Lower Grand Concourse
Brownfield Opportunity Area (BOA)

Steering Committee Meeting

Wednesday, November 19, 2014, 10:30am

SoBRO Center
555 Bergen Avenue, Third Floor
Bronx, New York 10454

Administered & Executed by: Funded by: Consultants:

SoBro

New York State Department of State

MAP

AKRF
Agenda

Welcome
• Introduction to the SoBRO BOA Team
• Introduction to SoBRO
• Brief Review of the Lower Grand Concourse BOA Scope
  o Community Engagement Update
• Introduction of Steering Committee Members and Affiliations

Final Review of the Waterfront Study
Petr Stand, Principal, Magnusson Architecture and Planning
Overview of Study, w/ resiliency focus

AKRF Presentation – Market, Feasibility, Financing
Christian Michel, Technical Director, AKRF

Discussion
SoBRO BOA Team

Jamila Diaz, Assistant Vice President of Business Services at SoBRO, has over six years of experience managing the organization’s business assistance and commercial revitalization services, including the Entrepreneurial Assistance Program, Industrial Business Zone (IBZ) Program for all five Bronx IBZs, and merchant organizing. In addition, Ms. Diaz oversees manufacturer real estate placements, and has successfully secured over 1 million sqft of industrial space for Bronx based businesses.

Ms. Diaz is a graduate of New York City’s prestigious Coro Leadership Program and specializes in Industrial Business Zone land use and development.

Ms. Diaz holds a Bachelor of Arts degree in Political Science with minors in Sociology and Economics from John Jay College of Criminal Justice, and holds a Certificate in Business Management from Fairfield University.

Michael C. Brady, Director of Special Projects, Strategic Initiatives & Governmental Relations at SoBRO. Prior to joining SoBRO in 2013, Mr. Brady served as Executive Vice President of Development of the Long Island LGBT Services Network where he expanded the organizational budget by 45% in two years by diversifying the agency’s development portfolio. In 2007, Mr. Brady served as Managing Partner for Brady & Company, a governmental relations, development, and strategy firm based in New York where he focused on land use, and policy maker education for the EPA’s Brownfield Remediation Program.

Mr. Brady serves as an active member of Community Board 1, a member of the NYCEDC’s Industrial Relation’s Council, Chairman of the Legacy Fund for Catholic Education, Founder and Secretary of the Mott Haven Merchants Association.

Mr. Brady holds a Bachelor of Arts degree from Manhattan College, and a Master of Public Administration from New York University, where he serves as a Senior Clark Fellow. Additionally, he holds certifications from Harvard University and Columbia University.

Neil W. Pariser, is a Senior Special Projects Consultant with SoBRO. Prior to his retirement from SoBRO, Mr. Pariser served as Senior Vice President of the South Bronx Overall Economic Development Corporation (SoBRO). During his 30 years of service at SoBRO, Mr. Pariser directed the planning, acquisition, financing and construction of over 30,000 square feet of retail space and 120,000 square feet of industrial space; oversaw the financing and development of 500 units of affordable housing in the South Bronx; and supervised the planning, financing and implementation of ten commercial revitalization projects. Mr. Pariser is the founder of the Port Morris Local Development Corporation, a member of board of CREDIT, Inc., SoBRO’s in-house CDFI, and Vice Chair of the New York City Brownfield Partnership.

Mr. Pariser holds a Bachelor of Arts degree from New York University and a Master of Urban Planning and Public Administration, also from New York University.
Our Shared Mission

The mission of the South Bronx Overall Economic Development Corporation (SoBRO) is to enhance the quality of life in the South Bronx by strengthening businesses and creating innovative economic, housing, educational and career development programs for youth and adults.
SoBRO by the numbers...

SoBRO's Real Estate Division boasts 19 SoBRO owned / managed buildings, manages 5 properties owned by the City of New York, and a public plaza.

