

# Harlem Tech Hub

Invest in a new future in East Harlem:  
Pathmark Site Development Proposal

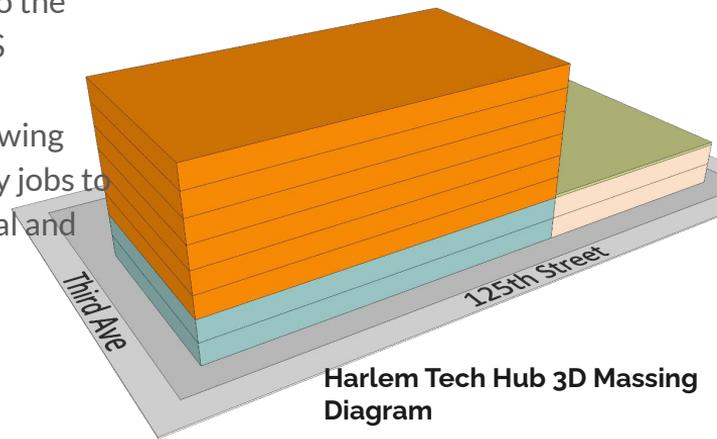
Sophie Sheng





# Executive Summary

Located at Lexington Ave and 3rd Ave between E 124th and E 125th Streets, Harlem Tech Hub is an 8 floor, 310,642SF mixed-use transit-oriented development that harness the potential of East Harlem. We host Class A office space, a tech incubator, retail opportunities, restaurants and elevated public green space while being connected to the subway station and provide 173 parking spaces underground. Catalyzed by the SAS extension, East Harlem has the potential to be a satellite city sub center that upper Manhattan have been missing. Taking advantage of the expanding subway line, growing community and Tech migration, we aspire to bring economic growth and high quality jobs to the neighborhood, serving both the commuters and the neighborhood with a cultural and life center that revitalizes the surrounding area while fulfilling our fiduciary duty to investors. We are offering:



Harlem Tech Hub 3D Massing Diagram

Residual Land Value

73.24 Million

Office and Coworking Space

260,000 SF

Retail and Dine

85,158 SF

# Our chance and purpose: neighborhood facts and needs

After thorough market analysis in addition to listening to the community through studying the East 125th Street community visioning action plan by WeAct, we have identified these opportunities and constraints for our development.



1

**Poverty and jobs creation.** Most residents (81 percent) worked in Manhattan, and only 6% worked in East Harlem (6 percent). Almost one-third of all households had incomes below the federal poverty level and nearly half of the children lived in poverty. East Harlem needs new developments that bring quality job opportunities to the residents, foster economic development, and tackle income inequity.

2

**Extreme Accessibility and Income Generation.** Home to one of Metro-North's busiest stations, the Lexington Ave. line, and the future terminus of the Second Ave. subway all make this a desirable place to work. Plenty of foot traffic that passes through with disposable income to spend on their commute but have no place. It is crucial to make East 125th Street an accessible, efficient transit center that generates revenue and act as a catalyst for change in the community. Opportunity for retail and healthy food is clear when you compare the concentration of restaurants in EH(left) and FiDi(right, known to many New Yorkers as a food desert). Also see Appendix 1 to see how well connected our site is.

3

**Startup support and Tech migration.** New York's battered office market is drawing more interest from tech companies that are hungry for space even as the pandemic upends traditional work. Following Google's, Roku and Microsoft are among firms in talks for new leases in Manhattan, betting on NYC's future as a tech hub. With limited office space and no current class A in market, we have an opportunity to attract startups and tech tenants.

4

**Crime and safe public spaces.** We need to create fair, vibrant and safe public spaces to support community. Most recently, the New York Restoration Project found that crime rates in East Harlem and similar neighborhoods dropped "strikingly" as green space grew. We need to recognize high crime rates in the area and guarantee a sense of safety.

