. There are two opposing schools of thought when considering the project. Some organizations oppose the development fearing that it will bring traffic, diminished revenues to local businesses, noise, pollution, crime, drugs and prostitution. However, the supporters of this project take the position that it will benefit local businesses, provide jobs, workforce training and add to the County's tax base.

OLBR has asked if any studies have been completed regarding the impact on the health and well-being of residents. According to testimony, health and well-being as well as environmental studies that include the impact of traffic, noise and pollution, will be conducted as part of the SEQRA application process. In addition, Sands has reported that as part of the RFA application to the State, they require that a Problem Gaming prevention program must be submitted with the application to address preventative strategies.

The lease requires Sands to undertake a Community Benefits program designed to ensure that needs are met from the surrounding communities. The focus will be on helping the communities that are traditionally in need and underrepresented in the workforce. At least 40% of the total benefits are required to be used for initiatives directly impacting the residents of Uniondale.

According to a representative from Sands, they are currently undergoing discussions with the President/Chief Executive Officer of the Family and Children's Association to design and implement specific initiatives and programs. In addition, Sands has reported that they plan to provide a resource and counseling center on the site of the casino and will look into a variety of social services to offer at the counseling facility.

Concerns have also been raised regarding placing the Coliseum near Hofstra University and Nassau Community College since many college students who are under 21, will be in the surrounding areas. According to testimony from the May 8, 2023 legislative hearing, the casino will have check points to restrict any underage gambling. According to Sands, New York State requires that gambling areas be partitioned off to restrict underage entrance. Sands also reported that they invest in the latest technology, surveillance, high-tech equipment and will man security checkpoints that surround the casino with security guards. Sands will provide 200 Security Officers and approximately 5,000 security cameras to be placed within the casino. Sands also testified that some of the staff will have EMT medical training.

Conclusion:

The item being considered by the Legislature would allow for the lease on the Coliseum site to be transferred to Sands. This is a critical requirement for Sands to apply for and obtain a casino license. Should the Legislature agree to the new lease, there are many additional approvals that will be needed, such as a SEQRA process, Town of Hempstead zoning board approvals, as well as local and State requirements; all of which are beyond

the County Legislature's control. For the latter, this is a conundrum as community preferences, wants and concerns need to be weighed against the overall fiscal benefit to the County as the project represents a tremendous opportunity that needs to be considered in order to maintain the County's financial stability.

The proposed new lease contains many protections for the County, but some legal aspects will need to be reviewed and considered by Legal staff from both caucuses. However, this is an aging site which currently has no clear alternative pathway to be transformed into an economic powerhouse. With the new lease, the County would receive an upfront unconditional payment of \$54.0 million, a rent security deposit of \$5.0 million and possible 239-F fees totaling \$8.8 million. These revenues surpass what the County has collected over many years from the site, with the potential of increasing further if the project is fully executed. There are also Community benefits and Public Safety payments that have not been part of any previous agreements. Many concerns will be addressed during the legislative process in addition to many other required approvals if the revised lease is approved, prior to a casino being built.

Summary of the Lease Articles

The following has been prepared with the input of the Administration and Legal staff to ensure accurate summaries:

Article 1 -Demise and Use

Effective as of the term of the commencement date, the County leases to Las Vegas Sands Corp., the Demised Land, together with the improvements and all fixtures, equipment and other personal property, used in connection with the operation of the land and improvements. The leased property will be subject to all covenants, easements, restrictions, encumbrances along with other conditions specified. Sands also must accept the terms and conditions set forth in the Coliseum Development Easement Agreement and will execute a new easement agreement.

Regarding the existing improvements to the Coliseum, Sands will have the right at any time to 1) use and operate the improvements, 2) cease the ongoing operation of the improvements and “go dark” 3) perform updates, renovations, and/or repairs to the existing improvements, 4) demolish the existing improvements and if so Sands will be required to remove all portions of the existing improvements or 5) use and operate the improvements for all lawful purposes.

Sands will have the right to use any portion of the property for new improvements that include the following uses:

- For public entertainment and/or recreation including, sporting and other athletic events, theatrical, musical, and other shows, concerts, and entertainment presentations. As well as fairs, and other various entertainment and educational, cultural development or enlightenment and amusement events for the public.
- As a conference facility, hotel, casino, gaming venue (for wagering and/or lottery), or entertainment venue, which may include restaurants, bars and lounges, retail use, event space, and for the operation of souvenir, refreshment and other concessions.
- For hospital facilities and medical offices and related medical facilities, which may include, biotech facilities, ambulatory care centers and/or laboratory and research facilities,
- For "Class A" office space,
- For residential development and use,
- For any business or commercial purpose incidental to Las Vegas Sand’s onsite business operations, including grounds, parking areas and facilities, and storage.