- SoBRO adds over $700 million dollars annually to the economic vitality of the Bronx
- SoBRO impacts the lives of more than 200,000 Bronxites annually
- SoBRO manages all five (5) Industrial Business Zones (IBZ) in the Bronx – Port Morris, Hunts Point, Zerega, Bathgate, East Tremont
- SoBRO administers five (5) City and State Brownfield sites.
- SoBRO currently has 15 development projects in the pipeline that will bring 700 units of affordable housing
SoBROMission Snapshots

SoBRO's Youth Services Division has impacted over 40,000 Bronx youth since its inception in 1996.

SoBRO Youth Services Division provides young people, ages 3-24, with a safe space, to learn, develop, and grow. SoBRO’s after-school programs are offered at ten (10) elementary, middle, and high schools in the Bronx.

SoBRO Center-based programs for out-of-school youth combine academic skills and career training with leadership development activities while exposing participants to new ideas, culture, and entrepreneurial skills.

SoBRO created NYC’s first business incubator 12 years ago:

The Venture Center currently houses 40 start up businesses with plans for expansion.

SoBRO leads the Bronx in CDFI lending, MBE certifications, and positioning for financing and procuring federal contracts for Bronx-based businesses.
For nearly three decades, Magnusson Architecture and Planning (MAP) has pioneered outstanding building design and urban revitalization projects as the foundation for vibrant and sustainable communities. MAP’s top priority is to assist non-profit groups, municipalities, and developers to reshape neighborhoods to improve their residents’ quality of life. Decades after the firm was founded in 1986, MAP continues to push the envelope for urban housing and mixed-use design and invent new ways of planning urban neighborhoods.

AKRF offers creative environmental, planning, and engineering solutions for public and private clients. With services across a range of technical specialties, AKRF provides a single-point resource for the most complex, controversial, and time-sensitive projects.

AKRF’s scientists, planners, engineers, and technical specialists have worked side by side for decades to help hundreds of clients quickly uncover and solve critical issues. The firm identifies potential challenges early on, ensuring that their projects are completed as smoothly and cost-effectively as possible.
BOA Overview to Date

**Phase 1**

Consultant: MAP  
*Visioning Study – maximum development to the right of zoning*
  - Zoning, bulk, and massing studies  
  - Waterfront access and open space  
  - Climate Resiliency

Product: Phase 1 Study Report  
Complete / Release: November 2014

**Phase 2**

Consultant: AKRF  
*Market and Feasibility Study*
  - Real Estate Development Feasibility  
  - Economic and Market Analysis  
  - Transportation Infrastructure  
  - Marketing to the area

Product: Phase 2 Study Report  
Complete / Release: In progress
Lower Grand Concourse BOA Footprint
Lower Grand Concourse BOA
Harlem River Waterfront
Phase 1 - Vision

Petr Stand, Principal
Magnusson Architecture and Planning
Existing Conditions
Existing Conditions
Existing Conditions
Existing Conditions
Existing Conditions
Existing Conditions
Existing Conditions
Existing Conditions
Existing Conditions
Proposed Site Plan
Contextual Axonometric
Waterfront View Facing South
Waterfront View Facing North
Major Deegan View Facing West
Waterfront View Facing East
Parcels P1, P2, P3 Conceptual Rendering
Conceptual Rendering Showing New Accessible Pier
FEMA Draft Flood Insurance Map
Existing Condition - Cross Section through Harlem River and Project Study
Existing Condition – Zoom Cross Section through Harlem River
Edge Strategy – Bulkhead with Elevated Overlook
Edge Strategy – Elevated Pedestrian Connections
Edge Strategy –
Constructed Wetlands / Pedestrian Platforms
Edge Strategy – Constructed Cove / Habitat Islands
Edge Strategy – Soft Edges / Planted and Rip-Rap and Riverwalk
Figure 32 – Urban Wetlands, Shanghai Houtan Park

Figure 33 – Shoreline Riprap
Alternate Conceptual Site Plan
Lower Grand Concourse BOA
Harlem River Waterfront
Phase 2 – Market & Feasibility