# Rationale and Target Audience



Microsoft

<sh>  
siliconharlem.net



Macro and local trends support our use. Low affordability, high crime rate and lack of job opportunity, in addition to the huge influx of housing developments in the area means only affordable housing with AMI below 40% would actually serve the community instead of gentrifying the area. However, a fully affordable affordable housing that deep below the poverty line could not make economic sense even with city support. We should look into bringing jobs in non-service industries back to Harlem. Being so close to Columbia University means there is a talent pool ready to be tapped, and tech industry has been searching for multiple floors of office spaces. Apple just leased 220K SF in midtown, which would fully fill up our space. This could be Stanford's Sandhill road, recreated on the East Coast. Pathmark site is accessible to a variety of healthcare facilities and nursing schools. Biotech companies and startups would have great networking, and data collection environment if they choose to move here. Finally, the macro trend in NYC – midtown is no longer cool, LIC and Downtown BK prices has been skyrocketing. Enabled by the SAS transit, East 125 St is ready to become the Uptown Grand Central.

We are looking to attract tech and innovation centered tenants that are not bound by the traditional New York finance model. Our offices will be equipped with telecommunication technology that fully integrates tech companies remote working requirements. As we connect to the more affordable areas and suburbs of New York through commuter rail, our tenants that have a higher work-life balance requirement could have a more comfortable, family friendly lifestyle. Our first two level of office are dedicated to startups built in NYC, hosting a tech incubator that charges seed stage startups with stock options instead of rent, carefully vetted by our VC partners like SiliconeHarlem . They will share the space with co-working space where creative startups pre-round A or round B could share resources and network that are necessary for their success.

For retail, we are opening restaurants that serve both the neighborhood and our tenants. Overall, we are targeting young professionals with NYC median income that desire more comfort and work life balance while still enjoying urban life, of which food play a major role in. From creative NYC chains, comfort food to local startups, we will create an environment for mom and pops. Outside of the food court, we do not expect to attract luxury brands, but rather would like to create a space for younger, artistic startups.

# Zoning Summary - Block 1773 | Lot 20 and 27



Floorplate and ZSF Info						
Building	Width	Depth	Floors	GSF	ZSF	Gross-up
Floor 1-2(Retail/Office)	400.2	195.1	2	150,158	127,634	15%
Floor 3-8 Office	250	130	6	195,000	165,750	15%
Elevated Greenspace	150.2	65.1		9,778		
Total				345,158	293,384	
Max (4.0 FAR)				370,673	315,072	15%

Block   Lots	1773   20,27
Lot Area	78,769
Allowable Commercial ZFA	315,076
Zoning District(s)	C4 - 4D(Equivalent to R8A)
Special Zones	Inclusionary Housing, Transit, FRESH, Environmental Designation
Special Purpose District	Special 125th Street Dist./Transit Land use Dist.
Permitted uses	5,6,8,9,10,12
Max FAR	Commercial 4.0, Community Facility 6.5, Residential 5.4/7.2(VIH)
Maximum Height	120' (n), 125' (w)
Required Parking	1/2000 sf
Max Lot Coverage	100% (Corner)
Required yard	20 ft rear yard for commercial
Setback and Height	10 ft (wide) / 15 ft (narrow);
Physical Features	Strong sunlight, no hindering, busy street. Environmental Restrictions - HAZMAT/NOISE/AIR

**Discretionary Zoning:** As Lot 20 of our site Block 1773 is stand in a Transit Land Use Zone in Q's right of way, we are asking to remove the height limit on the site to build solely on Lot 27 while the program stay unchanged. Leaving Lot 20 empty will give us the opportunity to fully use our FAR on Lot 27, keep Lot 20 as and not miss out on the opportunity to either sell the land to the city for the incoming 125th station or develop together when the financial situation is more feasible. This is very likely because it also gives convenience to the city. While we wait for city's approval, we are **still proposing under as of right** and adapting a bulk design that takes up the entire lot in order to activate our elevated public space.

**Incentives:** While the site qualifies for many incentives, we decided to only use the Transit bonus. In light of the failure of Pathmark that closed down and left this site vacant for 5 years, building another supermarket with the FRESH bonus is not logical. We also decided that due to the influx of housing to the area, it is not the highest and best use of our extremely accessible site, so we decided to move on from Inclusionary housing programs and seek to work with the cities on job creation. The environmental designation from oil spillage on the site is another reason to not develop residential. We are connecting the building to the subway underground, but the \$425 mm cost does not make financial sense in a relatively low density at Harlem. We look forward to holding the property and explore transit incentives in the future through collaboration with MTA and the city. We also comply with the 125th special district requirements.

