

# The Erbograp Building:

## Rebirth of a Brownfield Site in Harlem



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Sponsor:  
Harlem Congregations for Community Improvement

April 10, 2003

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## **Executive Summary**

Harlem Congregations for Community Improvement (HCCI) is a consortium of 92 houses of worship devoted to Harlem's holistic revitalization located in the Bradhurst community of Central Harlem. HCCI is committed to a vision of equitable development that creates and maintains social and economic diversity, promotes homeownership and entrepreneurship, and pursues environmental justice for the community.

The redevelopment of the Erbograph Building, an abandoned Brownfield site, is a seminal effort by HCCI to transform a Brownfield site into an engine for economic revitalization in a low-income community of color. HCCI will consolidate its administrative offices and programs that are now scattered throughout the neighborhood. This consolidation will strengthen the organizational infrastructure of HCCI, expand the service capacity of the Bradhurst Academy of Excellence, and open needed commercial space for small business development. This project also offers the opportunity to bring needed health services to Bradhurst's frail elderly with a new Comprehensive Care Management Center (CCMC) operated by the Beth Abraham Family of Health Services.

The proposed Erbograph design calls for a three-story, 33,000 s.f. building divided into two distinct wings, giving both HCCI and Beth Abraham CCMC separate identities and street frontage. The two wings will share a single vertical circulation system and a central atrium, bringing light into the building interior. The proposed design preserves the current Erbograph facade to maintain the

continuity of the streetscape while building a five-foot glazed setback to provide additional space to meet the needs of HCCI and CCMC.

Managing the environmental risk in this Brownfield remediation project has been a priority in planning this development. HCCI has already secured a grant from the New York State Brownfield Targeted Assessment Fund for the complete environmental investigation of this site. Construction is expected to begin in three to four years, after the completion of the investigation and remediation. This development project has built in Cleanup Cost Cap (CCC) insurance, Pollution Liability (PL) insurance, and Owner Controlled Coverage to mitigate the risks posed by known and unknown contaminants, unexpected cleanup expenses, and/or lawsuits.

The total development cost for the proposed Erbograph Building is projected to be \$7,663,346, with hard costs at \$5,190,000 (68%) and soft costs, including remediation and environmental insurance, at \$1,776,677 (23%). HCCI will provide \$1,000,000 (13%) of equity financing raised through a pledge campaign. The rest of the equity is made up of a variety of grants including one from the Upper Manhattan Empowerment Zone at \$798,750 (10%), grants from government appropriations at \$1,750,000 (23%), and foundation grants at \$1,312,500 (15%). Two grants from the New York State Department of Environmental Conservation are also included - one for environmental investigation for \$160,000 (2%) that is already secured, and the other for environmental remediation at \$785,100 (10%). The latter is a reimbursable grant that will be covered by a loan from the Local

Initiatives Support Corporation (LISC). Advest, Inc. will secure a nonprofit 501(c)(3) revenue bond for \$2,009,246 (27%). The revenue bond will be a self-amortizing bond at an interest rate of 6.5% over 30 years. The net operating income is projected to be \$350,990 in Year One, leaving a debt service coverage ratio of 1.37. Given the gross rental income from Beth Abrahams CCMC at \$261,000, the project will break-even with 70% occupancy amongst present tenants with existing leases. The expected Internal Rate of Return is 11.79% over a ten-year period. The return on equity is \$56,297 in the first year, and increases to \$164,525 in year two. The return on equity for this project exceeds 24%.

The development of the Erbograph Building will revitalize the Bradhurst community, improve the neighborhood environment and address quality of life issues. The proposed development strengthens HCCI's organizational infrastructure, promotes economic development through small business creation, and will improve health services for Bradhurst's frail elderly. In doing so, HCCI will transform an environmental liability into a community asset.

## **Section I: Introduction**

### **The Challenge: Environmental Liability to Community Asset**

Harlem Congregations for Community Improvement (HCCI), a consortium of 92 houses of worship in Central Harlem, is obtaining site control for a city-owned vacant building located at 203-9 West 146th Street. Referred to as Site 23 of the Bradhurst Urban Renewal Plan, the lot is occupied by the Erbograph Building, which was previously used as a film storage facility. The site has been declared a Brownfield.

This project is the seminal effort by HCCI to bring such a Brownfield into the economic revitalization of a larger community of color, in this case Harlem. It is estimated that there are 4,000 to 6,000 acres of Brownfield sites in New York City. The disproportionate concentration of Brownfields in low-income communities of color hinders development. The challenges to developing these sites are the lack of proactive legislation to facilitate clean up, the difficulty of obtaining insurance, the costs to obtain evidence that proves or disproves contamination, and the cost of clean up. These challenges force financial institutions to view Brownfield development projects as financial risks. However, the team understands that the focus of this project is to turn an environmental liability into a community asset.

### **The Sponsor: Harlem Congregations for Community Improvement**

In 1988, the Harlem Urban Development Corporation (HUDC) completed the Revitalization Plan for the redevelopment of Bradhurst, one of the poorest

neighborhoods of Central Harlem. During the 1970's, the area lost 36% of its population because of housing abandonment. At that time, 64% of the residents had annual incomes below poverty level and approximately 50% of the buildings were abandoned

The Bradhurst Plan relied heavily on religious institutions to spearhead development, as they were the only capable institutions left in the community. HCCI formed in response to this need and has grown to a consortium of 92 houses of worship. Devoted to the holistic revitalization of Harlem, HCCI develops low and moderate-income housing, creates supportive health and human services, provides growth opportunities to local businesses and expands cultural programs. It also provides assistance to people with HIV/AIDS, including housing, group support, recreational services and prevention programs. Exceptional among its achievements is the Bradhurst Academy of Excellence, an after-school program for youth ages eight through twelve. Since 1988, HCCI has produced 1,200 units of low-income housing. The upcoming completion of close to 200 units for home ownership reflects the Bradhurst Plan's goal of creating a mixed-income, family oriented neighborhood.

### **The Project: A Home for HCCI**

HCCI asked the team to develop a proposal to consolidate its administrative and program spaces that are now scattered throughout the neighborhood. Consolidating these offices into one building allows HCCI to use the vacated spaces for commercial purposes. The new structure provides an opportunity to

respond to the need for more health services in the community to serve the frail elderly, one of the fastest growing segments of the population in the Bradhurst community. HCCI asked the team to leverage its real estate assets as part of an overall strategy to make this project economically viable.