Christian Michel, Technical Director, AKRF
Study Goals

- Test Magnusson's (MAP) assumptions and results from a:
  - Market perspective
  - Financial perspective

- Define connections between waterfront and upland areas:
  - Transportation
  - Open Space

- Provide implementation support
  - Marketing
  - Organization and phasing
  - Solutions to selected design problems
Overall Study Progress

• **AKRF** – market analysis and financial model
  – Draft of market analysis
  – Draft of financial model

• **Metropolitan Urban Design Workshop** – Open space and intersection design
  – Inventory completed
  – Draft of open space plan

• **Ewell W Finley** - Transportation Infrastructure
  – Existing conditions assessment completed
Market Study - Goals

• Test Magnusson’s recommendations:
  – **2.8 million** square feet of residential space
  – **2.3 million** square feet of commercial space
  – **1.0 million** square feet of community facility space

• Assess demand for:
  – residential
  – retail/commercial
  – industrial
  – community facility

• Provide inputs for the financial feasibility model
Market Study - Challenges

- Redevelopment challenges in the Lower Concourse BOA:
  - Infrastructure improvements
  - Resiliency considerations
  - Environmental cleanup
  - Permitting
  - Assemblage
  - Potentially forming LDC
  - Financing

- The Market Study will assess demand in 2020, 2030, and 2040 in order to provide both near- and long-term recommendations
Market Study – Residential

Overall Demand

• New York City is projected to grow significantly in the coming decades
• Growth is projected by a number sources
• Columbia’s projections are the midpoint between NYC’s conservative and ESRI’s aggressive projections.
• And are basis for the residential market analysis

NYC Projected Population Increase 2014 -2040:
Market Study – Residential

Major growth areas in the Bronx

- Columbia’s estimates that 70% of growth will be accommodated by in-fill development
- The remaining 30% will be accommodated by “hyper-development zones” such as Hudson Yards, Queens West, and Atlantic Yards
- The Bronx houses two hyper-development zones:
  - Sheridan Expressway Area and
  - Larger South Concourse Area
- The Lower Concourse Area is part of the Larger South Concourse Area

<table>
<thead>
<tr>
<th>Projected No. of New Residents by 2040 (Columbia):</th>
<th>New York City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absorbed by Infill:</td>
<td>490,000</td>
</tr>
<tr>
<td>Absorbed by New Development:</td>
<td>210,000</td>
</tr>
<tr>
<td>Total New Growth:</td>
<td>700,000</td>
</tr>
</tbody>
</table>
Market Study – Residential

Total Demand for the Lower Concourse BOA

- The **South Concourse Area** is projected to receive between 9% and 17% of the demand not satisfied by ongoing infill development
- This is equal to approximately a total population growth of between 18,000 and 35,000 people
- Based on this distribution the **Lower Concourse BOA** is projected to receive about one half of the residents or between **9,500 and 17,500** residents
- The potential to capture residential demand will depend on a number factors such as:
  - Market Conditions
  - Entry to market
  - Programming
Market Study – Residential

Area Trends

• The Upper Manhattan/South Bronx market is performing well

• ESRI projects that the area will grow by nearly 6% between 2014 to 2020

• This is equal to 100K new residents by 2030 and 150K new residents by 2040

• The Lower Concourse is expected to capture a significant portion of the growth
Market Study – Residential

Demand Ranges

• With an average HH size of 2.57 unit demand is between:
  – 1,200 and 2,200 units by 2020
  – 2,500 and 4,500 units by 2030
  – 3,700 and 6,800 units by 2040

• Based on MAP, the BOA could house theoretically a maximum of 8,500 new units if each individual property would be developed individually.

