

Harlem Congregation for Community Improvement (HCCI)

# **FINDING A NEW HOME:**

**Economic Viability Assessment**

**for**

**Consolidating Administrative & Program Space**



**Milano Graduate School**  
New School University

# PRESENTATION SUMMARY

---

- Summary of Analysis
- Leaders of Urban Redevelopment:
  - Project Context
- The Bradhurst Neighborhood:
  - Market Trends
  - Brownfield Redevelopment
- Lease vs. Buy:
  - Economic Viability Analysis
- A New Home:
  - Recommended Strategy
- Future Considerations

# PROJECT GOAL

---

**To provide baseline research and an economic viability analysis to consolidate program and administrative space at one location.**

# SUMMARY OF ANALYSIS

---

- Consider redevelopment of the Brownfield Site.

## Total Development Costs

- Gut Rehabilitation \$3,994,000
- New Construction \$6,283,500

## Proposed Sources

- Debt Instrument (Mortgage, Bond etc.)
- Equity (Developer Fee)
- New York State Environmental Grants
- Other Grants & Contributions

# SUMMARY OF ANALYSIS

---

- No available commercial space.
- Leverage current rent payments of \$71,867/yr with income from leasing 20% of new building at \$30/s.f. yielding an annual rent roll of \$221,867.
- Mortgage payments will vary depending on New vs. Rehab construction.
- Environmental factors are still an unknown factor

# LEADERS OF URBAN RENEWAL

## PROJECT CONTEXT

- HCCI is a non-profit formed in 1986
  - \$5.2 million operating budget
  - Offers programs in:
    - Health & Wellness
    - Affordable Housing
    - Commercial Development
    - Local Business Development
    - Culture & Recreation
    - Education including HIV/AIDS

# LEADERS OF URBAN RENEWAL

---

## PROJECT CONTEXT

HCCI believes by investing in expansion and consolidation of its program and office space, it will strengthen organizational infrastructure.