### **The Vision: Social and Environmental Justice**

HCCI continues to be a steward to Bradhurst, one of the poorest communities in Harlem. HCCI envisions that, through equitable development, this neighborhood will develop into a mixed-income community without any displacement of low-income residents. HCCI is committed to equitable development which creates and maintains social and economic diversity. A goal of equitable development is the provision of wealth creation opportunities to low-income residents through homeownership, entrepreneurship, and active community participation.

HCCI's vision of social justice also includes environmental justice. HCCI views the cleanup of the Erbograph Building, one of many Brownfield sites in the community, as central to achieving the community's environmental rights.

The development of the Erbograph Building will be a major component in the revitalization of the Bradhurst community. It will improve the neighborhood environment and address quality of life issues. The proposed development strengthens HCCI's organizational infrastructure and includes economic development strategies that benefit residents. HCCI's stewardship and vision are reflected in how the organization treats both its young and its old. Furthermore,

the expansion of the Bradhurst Academy of Excellence and the development of a day community center for the frail elderly are significant steps in bridging the gap between generations.

## **Section II: Development Context**

### **Bradhurst Neighborhood: A Context of Change**

The Bradhurst neighborhood consists of forty blocks in the north-central section of Harlem. Located in Manhattan Community Board #10, it is bound by 139<sup>th</sup> and 155<sup>th</sup> Streets on the south and north, Adam Clayton Powell Jr. Blvd on the east, and Edgecombe Avenue on the west. The overall decline of Harlem's population from approximately 850,000 in 1960 to 600,000 in 1990 strongly impacted the neighborhood of Bradhurst. Increase in drug-related illegal activity accompanied the deterioration and abandonment of the community's housing stock.

### **Bradhurst Revitalization: The Plan in Action –1988-2002**

The Bradhurst Revitalization study was initiated in 1986 by HUDC to address the redevelopment needs of the community. It engaged participation from the neighborhood's residents, businesses, and institutions, such as the local churches, in order to reflect the community's voice and will and to maximize the benefits for current stakeholders, while minimizing the detrimental consequences of potential gentrification. It was a comprehensive plan led by housing development to repopulate the neighborhood.

Reinvestment in the Bradhurst community has resulted in the revitalization of housing stock (1,200 units) and businesses. Bradhurst is part of the Upper Manhattan Empowerment Zone (UMEZ) and is classified as an Economic Development Zone.

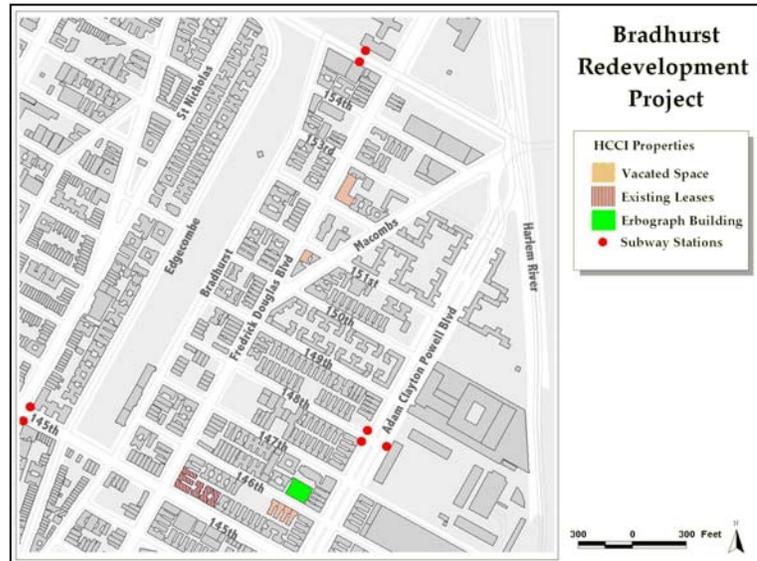
### **Harlem Today: Realizing the Purchasing Power**

Harlem's high income density, \$868 million per square mile, makes it a strong central city market. JP Morgan Chase Bank alone has invested over \$1 billion in the Harlem community over the past ten years, according to the Community Development Department. The market response over the last five years has led to the creation of over one million square feet of new retail space, mostly located between 116<sup>th</sup> and 125<sup>th</sup> Streets. The Magic Johnson Theatres, the Disney Store, and a Pathmark are but a few of the new businesses in this area of Harlem. Only recently have the benefits of development moved north of 125<sup>th</sup> Street, finally reaching the fringes of the Bradhurst community. The introduction of middle-income and market-rate residential development, mixed with retail and commercial development, is actualizing HCCI's goal of creating a vibrant community that offers the variety of goods, services, businesses, and employment opportunities that previously eluded the neighborhood. Manhattan Community Board #10, in which Bradhurst is located, has seen the completion of almost 3,000 units of affordable housing (a combination of rental apartments, co-ops, condos and homes).

## Geography and Transportation: Primary Market Area

The PMA for HCCI's equitable development strategy is the northernmost portion of the Bradhurst neighborhood (Zip Code 10039). Businesses in this PMA will have a fairly captive neighborhood market because of the geography of the area. The PMA is a triangular shaped, largely insulated, cove-like neighborhood flanked by Jackie Robinson Park on the west and the Harlem River on the east. In addition, two large residential complexes cap the north and east boundaries, further insulating the PMA. As a

**Bradhurst Neighborhood Map**



result, most traffic enters and exits the PMA from 145<sup>th</sup> Street. Frederick Douglass Boulevard (Eighth Avenue) and Adam Clayton Powell Junior Boulevard (Seventh Avenue) serve as the major thoroughfares. The neighborhood is served by the A, B, C, and D subway trains at 145<sup>th</sup> Street and St. Nicholas Avenue, and the 3 subway line at 145<sup>th</sup> Street and Malcolm X Boulevard (Lenox Avenue).