![Chart showing demand ranges from 2020 to 2040 with conservative and aggressive builds, reaching a maximum in 2040 with 8,500 units.]
Market Study – Residential

Potential Target Segments and Pricing

• Area brokers* indicated that new residents are likely to include people unwilling to pay high Manhattan rents and looking for more value/space
  • young families
  • young professionals and
  • empty nesters

• Pricing should reflect current pricing in the South Bronx
  – $1,500-$1,800 for 1-bedrooms
  – $2,000-$2,300 for 2-bedrooms
  – $2,500+ for 3-bedrooms

*Friedland Realty Advisors and Halstead Property, LLC (and other data)
Market Study – Retail

Destination Retail

• Potential for destination shopping and restaurants that take advantage of the area’s exceptional location

• Trade Area— all of the Bronx, Northern Manhattan, and Northwest Queens

• Destination retailers could include a “Fairway” and waterfront restaurants, and should complement, not compete with, Bronx Terminal Market
Retail Market Study – Retail

Destination Retail

- By 2040 (existing demand +3,700 new units):
  - Shopping Goods: 1.03 million sf
  - Eating and Drinking Places: 167,500 sf
  - TOTAL: 1.20 million sf

- Demand for commercial uses is about 1 million sf less than in design analysis
- Difference can be allocated to residential uses (approximately 1,000 units)
Convenience Retail

- Existing demand for local convenience goods (i.e., health and personal care, florists, supermarkets) is generally met according to the capture rate analysis and local commercial real estate brokers.

- Convenience goods retailers could include supermarkets, pharmacies, and delis to support the new residents (analysis indicates future demand for up to 25,000 sf by 2030 and up to 40,000 sf by 2040).
Market Study – Industrial

- Industrial waterfront development is **not encouraged** in the Lower Concourse BOA (there are some limited exceptions)

- Step 2 report identified Strategic Site 5 at 2568 Park Avenue for industrial use

- MAP’s report identified the Assemblage and 101 Lincoln Avenue for mixed use including high-tech and web design companies, bakers/caterers, artist workspace, and professional/incubator space

- Other suitable industrial sites may be those that not zoned for residential uses, are contaminated, or are in close to industrial uses

- The placement of industrial uses should not conflict with the pedestrian-friendly connections and access envisioned for the waterfront area, and should not conflict with the retail and residential goals for the BOA
Market Study – Community Facilities

• The new residents would be expected to create a significant demand for schools, day care, and open space

• Local developers and real estate brokers suggested that some of the new space could be occupied by institutions like NYU, Cornell, and North Shore LIJ, given the massing potential of the site

• Transportation assets also make the BOA particularly attractive to institutions
Financial Model – Goals

• Translate MAP development parameters into financial model

• Cost individual elements to foster understanding of the magnitude of the task and create awareness of what will need to be involved

• Illustrate that development along the waterfront will be difficult and may require subsidies

• Spur discussion about how successful development can be supported

• Ensure early support from State and NYC agencies
Financial Model - Cost Assumptions

**Development**

- **Residential**
  - $275 per sf
- **Retail**
  - $200 per sf
- **Parking**
  - $30,000 per subsurface parking spot
- **Soft cost 25% of construction costs**
- **Contingency 5% of construction costs**
- **Land costs $40 per buildable sf**
Financial Model - Cost Assumptions

**Infrastructure**

- Costs for infrastructure elements were provided by engineers and subject matter experts

- **Parks and Open Space**
  - $125 per sf

- **Road construction**
  - $75 per lf

- **Utilities**
  - Sewer/Water: $100 per lf
  - Electricity: $100 per lf

- **Resiliency**
  - Fill $25 per sf
  - Sheet piling and bulkhead 1,000 per lf
Financial Model – Revenue Assumptions

**Revenues**

- Residential (2-bedroom units)
  - Market rate $2,500
  - Affordable $1,100 (HUD AMI guidelines)
- Retail $50/sf, office $55/sf
- Parking
  - $250/month residential parking
  - $300/month metered
  - all revenues to developer/operator
- Rents, revenues and operating expenses escalated by 3%/yr
Financial Model – Financing Assumptions

Subsidies

- Low Income Housing Tax Credits (LIHTC)
  - 4% Program - EQUITY
- No-interest loan (e.g., HOME)
- NMTC - EQUITY