# Program & Uses

**Work Play Shop:  
Reactivating a historic neighborhood**



## Class A Office

**Secondary Use, 65,000 SF, 19%**

Flexible open office space for coworking or invest in seed stage tech startups in collaboration with VCs through rent abatement.



## Coworking & Incubator

**Primary Use, 195,000 SF, 56%**

Work space for established TAMI sector companies, targeting Microsoft and Roku as our anchor tenant.



## Retail/ Dining

To honor the artistic roots of East Harlem, we plan to host live music and outdoor movies events. Our 9778 SF of public space will be accessible through escalators in retail, activating the public space for the neighborhood while bringing foot traffic to the retail and restaurants.

**Secondary Use, 85,158 SF, 25%**

Affordable eateries for commuters and office workers, area with small lots catered to pop up shops and mom and pop food stalls in partnership with TimeOut Market. Low to medium income level brands for retail.



## Elevated Green Space & Underground Parking

### Stacking Diagram

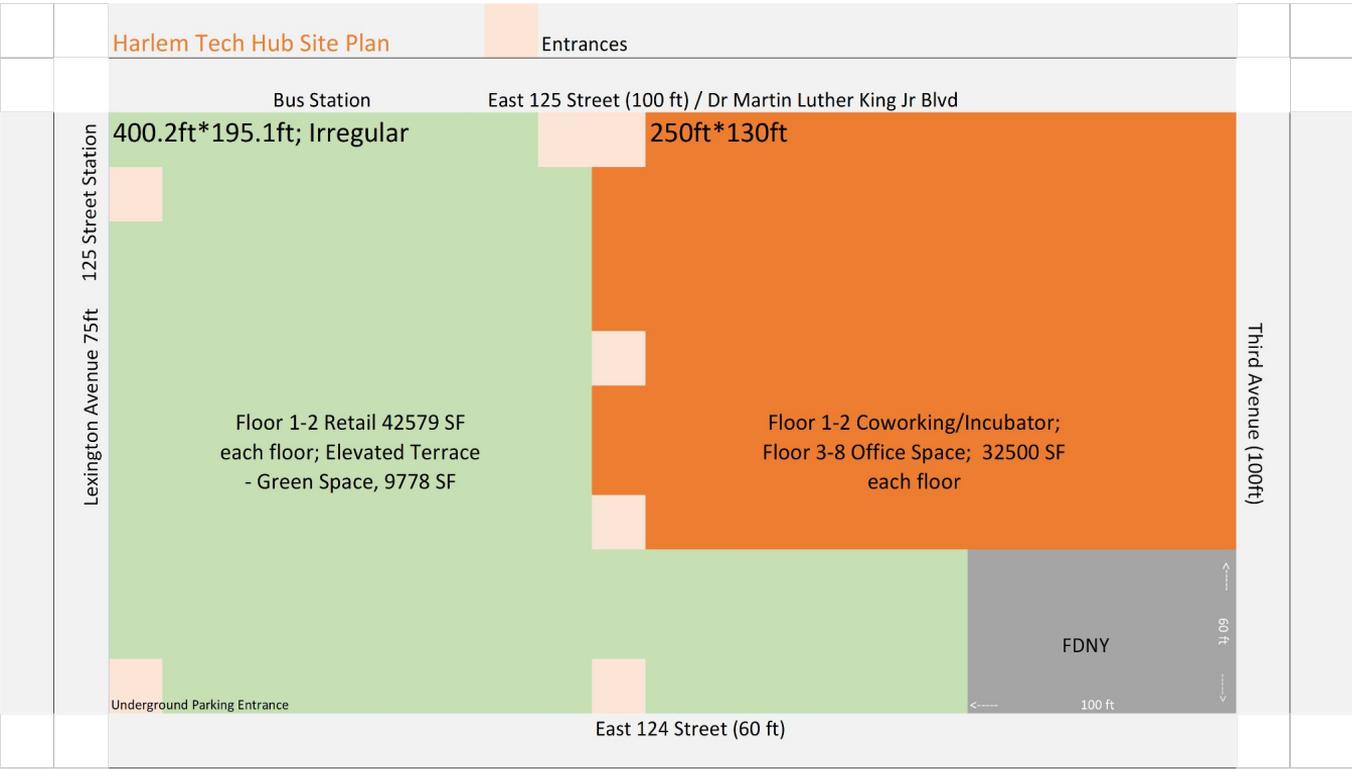
8	Office 32500 GSF		
7	Office 32500 GSF		
6	Office 32500 GSF		
5	Office 32500 GSF		
4	Office 32500 GSF		
3	Office 32500 GSF		
2	Coworking 32500 GSF	Retail 47468 GSF	
1	Coworking 32500 GSF	Retail 47468 GSF	MTA