## Bradhurst PMA: Residential and Commercial Development

RESIDENTIAL DEVELOPMENT	COMMERCIAL DEVELOPMENT
<ul style="list-style-type: none"> <li>• The Hamilton – residential space                             <ul style="list-style-type: none"> <li>- 77 cooperative apartments</li> <li>- Middle-income development                                     <ul style="list-style-type: none"> <li>- Affordable to families with incomes ranging from \$52,000 to \$157,000</li> </ul> </li> </ul> </li> <li>• Bradhurst Court                             <ul style="list-style-type: none"> <li>- 104 cooperative apartments</li> <li>- Middle-income development                                     <ul style="list-style-type: none"> <li>- Affordable to families with incomes ranging from \$60,000 to \$130,000</li> </ul> </li> </ul> </li> <li>• Community Assisted Tenant Controlled Housing, Inc. (CATCH)                             <ul style="list-style-type: none"> <li>- 132 apartment units</li> <li>- Low-income development/mutual housing association</li> </ul> </li> <li>• Other HCCI Housing                             <ul style="list-style-type: none"> <li>- 400 units</li> <li>- Both affordable and market-rate                                     <ul style="list-style-type: none"> <li>- 120 units to attract families with incomes of \$150,000 or more</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The Hamilton – retail space                             <ul style="list-style-type: none"> <li>- Duane Reade</li> <li>- Additional retail stores</li> <li>- 15,000 square feet total</li> </ul> </li> <li>• Pathmark                             <ul style="list-style-type: none"> <li>- 45,000 square feet for grocery store</li> <li>- Parking garage</li> <li>- 7,000 square feet of additional retail space</li> </ul> </li> <li>• Vacated HCCI space                             <ul style="list-style-type: none"> <li>- 6,000 square feet</li> <li>- Scattered sites</li> <li>- Lower rentals to encourage equitable development</li> </ul> </li> </ul>

**Sources:**

- Press Release on the Groundbreaking of The Hamilton, October 22, 2002, <http://www.thehamiltonnyc.com/press.html>
- Press Release on the Construction Start for Bradhurst Court: , November 19, 2002, <http://www.ci.nyc.ny.us/html/hpd/html/whats-new/bradhurst-court2002-pr.html>.
- Case Study of Community Assisted Tenant Controlled Housing, Inc <http://www.lsgsarchitects.com/display.asp?code=863>
  - Interview with Ben Upshaw, VP for Real Estate Development, HCCI, March 11, 2003.
  - Interview with Gregory O. Watson, Chief Operating Officer, HCCI, March 18, 2003.

The above chart summarizes the residential and commercial development currently either under construction or planned over the next four years in the PMA. Over 700 units of new housing are planned. These housing opportunities will range from a low-income development for home ownership to a mutual housing association to housing with household families ranging from \$52,000 to \$157,000. A total of 73,000 s.f. of commercial space is planned. Of this space, 18,000 s.f. will be available to small businesses, of which approximately 6,000 s.f. will be provided by HCCI’s vacated office space. This space will play a crucial role in fostering equitable development. Located on Frederick Douglass Boulevard

between 145<sup>th</sup> and 153<sup>rd</sup> Streets, HCCI's commercial space is ideally located for neighborhood-based small businesses prepared to take advantage of changes in local market demand and increases neighborhood in buying power.

## **Section III: Design Strategy and Proposal**

### **The Site: A Home in the Center of Bradhurst**

The Erbograph Building is a three-story brick structure located on the northern side of West 146th Street, near its intersection with Adam Clayton Powell Jr. Blvd. The structure, built in the 1920's, covers close to 95% of the lot. It currently contains an estimated 26,000 s.f. of space. It has been abandoned for 52 years. Although its earlier use as a film storage facility is no longer appropriate in a residential neighborhood, its lower scale provides a welcome relief from the mostly five to six-story tenements in the area, and its decorated facade, with its large openings, promotes public use. The site is easily accessible by both bus and subway, and thus is suitable for use as a community service center.



## **Erbograph Proposed Site Plan**

Building footprint in yellow, upper floor setback and atrium light green

### **The Development Program: Space Needs for Community Services**

The development program for the Erbograph building meets HCCI's need to consolidate its administrative offices, relocate and expand its programs, and accommodate new services addressing the unmet needs of the population.

HCCI will offer a variety of services at the redeveloped Erbograph site. On the social delivery side, the health and wellness program, property management, human services and training program, and the equitable development program will all relocate to the new headquarters building. Additionally, the Bradhurst Academy of Excellence, an after school tutoring and support program, will triple in size to serve 75 students in the new building. All administrative services will also be moved to the new building, including the executive office, fiscal and asset management, and fundraising and development.

HCCI and Beth Abraham Family of Health Services have been exploring the possibility of locating a Comprehensive Care Management Center (CCMC) in Bradhurst. While previous efforts have failed because of space limitations, the development of the Erbograph building offers a new opportunity for meeting the goals of both organizations. Services to the elderly are vital to Bradhurst, as the neighborhood has no high-quality medical care available for its senior population. Through the CCMC, Beth Abraham will offer frail, ambulatory seniors (over 80 years of age) a wide range of medical and social services. These services include

primary and specialty care, nursing services, prescription medications, emergency medical services, occupational and physical therapy, speech and hearing therapy, therapeutic recreation, counseling, nutritional planning, and other services. Beth Abraham's experience indicates that their team of physicians, nurses, social workers, and therapists can replicate the CCMC model in the Bradhurst community, thus enabling its elderly residents to stay in the community as long as possible without sacrificing needed high-quality, comprehensive care. Beth Abraham anticipates serving approximately 400 frail elderly clients through the CCMC.

### **The Design Strategy: 5 Key Elements of a New Erbograph**

The design strategy for the development of the building is based on the following premises:

1. Continuity and transformation: To keep the continuity of the streetscape and its historical meaning, the Erbograph facade is preserved and articulated with a new, five-story structure, tailored to the specific needs of the new occupants.
2. Respect of the traditional residential block bulk: Although zoning regulations (FAR: 6.5) allows for a larger building, the design proposes a bulk distribution that maximizes access of light and air to the street and the surrounding sites.
3. Improvement of environmental quality: Light is brought into the building by an interior, publicly accessible "green" atrium; the rear yard offers a landscaped open space; and the building is built utilizing principles of sustainable construction.

4. Express the identity of the two main occupants: Each occupant will have separate street frontage, as well as separate intra-office vertical circulation.
5. Flexibility of interior spaces: A system of movable walls and furnishing has been designed to allow the re-configuration of the spaces as required by programmatic changes, or to suit the needs of the occupants.

### **The Proposal: Bringing the Project to Life**

The new five-story building is organized in two distinct wings, to give both HCCI and Beth Abraham CCMC separate identities and street frontage. The two wings share a central atrium, and a single vertical circulation system. The atrium runs through the building, bringing light to its interior. It also provides access to the rear yard and, at ground level, acts as an interior public space. To articulate the new building with the preserved facade of the old structure, a five-foot glazed setback has been established behind that facade. The setback diminishes the visual impact of the two additional upper levels on the street.