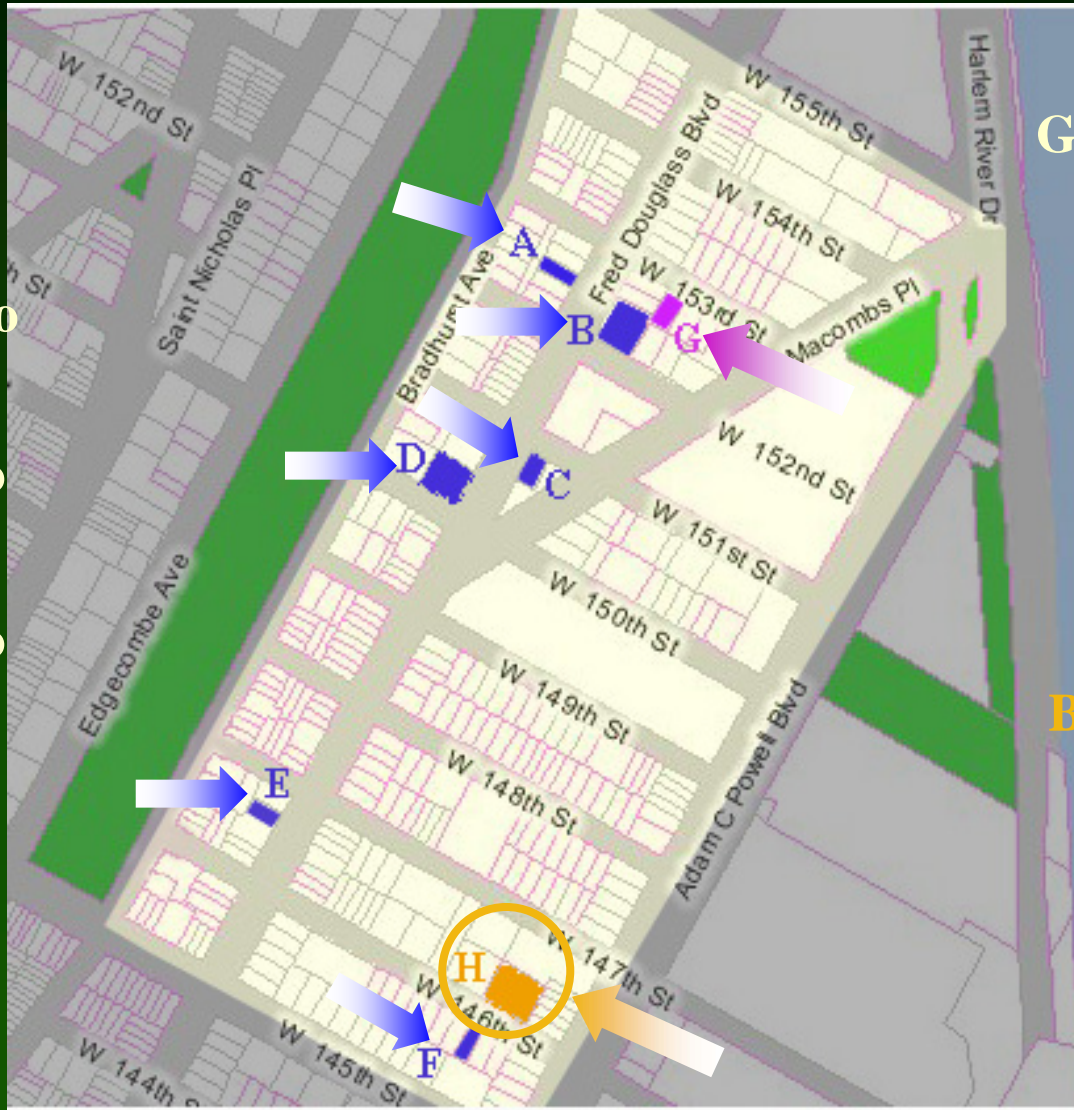
# PROJECT LOCATION

## SPACES TO BE

### VACATED

- A. Admin Space  
Rent: \$104/mo
- B. 2855 8<sup>th</sup> Ave.  
Rent: \$1,222/mo
- C. HWS Building  
Rent: \$1600/mo
- D. CDC Building  
Rent: \$2333/mo
- E. Consumer Library  
Rent: \$480/mo
- F. BAE Building  
Rent: \$43/mo

## BRADHURST NEIGHBORHOOD



## REMAINING

### SPACE

- G. HCCI Family Life & Conference Center

### NEW SPACE

- B. 143 W. 146th  
23,000 s.f.

# SUMMARY OF ANALYSIS

---

- Total Space currently occupied  
11,673 square feet
- Total Annual Rent Roll  
\$71,687
- Current Rate  
\$6.16 per square foot

# PRESENTATION SUMMARY

---

- Summary of Analysis
- Leaders of Urban Redevelopment:
  - Project Context
- The Bradhurst Neighborhood:
  - Market Trends
  - Brownfield Redevelopment
- Lease vs. Buy:
  - Economic Viability Analysis
- A New Home:
  - Recommended Strategy
- Future Considerations

# BRADHURST NEIGHBORHOOD

---

## MARKET TRENDS

- No suitable commercial space in Bradhurst
- Commercial space is very limited most existing on 125<sup>th</sup>, 135<sup>th</sup>, and 145<sup>th</sup> street corridors
- Commercial space in Central Harlem ranges from \$25-35 per square foot

# BROWNFIELD DEVELOPMENT

---

*“Brownfields are abandoned, idled or underutilized properties where expansion or redevelopment is complicated by real or perceived environmental contamination”*

# BROWNFIELD DEVELOPMENT

## POTENTIAL BENEFITS

- Improved community safety
- Improved health
- Increased property values
- Increased employment opportunities
- Community and environmental stewardship
- Revitalization of blighted area(s)

# BROWNFIELD DEVELOPMENT

---

## Costs & liabilities

- Lower loan-to-value ratios
- Professional assessment of remediation costs and potential liability
- Clean up contingency of at least 10%
- An agency approved clean-up plan and schedule
- Environmental Insurance Products

# PRESENTATION SUMMARY

---

- Summary of Analysis
- Leaders of Urban Redevelopment:
  - Project Context
- The Bradhurst Neighborhood:
  - Market Trends
  - Brownfield Redevelopment
- Lease vs. Buy:
  - Economic Viability Analysis
- A New Home:
  - Recommended Strategy
- Future Considerations

# LEASE VS. BUY

---

- No available commercial space.
- Must consider Brownfield redevelopment
- Site can be developed two ways:
  - New Construction
  - Rehab Construction

# VIABILITY ANALYSIS

## HCCI Project Sources & Uses

	<i>New Construction</i>	<i>Rehab Construction</i>	<i>Lease Other Space</i>
<b>Uses</b>			
Acquisition	1	1	-
<b>Contrustruction Costs</b>			
New Construction @\$150/sf	\$ 150.00	-	-
New Construction space	23,000	-	-
New Contrustruction Costs	\$ 3,450,000	-	-
Rehab Construction @\$100/sf	-	\$ 100.00	-
Rehab Space - sq'	-	23,000	-
Rehab Construction @\$100/sf	-	\$ 2,300,000	-
Demolition/Site Work	600,000	250,000	-
Total Construction Costs	<u>\$ 4,050,000</u>	<u>\$ 2,550,000</u>	
	64%	64%	
<b>Development Soft Costs</b>			
Construction Period Soft Costs (30% of const.)	1,035,000	690,000	-
Developer Fee	345,000	200,000	-
Site Remediation (10% of const.)	508,500	324,000	-
Environmental Liability Insurance/ Contingency (10% of const.)	345,000	230,000	-
Total Soft Costs	<u>2,233,500</u>	<u>1,444,000</u>	
	36%	36%	
Total Construction Costs	<u><u>\$ 6,283,500</u></u>	<u><u>\$ 3,994,000</u></u>	
<b>Leasing Costs</b>			
Leasing costs @\$20/sf	-	-	460,000/ann