Financing

- Equity contribution ≥ 30%
- Loan term: 15-year @ 5% interest
- Construction loan @ 6% interest
- Cost of capital 7%
- Reversion after 15 years at cap rate of 7%

More potential subsidies:
- 9% LIHTC
- NewHOP
- ReHOP
- LAMP
- Housing programs form HPD and HDC
- EB5
- City Capital Budget
Financial Model - Scenarios

• Assess each development site based on the parameters provided by MAP

• Create 4 scenarios
  – No subsidies PLUS a share of the combined infrastructure costs
  – NO subsidies NO infrastructure costs
  – Subsidies (LIHTC & HOME)
  – Subsidies (LIHTC, HOME & NMTC)

• Report NPV and IRR for each development site
# Financial Model – Output Parcel P1

## PRO FORMA TOOL

### Development Details

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
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<tbody>
<tr>
<td>Lot Area SF</td>
<td>191,000</td>
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<tr>
<td>Residential (Total &amp; FAR)</td>
<td>461,825</td>
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<tr>
<td>Avg Unit size</td>
<td>800</td>
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<tr>
<td>Total Units</td>
<td>577</td>
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<tr>
<td>Affordable</td>
<td>30%</td>
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<tr>
<td>Market Rate</td>
<td>70%</td>
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<tr>
<td>Commercial (Total &amp; FAR)</td>
<td>334,490</td>
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<tr>
<td>Retail</td>
<td>334,490</td>
</tr>
<tr>
<td>Medical Office</td>
<td>-</td>
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<tr>
<td>Office</td>
<td>-</td>
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<tr>
<td>Total SF</td>
<td>796,315</td>
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<tr>
<td>Parking (as required by zoning)</td>
<td></td>
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<tr>
<td>Residential (per unit)</td>
<td>0.5</td>
</tr>
<tr>
<td>Retail (1 per x sf)</td>
<td>1000</td>
</tr>
<tr>
<td>Office (1 per x sf)</td>
<td>1000</td>
</tr>
<tr>
<td>Total</td>
<td>623</td>
</tr>
<tr>
<td>Total sf (@325 per spot)</td>
<td>202,517</td>
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### Output Details

<table>
<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td>Development Costs</td>
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<tr>
<td>Construction</td>
<td>$278,937,393</td>
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<td>Land</td>
<td>$31,852,600</td>
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<td>Parking</td>
<td>$18,693,919</td>
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<td>Development Costs</td>
<td>$329,483,911</td>
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<td>Land Cost (per bsf)</td>
<td>$40</td>
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<tr>
<td>Development Subsidies</td>
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<td>LIHTC @ 4%</td>
<td>$30,520,459</td>
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<td>No-interest loan (e.g., HOME)</td>
<td>$29,421,021</td>
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<td>Infrastructure Costs</td>
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<td>Roads</td>
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<td>Utilities</td>
<td>$9,187,200</td>
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<td>Open Space</td>
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<td>Resiliency</td>
<td>$17,424,000</td>
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<td>Total</td>
<td>$84,990,420</td>
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<td>Potential Share %</td>
<td>13%</td>
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<td>Potential Share $</td>
<td>$10,822,113</td>
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<td>Results</td>
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<tr>
<td>Scenario 1</td>
<td>$185,158,631</td>
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<td>Scenario 2</td>
<td>$198,214,184</td>
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<td>Scenario 3</td>
<td>$222,891,039</td>
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<td>Scenario 4</td>
<td>$241,474,700</td>
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<td>NPV (15 yrs @ 8%)</td>
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<tr>
<td>IRR</td>
<td>16%</td>
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<tr>
<td>Infrastructure Costs</td>
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<tr>
<td>Shared</td>
<td></td>
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<tr>
<td>Not Shared</td>
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<tr>
<td>LIHTC</td>
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<td>No-interest loan</td>
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<td>Infrastructure Costs</td>
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<td>No-interest loan</td>
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<tr>
<td>NMTC</td>
<td>$10,000,000</td>
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Thank you!

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Contact:

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