Beth Abraham CCMC occupies the five street front levels of the east wing, while HCCI occupies the west wing. At ground level, the west wing will house the HCCI programs which generate the most interaction with neighborhood clients (i.e. Human Services; Health and Wellness and Property Management). The expanded Bradhurst Academy of Excellence (BAE) occupies the west wing's upper three levels, above a 2<sup>nd</sup> floor that contains offices, an executive suite and a conference center. General administrative space will be located in the rear of the east wing, from the 2<sup>nd</sup> to the 5<sup>th</sup> Floors. The two multi-level programs, the Beth

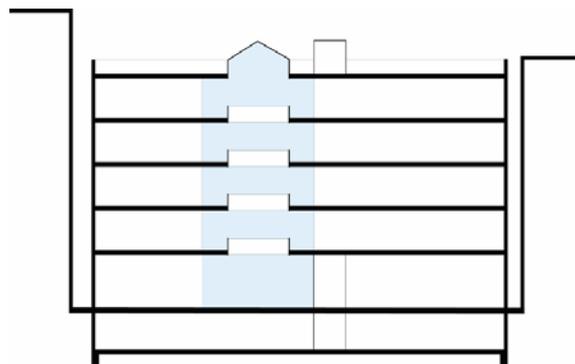
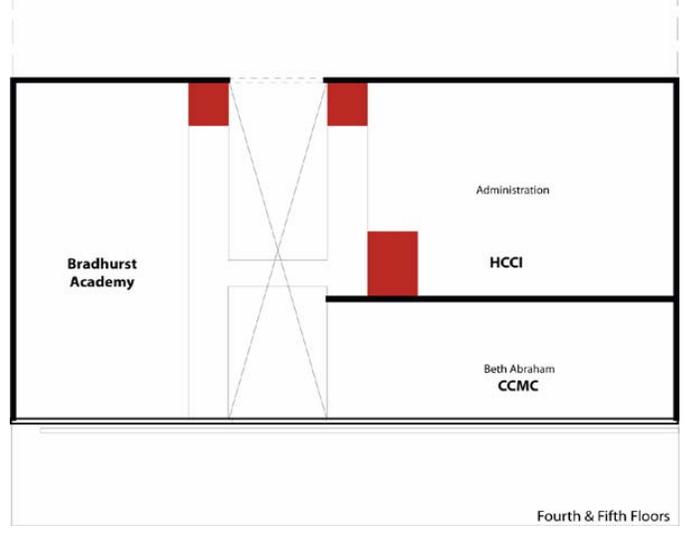
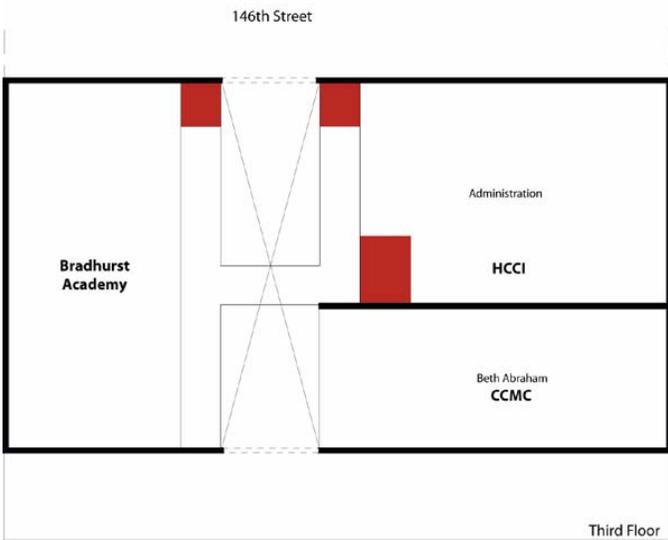
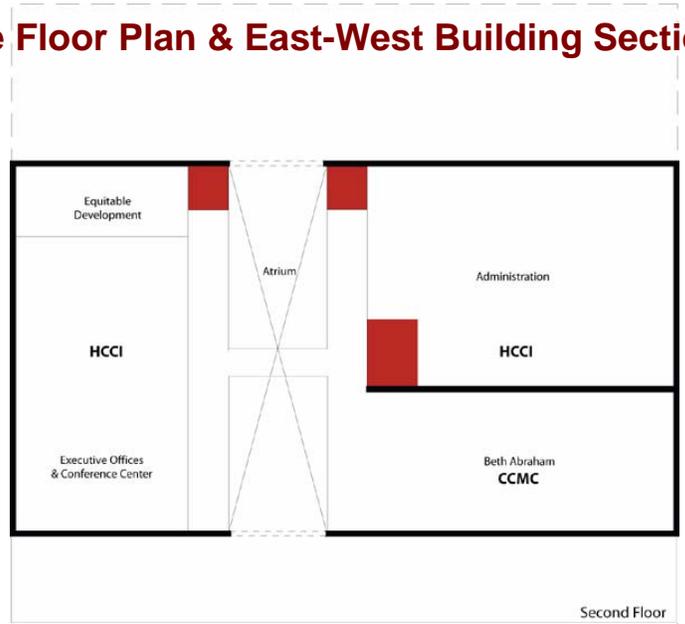
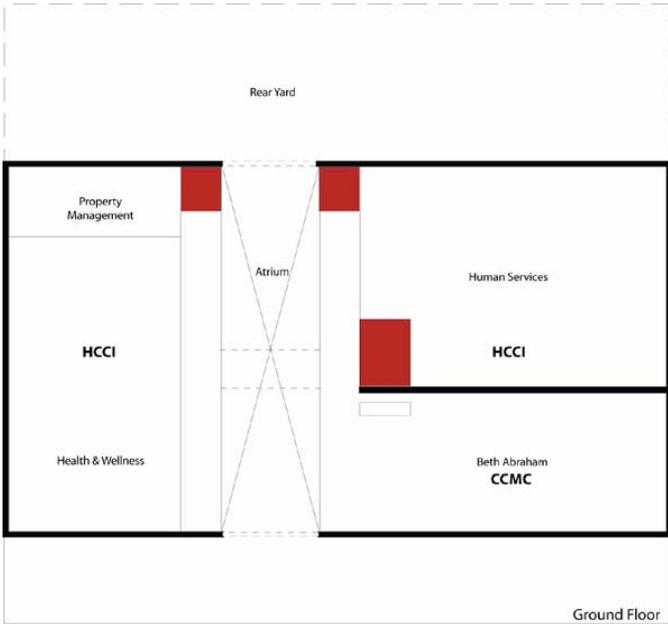
Abraham CCMC and the HCCI Bradhurst Academy of Excellence, will also have their own additional internal stair system to ease intra-office communications. Plan principles reflect the need to break the floorplate into different size offices (from 50 s.f. for cubicles, to 100 and 150 s.f. for private offices and 250 s.f. for meeting rooms) and maximize the use of natural light.