# VIABILITY ANALYSIS

## *HCCI Project Sources & Uses*

	<i>New Construction</i>	<i>Rehab Construction</i>	<i>Lease Other Space</i>
<b>Sources</b>			
Mortgage	\$ 2,257,625	\$ 1,574,250	
Equity @ 10% of construction- develop	345,000	230,000	
NYDEC (75% of remediation, 50% of de	681,375	189,750	
Congregation	1,000,000	500,000	
Major Funder	500,000	500,000	
Other grants	1,500,000	1,000,000	
<b>Total</b>	<u>\$ 6,284,000</u>	<u>\$ 3,994,000</u>	

# VIABILITY ANALYSIS

## Mortgage Analysis

### New Construction

Total Project Costs	\$6,283,500.00
Less NYDEC grants	(\$681,375.00)
Less Equity	(\$345,000.00)
Less Other grants	(\$3,000,000.00)
Mortgage Amount	<u>\$2,257,125.00</u>

### Terms

30 years  
9.20% APR

### Rehab Construction

Total Project Costs	\$3,994,000.00
Less NYDEC grants	(\$230,000.00)
Less Equity	(\$189,750.00)
Less Other grants	(\$2,000,000.00)
Mortgage Amount	<u>\$1,574,250.00</u>

# VIABILITY ANALYSIS

## **HCCI Cash Flow for Recommended Scenario for New Construction**

			Year 1
Revenue	cost/sf	size	
Rent paid	\$6	13,400	80,400
Income from Leasing	\$30	5,000	150,000
Less Income tax @10%			(15,000)
Gross Effective Income			<u>215,400</u>
Expenses			
Operating & Non-Operating			<u>180,403</u>
Total Expenses			180,403
Net Operating Income			34,997
Debt Service			<u>221,894</u>
Before Tax Cash Flow	(345,000)		(186,897)
Present Value Factor @ 10%	1.000		0.909
Present Value	(345,000)		(169,906)
<b>Break/Even Analysis</b>			
Break/Even Ratio			17.49
What they are paying (13,400sf @ \$6)			3.50
Income from lease (5,000sf @ \$30)			5.87
Need to pay themselves this much more \$sf/yr			8.13

# VIABILITY ANALYSIS

## **HCCI Cash Flow for Recommended Scenario for New Construction**

			<b>Year 1</b>
Revenue	cost/sf	size	
Rent paid	\$20	13,400	268,000
Income from Leasing	\$30	5,000	150,000
Less Income tax @10%			(15,000)
Gross Effective Income			<u>403,000</u>
Expenses			
Operating & Non-Operating			<u>180,403</u>
Total Expenses			180,403
Net Operating Income			222,597
Debt Service			<u>221,894</u>
Before Tax Cash Flow	(345,000)		703
Present Value Factor @ 10%	1.000		0.909
Present Value	(345,000)		639
NPV	(895)		
IRR	9.95%		

## **Break/Even Analysis**

Break/Even Ratio	17.49
What they are paying (13,400sf @ \$20)	11.65
Income from lease (5,000sf @ \$30)	5.87
Need to pay themselves this much more \$sf/yr	(0.03)

# VIABILITY ANALYSIS

## **HCCI Cash Flow for Existing Scenario for Rehab Construction**

			Year 1
Revenue	cost/sf	size	
Rent paid	\$6	13,400	80,400
Income from Leasing	\$30	5,000	150,000
Less Income tax @10%			(15,000)
Gross Effective Income			<u>215,400</u>
Expenses			
Operating & Non-Operating			<u>180,403</u>
Total Expenses			180,403
Net Operating Income			34,997
Debt Service			<u>154,728</u>
Before Tax Cash Flow	(230,000)		(119,730)
Present Value Factor @ 10%	1.000		0.909
Present Value	(230,000)		(108,846)
<b>Break/Even Ratio</b>			
Break/Even Ratio			14.57
What they are paying (13,400sf @ \$6)			3.50
Income from lease (5,000sf @ \$30)			5.87
Need to pay themselves this much more \$sf/yr			5.21