Lexington Avenue

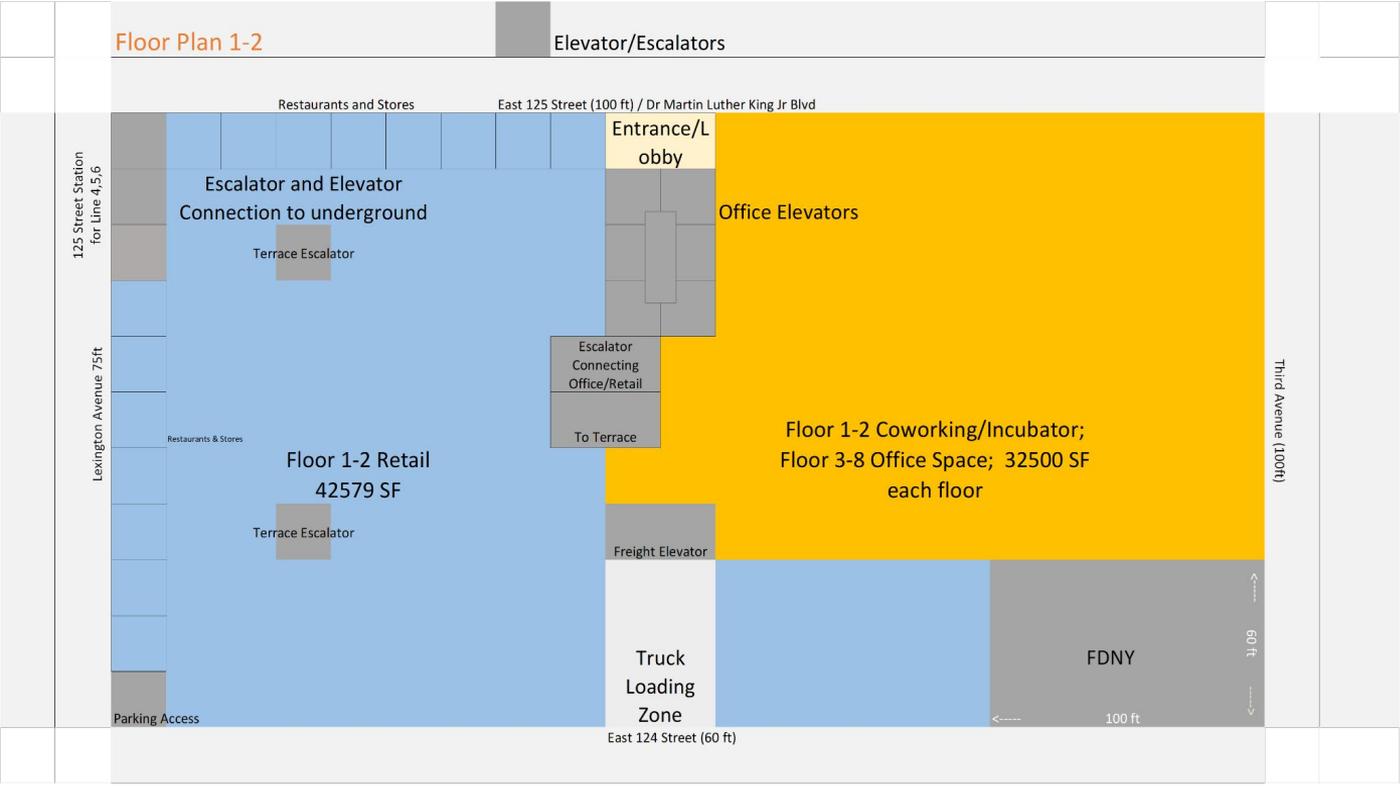
125th Street

# Site Plan and Design philosophy



Limited by the height restrictions, we had to spread out the building in a bulky shape. This however provided us the opportunity to also takeover the entire site as a development strategy, to maximize control of the site and not have to worry about outdoor public spaces in spite of high crime rates. Lexington & 125th is an area where people naturally agather, so we have included an entrance to guide foot traffic in addition to the underground subway connection. To attract commuters, restaurants and retail are accessible from the street level on E125th and Lexington. People naturally like cutting long blocks, and they have the option to windowshop through retail while going from 125th to 124th St entrances. To avoid traffic crashing with FDNY, no entrance were placed on Third Avenue. Parking and loading are both placed on quieter 124th street.

# Floor Plan



Since we have only 8 floors, we were able to accommodate 15ft floor height with floor to ceiling windows with modern open floor plan to fit the need of our target tenants. Surrounded by accessible street level retail and restaurants, the shopping center inside would also enjoy skylight. Terraces on top of second floor is only accessible through the escalators in the shopping center.

# Design Precedents Retail+Office complex+Elevated greenspace.

While we desire for outdoor space but also concern for safety. Our public space will be accessible through escalators in retail, activating the public space for the neighborhood while bringing foot traffic to the retail and restaurants.

On the right: Boston Prudential Center(1&2); Water Street Elevated Acre in FiDi, NYC(3); China World Mall, Beijing, China (4).

Prudential sits right above the Prudential station on Greenline, much like our relationship with the Q line. Similarly, it has mixed retail, gym and office in addition to a variety of restaurants. On rainy days it could still operate with all functions inside. connected to other nearby shopping centers, office space, and hotels through walkways. It is successful despite the iconic pedestrian mall on Newbury street nearby.