**Programmatic Space Needs**

<b>Erbograph Space Needs</b>	<b>Square Feet</b>
<b>HCCI Spaces</b>	
Administration & Common Areas	4,750
Programs	
Health & Wellness	2,150
Human Services	2,450
Equitable Development	350
Property Management	300
Bradhurst Academy of Excellence	7,500
<i>HCCI Subtotal</i>	<i>17,500</i>
+ 20% for Circulation	3,500
<b>HCCI Total</b>	<b>21,000</b>
<b>Beth Abraham CCMC</b>	
Raw Space	10,000
+20% for Circulation	2,000
<b>Beth Abraham CCMC Total</b>	<b>12,000</b>
<b>Erbograph Total</b>	<b>33,000</b>

## Section IV: Design Schematics and Renderings

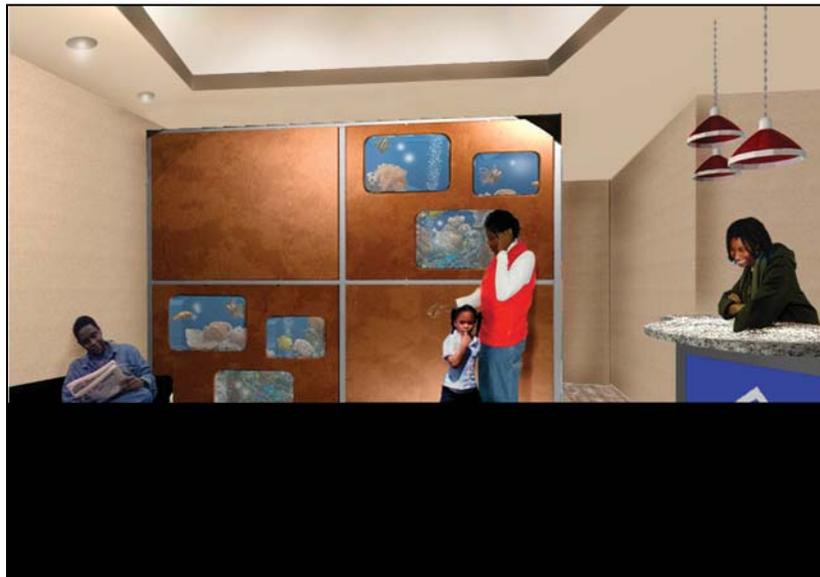
### The Floor Plan & East-West Building Section



## Shared HCCI and Beth Abraham CCMC Lobby



## Health & Wellness Program Reception Area



## **Bradhurst Academy of Excellence Combined Classroom**



## **HCCI Cubicles with Flexible Wall Partitions**



### **HCCI Computer Training Facility (Setup as Classroom)**



### **HCCI Computer Training Facility (Setup as Conference Room)**



## HCCI Common Office Area and Elevator Lobby



## Flexible Wall and Storage Design Details



## **Section V: Managing Environmental Risk**

### **Environmental Risk Factors**

Developers are required to manage a number of environmental risks related to Brownfield redevelopment. These risks may involve unknown contaminants, unexpected expenses, or lawsuits. Several tools exist to aid in this risk management. Waste disposal processes, various types of environmental insurance, and multi-phase investigations all serve to mitigate environmental risks associated with Brownfields.

### **Investigation of the Erbograph Site**

HCCI has received a grant for \$160,000 from NYDEC to investigate possible contamination of the Erbograph site. However, HCCI cannot utilize these funds until the organization receives a license agreement from New York. In order to begin research on possible contaminants, the research team conducted a Less-Than-Phase I assessment of the Erbograph property, independent of the NYDEC-funded investigation. This level of assessment involves researching title databases and transaction screens to determine if a contamination problem might possibly exist. This search revealed that the property was held by several film production companies between 1925 and 1959. Consolidated Film Industries held the property between 1925 and 1943, after which the ownership was transferred to Bonded Motion Picture Corporation, which held the property until 1959. It was then purchased by Industrial Enterprises, Inc. The property subsequently was held

by a number of different corporations until 1991, when HPD received the property due to foreclosure.

Conversations with the District Manager of Manhattan Community Board #10 confirmed that the property was used for film storage and not for film processing or production. The research team will begin a Phase I study, which will involve repeating the database and transfer searches, as well as a detailed search of past uses. Unfortunately, until New York provides HCCI with the license agreement, the final part of the Phase I study – a site visit to search for possible problems – cannot be completed, as HCCI cannot enter the property before the agreement is finalized. Once HCCI receives the agreement, the organization can utilize the \$160,000 grant. This grant will cover formal Less-Than-Phase I and Phase I assessments, as well as the actual testing for contaminants in Phase II and Phase III.

### **Environmental Insurance Options**

Developers use insurance to mitigate the risk of Brownfield site development. There are several reasons insurance may be necessary in a Brownfield remediation effort. First, CERCLA (Comprehensive Environmental Response, Compensation and Liability Act of 1980) imposes retroactive, strict, and joint and several liability. This means that a property owner can be held liable regardless of when the contamination occurred, and even if the owner did not own the property at the time; furthermore, any one of the land owners, current or past, can be held financially responsible for all or any part of the damages. The

“innocent landowner” defense only applies if the developer bought the property after the pollution occurred, if the developer did not know (and had no reason to know) about the contamination, and if the developer exercised “due diligence” before purchase. Three basic types of insurance are most commonly used by developers in Brownfield endeavors are: Cleanup Cost Cap (CCC) insurance, Pollution Liability (PL) insurance, and Owner Controlled Coverage.

HCCI will purchase CCC insurance, which mitigates the risk that cleanup expenses will be higher than anticipated. Covered cost overruns may be due to a change in regulations, the discovery of new contaminants, or the finding that contamination is more widely spread than originally thought. This type of insurance usually includes a provision for a Self Insured Retention (SIR). The SIR is what the insured pays, in addition to the original amount anticipated for cleanup; after the SIR is paid, the insurance will begin payment of cost overruns.