Article 2 -Term of Lease

The term of the lease is for a period of 99 years beginning on the term commencement date. The County and Sands agree that the term of the lease will commence on the date of the acquisition by Sands of the prior lessee’s interest of the existing current lease. In the event that the acquisition of the existing lease by Sands does not occur within 60 days of the effective date, (the date of execution by the County Executive), the County shall have the right to terminate the lease upon 30 calendar days within notice to the tenant.

Article 3 – Rentals

The rental portion of the proposed lease of the Nassau Coliseum Site between the County and Sands has two major revenue scenarios. The first scenario would occur if the casino license were not granted by the New York State Gaming Commission. In this case the annual revenue would be roughly \$7.9 million in total, which includes \$2.0 million in Community Benefits. The second scenario would occur if the casino license were approved by the State. In that situation there would be annual revenue of \$53.3 million for the first three years that the casino is open, including \$4.0 million in Community Benefits and \$10.0 million to the Town of Hempstead and grow to \$96.3 million in years four and beyond which includes \$4.0 million in Community Benefits and \$20.0 million to the Town of Hempstead. This revenue could potentially increase if casino revenues are larger than expected. In addition to the annual recurring revenues, Las Vegas Sands will also be making upfront payments totaling \$75.8 million which includes \$8.0 million in permitting fees payable to the Town of Hempstead.

Prohibited uses of the premises include:

- Paraphernalia for or related to the use of any illegal or other illicit drug or substance,
- Pornographic materials or materials otherwise depicting of nudity or sexually,
- Big Box retail establishments, in excess of 45,000 square feet of space or any logistics or warehouse uses,
- Any use or activity that is morally offensive in the reasonable determination of the County,
- Any use or activity that involves multiplayer video game competitions between professional players or games, individually or as teams, played for spectators or any associated events, tournaments, leagues, video game competitions, broadcasts or game launches,
- Any use or activity which would in the reasonable judgement of the County violate certain standards.

Article 4 – Taxes

Under the terms of the proposed lease, Las Vegas Sands is responsible for all applicable property taxes as well as all utility expenses for the Nassau Coliseum site. In addition, Las Vegas Sands will apply for a Payment in Lieu of Taxes (PILOT) Agreement from the Nassau County Industrial Development Agency.

Article 5 – Insurance

Las Vegas Sands is required to maintain an insurance policy equal to 100% of the full replacement value of all improvements or equipment on the Nassau Coliseum site with a maximum deductible of \$1.0 million. In addition, Las Vegas Sands is also required to maintain insurance that has a minimum coverage of the total of the base rent, Public Safety payment, Guaranteed Revenue County portion and the guaranteed revenue town portion in the applicable year. This minimum coverage for this portion of the insurance policy would vary over time due to the increasing revenue guarantees by year.

Two additional liability insurance policies (general and pollution) each of at least \$25.0 million dollars are also required according to the proposed lease and are subject to inflation escalators once every five years. The pollution liability policy is required to be maintained for at least three years following the conclusion of the proposed lease.

A liquor liability policy is also required for a minimum amount of \$5.0 million and may be adjusted for inflation once every five years. During the construction process, builders risk insurance will also be required to be maintained. Commercial property insurance will also be maintained for a value of the full replacement cost of all improvements and personal property on the Nassau Coliseum site. Finally, Sands is required to maintain fire and extended coverage policies.

Article 6-Construction

Las Vegas Sands has the right to make additions, reductions, improvements, demolish, construct, redevelop, repair, restore, or any other physical changes to the site. If a casino is not constructed in the approved timeframe, Sands will construct buildings for approved non-casino use within five years of the license determination date. If at any time after the 5th anniversary of the term, Sands is not operating the current coliseum and the existing improvements, on a consistent basis, then the County has the right at their sole discretion to force Sands into demolishing the existing building. The lease defines “non-operating” as failure by Sands to host 30 events to the general public and generate gross revenue of \$30.0 million escalated annually by the Consumer Price Index (CPI).

Sands also agrees it will construct a monument, memorial, or other tribute to veterans of the Armed Forces at a cost of not less than \$1.0 million. A Community Benefits Program will be designed to address the needs of the surrounding areas with an emphasis on serving underrepresented communities in the workforce. The program will cost Sands \$2.0 million annually if a casino is not built, or \$4.0 million annually if the gaming license is satisfied. Lastly, Sands will collect an entertainment tax in accordance with Local Law 28-2000.