Overseas, there are also successful precedents of mixed-use development transforming a whole region. In Beijing, GuoMao has become an urban subcenter with plenty of new developments in the past decade. Different offers for every user weave together, bringing together tourists, business conference, as well as commuters using it as a transit hub. The area quickly developed in recent years. Conveniently connected with the subway and situated not too far from the city center, we vision this to be the future of East Harlem could become with enough support from the city.

Both GuoMao Beijing and Prudential Center Boston occupy entire city blocks and inspire us in its connectivity to transport and the rest of its community, conveying the same sense, scale and complexity our project aim to have. Please see appendix 2 for more scale and design inspirations.



# Market Comparable/Precedent: The Jacx, LIC



## Neighborhood similarity

LIC is another transit hub that has seen tremendous growth since rezoning. Asking rents for office space have risen in LIC to \$52.26/sf, a 61% increase from \$32.45 in 2015.

## 1.2M SF fully leased, no vacancy

Reaches Full Occupancy Months Prior To Opening. Macy's has leased 54% of the property at \$53.7 Base rent.

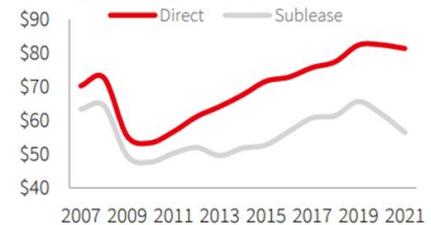


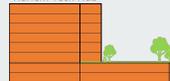
## 11,000 SF Partnered Food Hall

Although only renting at \$20/sf, the food hall has been a supporting structure for the office tenants and the surrounding community.

Although the Jackx's leases were signed pre-pandemic, we are quickly recovering from the pandemic despite taking a discount from the timeline. However, being on Manhattan is still a massive advantage compared to Queens, especially with connections to the transit system. Our projected occupancy is taking place in 3 years after constructions. For these reason, we are adjusting **our base rent at \$60 with NNN leases**. In 2021, leasing velocity within traditional office product is still lower compared to pre-pandemic level, it is quickly recovering registering a 33% increase from Q2 2021. Still under influence of the pandemic, the overall average asking rent has declined by 4% from 2020. East Harlem offices are limited as it is still an up and coming area, we are taking NYC Class B buildings average and Class A buildings in less popular areas as comparison. Our target audience for office are looking for modern, comfortable environment but are not likely to be able to pay for a Class A building in a hot area. For retail, we are matching with local comparable but believe it will rise as new office and residential developments bring in more jobs and foot traffic(JLL).