HCCI also will purchase PL insurance. PL insurance protects the developer against claims from 3<sup>rd</sup> parties relating to pollution, 1<sup>st</sup> party expenses incurred (such as loss of property value or business interruption), and legal defense expenses for either of the two. The PL insurance can vary widely in terms of coverage, cost, length of policy, and deductible.

The final type of insurance that HCCI intends to purchase is Owner Controlled Coverage. This will protect the organization if the contractor’s insurance runs out or if the contractor’s insurance is depleted by other projects.

Coverage will cover the chosen contractor for both General Liability (GL) and Contractor Pollution Liability (PLL).

**Insurance Policies for Erbograph Project**

	Cleanup Cost Cap	Pollution Liability	Owner Controlled Insurance
	Shared Policy		
<b>Premium Low</b>	\$81,479		\$30,000
<b>Premium High</b>	\$84,304		-
<b>Aggregate Limits</b>	\$1-5 million (CCC - \$1 million; PL - \$1-5 million)		\$1 million GL  \$1 million CPL
<b>Term</b>	18 months	5-10yrs	Remediation phase
<b>SIR/Deductible</b>	\$745,000	\$25,000	-

Source:  
Chief Underwriting Officer, American Insurance Group Inc

As a responsible developer, HCCI has endeavored to mitigate the risks incurred with Brownfield redevelopment. They have secured funding for all phases of the site investigation, solicited proposals and advice for insurance coverage, and researched waste disposal requirements for the worst-case remediation scenario. These costs have been included in the project’s budget. Although the mitigation of risk through such measures may add to costs at the outset, this additional cost is necessary to make the project viable.

## **Section VI: Narrative Financial Analysis**

### **Overview of the Numbers**

The total development cost for the proposed Erbograph Building is estimated to be \$7,663,346 (see Schedule A). The construction hard costs are \$5,190,000 or 68%, of the total development costs. These costs include demolition of the existing building and preservation of the facade at \$450,000, and the installation of two elevators at \$150,000 each. The development soft costs, which include the remediation costs and environmental insurance, make up the remaining \$1,776,677 (23%). Finally, a 10% contingency is added on to the total development costs at \$696,668. The development team for this project will include HCCI, Advest, Inc., and Works in Progress Associates (WPA). WPA will serve as project manager. HCCI will provide \$1,000,000 (13%) of equity financing, raised through a pledge campaign. The rest of the equity is made up of a variety of grants including one from the Upper Manhattan Empowerment Zone (UMEZ) at \$798,750 (10%), government appropriations at \$1,750,000 (23%), and foundation grants at \$1,312,500 (15%) Two grants from the New York State Clean Air/Clean Water Bond Act are also included - one for environmental investigation for \$160,000 (2%) that is already secured, and the other for environmental remediation at \$785,100 (10%). The latter is a reimbursable grant that will be covered by a loan from the Local Initiatives Support Corporation (LISC). Advest, Inc. will secure a nonprofit 501(c)(3) revenue bond for \$2,009,246 (27%) (see Schedule B). The revenue bond will be a self-amortizing bond at an interest rate of 6.5% over 30

years. The net operating income is projected to be \$350,990 in Year One, leaving a debt service coverage ratio of 1.37.

## **Revenue Sources**

Revenues to cover the cost of the Erbograph Building are generated from three sources: rental income from Beth Abraham CCMC, rental income from space vacated by HCCI, and existing leases (see Schedule C).

1. Rental income from new building. HCCI will lease 12,000 s.f. of raw building space to Beth Abraham CCMC who will establish a day-care clinic for the frail elderly. The tenant has agreed to a ten year lease at \$29/s.f. annually. This rental rate includes a \$4/s.f. annual carrying costs. The occupancy rate is assumed to be 100% after a 3 month build out, and the rental income from this tenant will yield \$348,000 in revenues.
2. Rental income from vacated space. HCCI will be vacating two retail spaces along Frederick Douglass Boulevard and one office space on 146<sup>th</sup> Street, where their offices are currently located. These spaces will be rented to local entrepreneurs and small businesses. HCCI currently leases these spaces at a \$10/s.f. annually, and will be able to sublease them once they are vacated. We expect that these local businesses will be able to pay between \$15-\$18/s.f. annually, leaving HCCI with revenues of approximately \$43,680 in Year One.
3. Income from existing leases. HCCI is part owner of several commercial spaces located at the corner of 145<sup>th</sup> Street and Frederick Douglass Boulevard. HCCI is the primary tenant for each of the spaces, and subleases to long-term existing

tenants. The income from these subleases will be used to pay the expenses associated with the new building. There are seven spaces that vary in size. Six of the seven will pay \$15/s.f. and the other \$8/s.f. annually. The total annual income that will be generated from these spaces is \$125,310 in Year One.

### **Break-Even Analysis**

Given the gross income from Beth Abrahams CCMC at \$261,000, the project will break-even with 70% occupancy amongst present tenants with existing leases. Currently, there is a 100% occupancy in these spaces. The break-even analysis is not contingent upon revenues from the space that HCCI will vacate. The income from those spaces will provide a healthy reserve for the building as well as support for HCCI's programs.

### **Internal Rate of Return Analysis**

The expected Internal Rate of Return is 11.79% over a ten-year period. The return on equity is \$56,297 in the first year, and increases to \$164,525 in year two. The final return on equity for this project exceeds 24%.

## Section VII: Financial Schedules

### Schedule A: Set-Up Assumptions

Item	Cost		Source/Notes
Total Building Size (s.f.)	33,000		Space plan
Total HCCI Space (s.f.)	21,000		Space plan
Total Health Clinic Space (s.f.)	12,000		Space plan
Total Common Space			
Construction cost per s.f.	\$150	(HCCI)	Karen Phillips, ADC
	\$120	(CCMC)	Phil Morrow, SoBRO
Subtotal construction cost	\$4,740,000		
Demolition cost	\$450,000		Roger Pennifill, AIG Environmental
Elevators (2 @ \$150,000)	\$300,000		Phil Morrow, SoBRO
<b>Total Construction Hard Costs</b>	<b>\$5,190,000</b>	68%	
Remediation Costs	\$516,050		AIG Environmental
Environmental Insurance	\$180,000		AIG Environmental
Other Soft Costs	\$1,080,627		Bank-Ability
<b>Total Soft Costs</b>	<b>\$1,776,677</b>	23%	
Contingency @ 10% of TDC	\$696,668	9%	AIG Environmental, Beth Abraham CCMC
<b>Total Development Costs</b>	<b>\$7,663,346</b>		
Rentable Space in New Building	12,000		35% of Building
Income per s.f. per year	\$25		Beth Abraham CCMC
Plus carrying costs per year	\$4		Beth Abraham CCMC
Total income per s.f. per year	\$29		Beth Abraham CCMC
<b>Annual income from new building</b>	<b>\$348,000</b>		Rental space x cost per s.f.
Rentable Space from Vacated Buildings	5,835		HCCI inventory of office space
Income per s.f. per year	\$5-\$8		HCCI inventory of commercial spaces
Income from other leases	\$125,310		See income assumptions
Annual income from vacated spaces	\$43,680		Vacated space x cost per s.f.
<b>Total Annual Income</b>	<b>\$516,990</b>		
Annual Escalator	3%		Based on current inflation rate
Taxes	\$0		Tax-exempt status
Mortgage	\$2,009,246	@6.5%	Advest, Inc.