Article 7-Repairs

Sands agrees to, at its sole cost and expense, maintain and repair the premises. This includes but is not limited to the foundations, structural beams and supports, retaining walls, building walls, roof, cornices, windows, elevators, fire escapes, heating equipment, air conditioning equipment, pipes, parking lot, conduits, electrical equipment and wiring, and other equipment and systems. Sands will keep the premises in a secure and safe condition and prevent any unreasonable degradation. Also, Sands is responsible for snow removal and maintenance on the premises.

There will be a police substation constructed on the premises to maintain order in the surrounding areas at the cost and expense of Sands. The free-standing police substation will be approximately 1,500 square feet and designated parking area for eight vehicles on the demised land. The design is envisioned to be consistent with the Third Precinct substation at the Source Mall in Westbury, New York.

Nassau County will be responsible for the construction of the interior fit-out of the police substation which is subject to reimbursement by Sands. The total cost from Sands for reimbursement to the County by Sands shall not exceed \$500,000.

Sands will pay a security deposit of \$5.0 million to Nassau County for the full, faithful, and timely performance of obligations that is agreed upon. Lastly, Nassau County will have access to letters of credit in the amount of \$100.0 million that can be drawn upon to ensure Sands' timely payment of rent and other obligations.

Article 8 – Mortgages, Liens & Encumbrances

This article gives Sands the ability to mortgage, lien or encumber the property. Sands and every successor and permitted assign of Sands is given the right by the County, without the Landlord's prior written consent, to: (1) mortgage its interest in the premises and in any subleases, pursuant to one or more leasehold mortgages, and collaterally assign, mortgage or otherwise encumber its interest in the premises and its interest in any subleases, as collateral security for mortgages, encumbrances, or collateral assignments under this lease as collateral security; and 2) Pledge direct or indirect ownership of interests as collateral security for the loan.

Article 9-Transfer of Interest

Sands may sublease a part or all the premises to subtenants, who must abide by the terms and provisions of the lease. Sands must submit a rent roll of the premises that identifies each sublease and the name and address of the subtenant to Nassau County. Nassau County must be continually informed of all subleases and other occupants on the premises and be in possession of full, complete, and current information. Qualifying subtenants are occupants who are subletting at least 5,000 square feet of the premises for retail or other non-office commercial purposes or at least 10,000 square feet of the premises for office purposes.

In addition, it's been specified in presentations that under assignment restrictions:

- If the Gaming License Condition is satisfied, then for so long as the Gaming license is satisfied, Sands may not, by operation of law, assign, transfer, the Agreement, or the premises in whole or in part, prior to substantial completion of construction of the full gaming space as authorized by the license for the Approved casino use.
- If the Gaming License is not granted, Sands can develop, assign, or terminate.
- Sands is allowed to assign the Agreement to a Major Assignee, without consent, who must have 1) a net worth of at least 500.0 million and agrees to be expressly liable to the County for all liabilities and obligations of Sands under the agreement or 2) who has a parent company with a net worth of 500.0 million.

Article 10 -Utilities

Sands at its sole cost and expense will install, provide and pay for all utilities and services needed or utilized for the proper operation and functioning of the property. Such utilities include electricity, water supply, heating, plumbing, and air-conditioning. Installations include, but are not limited to pipes, lines, wires, plumbing, conduits, control equipment

and all other fixtures and equipment. Sands is responsible for paying any and all charges in connection with the installation and/or maintenance of this equipment.

If Sands' use of the area necessitates Sands entering into one or more easement agreement with a utility company, Sands will have the right to enter into reasonable agreements with utility companies creating all easements required to service the property.

At Sands' election, the County can purchase heated and chilled water to service the premises under the District Energy System Agreement and Sands will then reimburse the County for such expenses at the cost set forth in the District Energy System Agreement payable by the County without any premium or mark-up.

Article 11-Events of Default

The County has the right to default or terminate parts of the lease and recapture part of the property if Sands 1) fails to pay any taxes in accordance with certain provisions of this lease, 2) does not take out, pay for, and maintain any insurance policies or deliver any insurance certificates, 3) causes any lien referred to Section 8.01 to be discharged, or 4) fails to make payment on any portion of rent in a timely manner.

If the Sands or any Sands affiliate does not in good faith timely submit an application to the Gaming Commission for a license in response to the RFA issued, the County, may, at its option, terminate this Lease by giving at least 60 calendar days written notice to the Sands.

Upon expiration of the term or earlier termination of this lease, the County may re-enter and recover possession of the premises. Las Vegas Sands will surrender the property to the County in good order and repair, reasonable wear and tear from any damage by fire, casualty, or condemnation.