## Average asking rent (\$ p.s.f.)





# Comparable: Essex Crossing

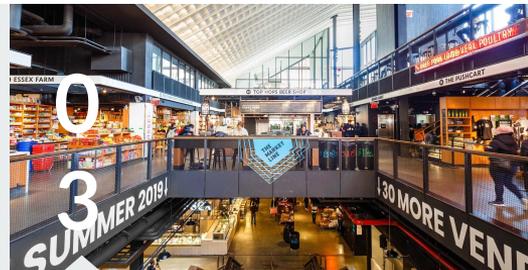


## Live Work Play Shop: Renewing an old neighborhood

450,000 sf retail; 350,000 sf offices; 1000 residential units. Lower East Side is finally getting revitalized after the Seward Park Extension Urban Renewal Area has been put off for decades as vacant space and parking lots.

## Commercial asking rent \$80-\$130

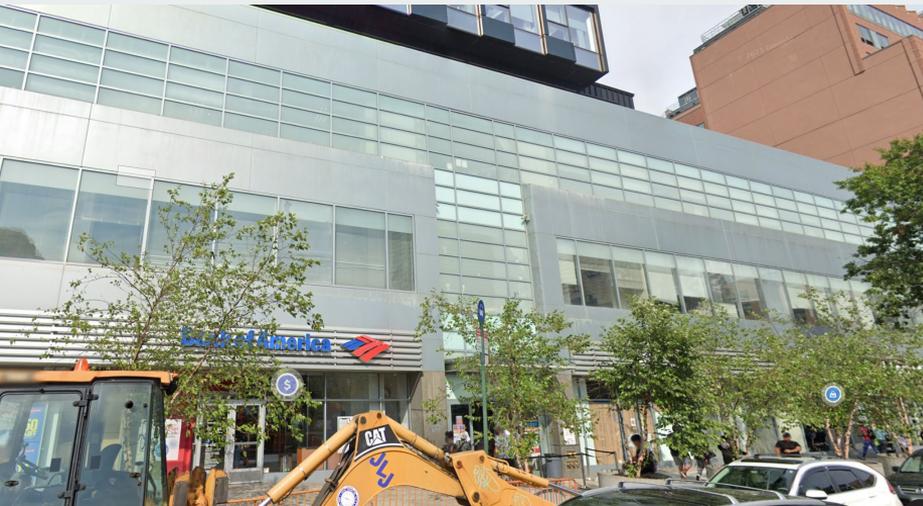
Verizon just signed a 20 year lease in 2021 to create a 350,000 sf campus. It is very likely for us to achieve these numbers.



## Development driven food scene

Preserving the history of Essex Street Market, much like La Marqueta, while encouraging small businesses to flourish and foster a sense of community.

# Other Comparables



**Mount Sinai Beth Israel  
151 East 125<sup>th</sup> St**

Right across the Pathmark site, our direct competition. Supported by similar amenities but older, we should be able to stand out with slightly higher rent.

**Class A Office**  
Scale of building:  
Year built: 2001  
Renting: 35556 SF  
Rent: \$54.50 for 5 years, \$59 for 5 years  
Term: until 2051

**Class B Office**  
Building Size: 135000 SF  
Year built: 1901  
Tenant: Carver Bancorp  
Renting: 19516 SF  
Rent PSF: \$45.00  
NER: \$38.63  
Tenant 2: Grant Associates

Renting: 7000 SF  
Rent PSF: \$42.00



**THE LEE BUILDING**  
1825 Park ave  
The Lee is an historical older building that also has direct access to transportation. While the building's lobby and bathrooms have been recently improved, the floorplans have aged and we would be able to charge a much higher price.

# Feasibility & Financial Analysis

Based on comparables and market research, we are assuming an average of \$60 asking rent for the office; an average of \$40 asking rent for retail, with higher prices adjustment for storefronts that face 125th street and Lexington. Construction cost are based on market reports but adjusted higher for our higher finish standards and inflation estimates.