**Schedule B: Sources & Uses**

<b>Sources</b>		
Equity (HCCI Pledge Campaign)	\$	1,000,000 13%
Mortgage 501		2,009,246 26%
UMEZ (15% of HCCI const.)		798,750 10%
Federal Appropriation		1,000,000 13%
New York State Assemblymen Farrell's Discretionary Funds		250,000 3%
Manhattan Borough President - Capital Budget		500,000 7%
NYDEC Environmental Investigation Grant (Approved)		160,000 2%
NYDEC Remediation Grant (75% of remediation, 50% of demo)		685,350 9%
Kresge Foundation Grant (20% of HCCI const.)		720,000 9%
Kaplan Foundation Grant (15% of HCCI const.)		540,000 7%
<b>Total</b>	<b>\$</b>	<b>7,663,346 100%</b>
<b>Uses</b>		
Acquisition	\$	-
Construction		4,740,000 62%
Demolition		450,000 6%
<b>Total Hard Costs</b>	<b>\$</b>	<b>5,190,000 68%</b>
<b>Soft Costs</b>		
Architect & Engineering @ 7%	\$	331,800 4.33%
Site Remediation @ 8% TDC		516,050 6.73%
Environmental Insurance		180,000 2.35%
Title Costs (2% of mortgage)		50,000 0.65%
Building Permit		5,000 0.07%
Appraisal		25,000 0.33%
Construction Period Insurance		150,000 1.96%
Construction Lender Fee @ 1%		47,400 0.62%
Construction Lender Legal		40,000 0.52%
Legal & Accounting Fees		50,000 0.65%
Construction Loan Interest		78,750 1.03%
LISC Loan Interest @ 6.3%		43,177 0.56%
Project Management Fees @ 5%		259,500 3.39%
<b>Total Soft Costs</b>	<b>\$</b>	<b>1,776,677 23%</b>
Contingency @ 10%	\$	696,668 9.09%
<b>Total Development Costs</b>	<b>\$</b>	<b>7,663,346 100%</b>

## Schedule C: Income & Expense

Rent Schedule	Total Monthly Rent	Total Annual Rent	Total Square Feet	Cost/Square Foot
Lease Space @ \$25/sf	\$25,000	\$300,000	12,000	\$25.00
Plus carrying costs @ \$4/sf	\$4,000	\$48,000	12,000	\$4.00
<b>Subtotal</b>	<b>\$29,000</b>	<b>\$348,000</b>	<b>12,000</b>	<b>\$29.00</b>
Vacated Space				
Health & Wellness Strategies (HWS)	\$993	\$11,912	1489	\$8.00
Administrative Offices	\$2,231	\$26,768	3346	\$8.00
Bradhurst Academy of Excellence	\$417	\$5,000	1000	\$5.00
<b>Subtotal</b>	<b>\$3,640</b>	<b>\$43,680</b>	<b>5,835</b>	<b>\$7.49</b>
Existing Tenants				
Popeye's	\$3,733	\$44,790	2,986	\$15.00
CCS Property & Casualty	\$1,338	\$16,050	1,070	\$15.00
Prestige Management	\$820	\$9,840	1,230	\$8.00
Dr. Clarke/Dr. Trahan	\$1,538	\$18,450	1,230	\$15.00
Design Dimensions	\$1,338	\$16,050	1,070	\$15.00
Better Crust Bakery	\$938	\$11,250	750	\$15.00
Mishima Health	\$740	\$8,880	592	\$15.00
<b>Subtotal</b>	<b>\$10,443</b>	<b>\$125,310</b>	<b>8,928</b>	<b>\$14.04</b>
<b>Total</b>	<b>\$43,083</b>	<b>\$516,990</b>	<b>26,763</b>	<b>\$19</b>

Expense Schedule	Cost
water/sewer	\$1
common utilities Gas/ heat (.60/sq')	\$3
electric	\$2
insurance	\$2
elevator maintenance	\$1
maintenance/repair	\$1
supplies	\$1
real estate taxes	\$0
building manager	\$3
legal/accounting	\$5
building reserve (1% of Gross)	\$4
	\$1
<b>Total</b>	<b>\$1</b>
Inflation Factor	3%
Tax Rate	0%
Required Yield	10%

### Assumptions

Expense data collected from Sobro who recently constructed a 32,000 sq ft building for their own offices

Mortgage terms were based on quote from Advest for a 30 year 'B' Paper interest rate

HCCI will lease 12,000sf of new building space @ \$25/sf annually with carrying costs of \$4/sf annually