# VIABILITY ANALYSIS

## **HCCI Cash Flow for Recommended Scenario for New Construction**

			Year 1
Revenue	cost/sf	size	
Rent paid	\$15	13,400	201,000
Income from Leasing	\$30	5,000	150,000
Less Income tax @10%			(15,000)
Gross Effective Income			<u>336,000</u>
Expenses			
Operating & Non-Operating			<u>180,403</u>
Total Expenses			180,403
Net Operating Income			155,597
Debt Service			<u>154,728</u>
Before Tax Cash Flow	(230,000)		870
Present Value Factor @ 10%	1.000		0.909
Present Value	(230,000)		791
NPV	25,689		
IRR	11.86%		
<b>Break/Even Analysis</b>			
Break/Even Ratio			14.57
What they are paying (13,400sf @ \$6)			8.74
Income from lease (5,000sf @ \$30)			5.87
Need to pay themselves this much more \$sf/yr			(0.04)

# A NEW HOME

---

For rehabilitation construction to assume a mortgage of \$2.2 million:

1. Lease 5,000 sq/ft, at \$30 sq/ft.
2. \$2,000,000 in grants.
3. HCCI pay themselves \$15 sq/ft.

# A NEW HOME

---

Using 5,000sf as an income stream still provides HCCI approximately 2,000sf to grow the organization or alleviate the overcrowding issue in your administrative conditions.

# FUTURE CONSIDERATIONS

---

- Environmental factors unknown
- Start finding tenants

# THANK YOU

---

***“ Environmental factors are less likely  
To deter redevelopment when the developer  
And other parties involved in a project have  
prior development experience and an  
understanding of the ramifications of  
contamination.”***



**Milano Graduate School**  
New School University

# VIABILITY ANALYSIS

## *HCCI Project Setup Assumptions*

	Total Monthly Rent	Total Annual Rent	Total Square Feet	Cost/sf
Rent Schedule				
Health & Wellness Strategies (HWS)	\$1,600	\$19,200	1489	\$12.89
2819 8th Avenue	\$208	\$2,490	843	\$2.95
Consumer Library	\$480	\$5,760.24	739	\$7.79
Administrative Offices	\$104	\$1,250	3346	\$0.37
2855 8th Avenue	\$1,222	\$14,666.76	1456	\$10.07
Career Development Center (CDC)	\$2,333	\$28,000	2800	\$10.00
Bradhurst Academy of Excellence	\$42	\$500	1000	\$0.50
<b>Subtotal</b>	<b>\$5,989</b>	<b>\$71,867</b>	<b>11673</b>	<b>\$6.16</b>
Lease Space @ \$30/sf	\$1,917	\$150,000	5000	\$30.00
<b>Subtotal</b>	<b>\$1,917</b>	<b>\$150,000</b>	<b>\$5,000</b>	<b>\$30.00</b>
<b>Total</b>	<b>\$7,906</b>	<b>\$221,867</b>		

# VIABILITY ANALYSIS

<b>Expense Schedule</b>	Monthly Costs	Annual Costs	Monthly Leasing Costs	Annual Leasing Costs
water/sewer	\$150.21	\$1,802.51	included	included
common utilities Gas/ heat (.20/sq')	\$383.33	\$4,600.00	included	included
insurance	\$7,000.00	\$84,000.00	included	included
maintenance/repair	\$1,000.00	\$12,000.00	included	included
supplies	\$1,000.00	\$12,000.00	included	included
real estate taxes	\$1,250.00	\$15,000.00	included	included
building manager	\$3,750.00	\$45,000.00	included	included
handy man (staff person)	\$0.00	\$0.00	included	included
legal/accounting	\$500.00	\$6,000.00	included	included
	<b>\$15,034</b>	<b>\$180,403</b>		
<b>Total</b>	<b>\$15,034</b>	<b>\$180,403</b>	\$38,333	\$460,000

## Assumptions

Capital fundraising will include congregation contributions, grant for primary funder, and additional private, state & federal grants

Expense data collected was proxy data from the Chase competition and consultation with experts in the field

Mortgage terms were based on quote from Advest for a 20 year 'C' Paper interest rate

HCCI will lease 5,000sf of new building space @ \$30/sf annually

80% of new building has usable space

20% of new building is common space

<b>Inflation Factor</b>	Income	Expenses
	5%	4%

# VIABILITY ANALYSIS

**Table 1. Environmental Costs as a Proportion of Project Costs**

(Dollars in Thousands)

Project Size	Total Cost	Environmental Cost	Percent Environmental	N of Projects
Total	\$302,725	\$4,820	1.6%	17
Total Without "Showcase"	85,725	3,970	4.6%	16
Large (Over \$1million)	300,835	4,575	1.5%	11
Large w/out "Showcase"	83,835	3,725	4.4%	10
Small	1,890	245	13.0%	6

\*Source: The Effects of Environmental Hazards and Regulations on Urban Redevelopment, August 1997.