This article also includes a Force Majeure clause, in the event that Sands is reasonably delayed, hindered or prevented from the performance of any act required in this lease, by acts of God, fire, unavoidable casualties, strikes, lockouts, labor troubles, inability to procure materials, riots, government shutdown, war, or a pandemic, among other reasons.

Article 12 – Title to Improvements

As between the County and Sands, title to the Improvements shall be and remain with Sands for the duration of the term for all purposes and will pass to the County at the expiration or termination of the lease.

Article 13 – Condemnation and Arbitration

If there is a total taking or constructive total taking of the fee estate in any condemnation proceeding or through the exercise of the right or power of eminent domain, Nassau County will not be permitted to exercise any of the rights or powers regarding the fee estate or premises during the term. Constructive total taking is a process in which in the landlord and tenant both agree and deems a portion of the leased premises as insufficient to allow for the permitted use as agreed on the lease. The lease will terminate or end on the date of

such taking and all rent and charges payable by Sands will be paid only through the date of taking.

Also, in the event of a dispute that is settled through arbitration, any decision made by the arbitrators may be entered in any court having jurisdiction. The arbitrators may award specific performance of the lease and require remedial measures as part of any award. Any monetary award in arbitration is enforceable in summary proceedings in court. The fees for arbitration will be paid by both parties.

Article 14-Laws

All notices, demands, requests, and other communication with either Sands or Nassau County should be given by registered or certified mail, return receipt requested, or by next business day delivery by a nationally recognized overnight courier, addressed to the other party at the addresses stated on the lease. In addition, all notices required to be given to Sands by the County should at the same time be given to all leasehold mortgages and mezzanine lenders who have provided Nassau County with a leasehold mortgagee notice. Sands will comply with all applicable legal requirements, rules, orders, and regulations at their own cost and expense.

Article 15-Environmental

Sands will ensure that all of its contractors, subcontractors, sublessees, licensees, and other entities contracting on the site complies with all applicable environmental laws. Applicable laws include obtaining, maintaining and complying with all permits, approvals and licenses required in connection with any construction, modification, alteration, renovation or operation undertaken by Sands or any tenant environmental parties. Sands also will ensure that no hazardous substances are released on the premises. If any environmental conditions exist, it must be investigated and reported to the proper governmental authorities. Importantly, Sands is responsible for controlling any investigation, remediation, management, handling, abatement, or disposal of environmental conditions on the premises and is solely responsible for the cost for the handling, abatement and disposal of all hazardous substances on the premises.

Article 16-Severance

The County can at the request by Sands, split the premises and enter into no more than five severance leases that, along with this lease, remains in full force and effect (although with a reduced premises) despite such severance, which collectively cover the entire premises demised.

The severance leases will remain with Sands or one or more designees of Sands for the remainder of the premises. The County will not be obligated to enter a severance lease until many conditions are met specified within this article. Such conditions, not limited to but include that the severance lease is no less than five continuous acres and that the proposed tenant has a net worth of at least \$200.0 million.

Article 17 – Miscellaneous Provisions

Included in this Article are several provisions which secure additional landlord and tenant interests in the lease between the County and Las Vegas Sands. The parties consent and agree that this lease may be signed and/or transmitted by facsimile, e-mail of a pdf document or using electronic signature technology.

This lease incorporates the terms “Landlord” and “Tenant” to mean only the owner at the time of the County of Nassau or Sands’ interest herein, and, upon any sale or assignment of the interest of either the County or the Sands, their respective successors in interest and/or assigns, shall during their term of their ownership of their respective estates, be deemed to be the County and the Sands.

The Parties acknowledge and agree that all records, information, and data acquired in connection with performance or administration of this lease will be used and disclosed solely for the purpose of performance and administration of this lease. Nassau County and Sands are entering this lease with the understanding that Sands is exempt from public bidding requirements for work and purchases required at the premises and shall remain exempt for the term. The County shall not have liability and Sands shall have no recourse against the County, nor shall Sands be excused from the performance of any of its obligations.

cc: Arthur Walsh, Chief Deputy County Executive
Christopher Leimone, Legislative Liaison
Andrew Persich, Budget Director, OMB
Chris Ostuni, Majority Counsel
Meredith Hughes, Legal Director and Deputy Majority Counsel
Michele Darcy, Minority Finance Director
Robert Miles, Staff Attorney
Cecilia Capers, Deputy Minority Counsel
Michael Pulitzer, Clerk of the Legislature
James Darcy, Counsel to the Legislative Clerk