## Schedule D: Monthly and Annual Cash Flows

HCCI Cash Flow for Erbograph	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Gross Rental Income	\$261,000	\$348,000	\$358,440	\$369,193	\$380,269	\$391,677	\$403,427	\$415,530	\$427,996	\$440,836	
Gross Existing Lease Income	\$125,310	\$129,069	\$132,941	\$136,930	\$141,038	\$145,269	\$149,627	\$154,115	\$158,739	\$163,501	
Gross Vacated Space Income	\$19,110	\$43,680	\$44,990	\$46,340	\$47,730	\$49,162	\$50,637	\$52,156	\$53,721	\$55,333	
Less Vacancy 5%	(\$956)	(\$2,184)	(\$2,250)	(\$2,317)	(\$2,387)	(\$2,458)	(\$2,532)	(\$2,608)	(\$2,686)	(\$2,767)	
Effective Gross Income	\$404,465	\$518,565	\$534,122	\$550,146	\$566,650	\$583,650	\$601,159	\$619,194	\$637,770	\$656,903	
Less Expenses 3%	(\$195,770)	(\$201,643)	(\$207,692)	(\$213,923)	(\$220,341)	(\$226,951)	(\$233,759)	(\$240,772)	(\$247,995)	(\$255,435)	
NOI	\$208,695	\$316,922	\$326,430	\$336,223	\$346,310	\$356,699	\$367,400	\$378,422	\$389,774	\$401,468	
Less Debt Service 6.5%	(\$152,398)	(\$152,398)	(\$152,398)	(\$152,398)	(\$152,398)	(\$152,398)	(\$152,398)	(\$152,398)	(\$152,398)	(\$152,398)	
BTCF	\$56,297	\$164,525	\$174,032	\$183,825	\$193,912	\$204,301	\$215,002	\$226,024	\$237,377	\$249,070	
Plus Amortization	\$22,458	\$23,962	\$25,567	\$27,279	\$29,106	\$31,055	\$33,135	\$35,354	\$37,722	\$40,248	
Less Depreciation	(\$196,731)	(\$196,731)	(\$196,731)	(\$196,731)	(\$196,731)	(\$196,731)	(\$196,731)	(\$196,731)	(\$196,731)	(\$196,731)	
Taxable Income	(\$117,976)	(\$8,244)	\$2,868	\$14,373	\$26,287	\$38,626	\$51,406	\$64,647	\$78,368	\$92,587	
Tax Benefit/(Cost) @ 0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
ATCF	(\$1,000,000)	\$56,297	\$164,525	\$174,032	\$183,825	\$193,912	\$204,301	\$215,002	\$226,024	\$237,377	\$249,070
<b>ROE</b>	5.63%	16.45%	17.40%	18.38%	19.39%	20.43%	21.50%	22.60%	23.74%	24.91%	
IRR	11.79%	NPV @ 10%		\$91,655							

HCCI Project	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Beginning Balance	\$2,009,246	\$1,986,788	\$1,962,826	\$1,937,260	\$1,909,981	\$1,880,875	\$1,849,820	\$1,816,685	\$1,781,331	\$1,743,609
Interest Payment	(\$129,940)	(\$128,436)	(\$126,831)	(\$125,119)	(\$123,292)	(\$121,343)	(\$119,263)	(\$117,044)	(\$114,676)	(\$112,150)
Principal Payment	(\$22,458)	(\$23,962)	(\$25,567)	(\$27,279)	(\$29,106)	(\$31,055)	(\$33,135)	(\$35,354)	(\$37,722)	(\$40,248)
Ending Balance	\$1,986,788	\$1,962,826	\$1,937,260	\$1,909,981	\$1,880,875	\$1,849,820	\$1,816,685	\$1,781,331	\$1,743,609	\$1,703,361

Monthly Cash Flow	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Gross Rental Income	\$0	\$0	\$0	\$29,000	\$29,000	\$29,000	\$29,000	\$29,000	\$29,000	\$29,000	\$29,000	\$29,000
Gross Existing Lease Income	\$10,443	\$10,443	\$10,443	\$10,443	\$10,443	\$10,443	\$10,443	\$10,443	\$10,443	\$10,443	\$10,443	\$10,443
Gross Vacated Space Income	\$0	\$0	\$0	\$910	\$910	\$910	\$1,820	\$1,820	\$1,820	\$3,640	\$3,640	\$3,640
Less Vacancy (5%)	\$0	\$0	\$0	(\$46)	(\$46)	(\$46)	(\$91)	(\$91)	(\$91)	(\$182)	(\$182)	(\$109)
Effective Gross Income	\$10,443	\$10,443	\$10,443	\$40,307	\$40,307	\$40,307	\$41,172	\$41,172	\$41,172	\$42,901	\$42,901	\$42,973
Less Expenses (3%)	(\$16,314)	(\$16,314)	(\$16,314)	(\$16,314)	(\$16,314)	(\$16,314)	(\$16,314)	(\$16,314)	(\$16,314)	(\$16,314)	(\$16,314)	(\$16,314)
NOI	(\$5,872)	(\$5,872)	(\$5,872)	\$23,993	\$23,993	\$23,993	\$24,857	\$24,857	\$24,857	\$26,586	\$26,586	\$26,659
Less Debt Service	(\$12,700)	(\$12,700)	(\$12,700)	(\$12,700)	(\$12,700)	(\$12,700)	(\$12,700)	(\$12,700)	(\$12,700)	(\$12,700)	(\$12,700)	(\$12,700)
BCF	(\$18,571)	(\$18,571)	(\$18,571)	\$11,293	\$11,293	\$11,293	\$12,158	\$12,158	\$12,158	\$13,887	\$13,887	\$13,959

## **Letters of Support: Tenant**

**Michael M. Bialek**  
**Vice President for Real Estate**  
**Beth Abraham Family of Health Services, Inc.**

# **Letters of Support: Financial**

**Gregory J. Anderson  
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**Charles B. Rangel  
Congressman, 15<sup>th</sup> District of New York  
United States House of Representatives**

**C. Virginia Fields  
Manhattan Borough President**

**Hope Knight  
Chief Operations Officer  
Upper Manhattan Empowerment Zone**

**Tara Presume  
Community Development Officer  
Local Initiatives Support Corporation**

**Herman D. Farrell, Jr.  
Assemblyman, 71<sup>st</sup> District  
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## **Letters of Support: Political**

**William Perkins  
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Council of the City of New York**

**Robert Jackson,  
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**Stanley N. Gleaton  
Chair  
Community Board Number 10, Manhattan**

**Lloyd Williams  
President & CEO  
Greater Harlem Chamber of Commerce**

**Richard Harley  
District Manager  
Community Board Number 10, Manhattan**

## **Letters of Support: Community**

**Peggy Shepard**  
**Executive Director**  
**West Harlem Environmental Action (WEACT)**

**Erica Hunt**  
**Executive Director**  
**The Twenty-First Century Foundation**

**Ron Melichar**  
**President**  
**Hamilton Heights - West Harlem**  
**Community Preservation Organization**

**Reverend Canon Frederick B. Williams**  
**President**  
**Jackie Robinson Park Conservancy**

**Laura Hope**  
**Treasurer**  
**Mount Morris Park Community**  
**Improvement Association**

**Barbara Askins**  
**President and CEO**  
**125<sup>th</sup> St. Business Improvement District**

**Reverend Dr. Earl Kooperkamp**  
**Rector**  
**Saint Mary's Episcopal Church, Manhattanville**

# **Letters of Support: Project Management**

**Debra Inwald  
Principal  
Works-in-Progress Associates**

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### **New School University**

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and Candace Taylor

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