BOE Cost Summary				
	Residential	Retail	Office	Total
ZFA (allowable)	-	293,384	293,384	293,384
gross-up	-	110%	110%	
GFA (max)	-	322,723	322,723	322,723
GFA (proposed)	-	85,158	260,000	345,158
Hard Costs (psf)	\$0	\$400	\$465	\$449
Soft Costs (psf)	\$0	\$100	\$116	\$112
<b>Construction Cost, program</b>	<b>\$ -</b>	<b>\$ 42,579,020</b>	<b>\$ 151,125,000</b>	<b>\$ 193,704,020</b>
Parking Requirements	0% of DU	1 per 2000 sf	1 per 2000 sf	
Parking spaces	-	43	130	173
Parking cost/space	\$40,000	\$40,000	\$40,000	\$40,000
<b>Construction Cost, parking</b>	<b>\$ -</b>	<b>\$ 1,704,000</b>	<b>\$ 5,200,000</b>	<b>\$ 6,904,000</b>
<b>Total Construction Costs</b>	<b>\$ -</b>	<b>\$ 44,283,020</b>	<b>\$ 156,325,000</b>	<b>\$ 200,608,020</b>
/gfa	#DIV/0!	\$ 520	\$ 601	\$ 581
/unit	#DIV/0!			

BOE Valuation Summary				
	Residential	Retail	Office	Total
GFA (proposed)	-	85,158	260,000	322,723
Building Efficiency Ratio	0%	85%	85%	
Net SF	-	72,384	221,000	293,384
NSF/unit	-			
Units	-			
Rent/sf	\$0	\$40	\$60	
avg monthly rent	\$0			
<b>Projected PGI</b>	<b>\$0</b>	<b>\$2,895,373</b>	<b>\$13,260,000</b>	<b>\$16,155,373</b>
Operating Expenses	0%	20%	0%	
opex/unit/month	\$0			
Less Vacancy	0%	5%	5%	
<b>Projected Building NOI</b>	<b>\$0</b>	<b>\$2,171,530</b>	<b>\$12,597,000</b>	<b>\$14,768,530</b>
Cap Rate	0.00%	0.00%	4.60%	5.39%
<b>Property Valuation (cap rate)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$273,847,826</b>	<b>\$ 273,847,826</b>
/gfa	\$0	\$0	\$1,053	\$849
/unit	#DIV/0!			
<b>Residual Land Value</b>	<b>\$0</b>	<b>(\$44,283,020)</b>	<b>\$117,522,826</b>	<b>\$73,239,806</b>
/zfa	#DIV/0!	(\$151)	\$401	\$250
RLV after Subway Underground Connections				\$54,239,806

BOE Debt Summary				
Max loan amount, DSCR			1.25	\$82,944,734
debt service pmt				\$11,814,824
interest rate (annual)			7.5%	
loan term (years)			10	
Resulting LTV			30%	
Resulting LTC			41%	

Cost/Profit Risks - Residual Land Value				
Rent	Construction Cost			
\$73,239,806	\$ 415	\$ 465	\$ 515	
\$60	\$ 89,489,806	\$ 73,239,806	\$ 56,989,806	
\$55	\$ 66,669,154	\$ 50,419,154	\$ 34,169,154	
\$50	\$ 43,848,502	\$ 27,598,502	\$ 11,348,502	
\$45	\$ 21,027,850	\$ 4,777,850	\$ (11,472,150)	
\$40	\$ (1,792,803)	\$ (18,042,803)	\$ (34,292,803)	

## Risks and Mitigants

While we are confident on most metrics based on plenty of market research, it is crucial to understand the reality of East Harlem market may not be as rosy. However, the project is still feasible despite being sensitive to rent. The **construction cost** assumption is based on RLB's Q2 Construction Report, but material costs have been rising quickly at an alarming speed. There could be another 10% or more increase by the time we get permit and begin construction. **Rent**, the biggest risk factor of the calculation, is also unpredictable – some of the class A office and retail spaces around the area go above \$100, while some are renting in \$50s.

Depending on the **absorption rate**, One East Harlem could propose competition to the retail part of our project. One of the mitigation strategies we are using is focusing on the niche market of tech and biotech startups. Having a Guaranteed Maximum Price construction cost could lock us in to avoid cost overdrive. As seen from our sensitivity table, operations cost is not a huge factor. To mitigate rent risks, we are adopting aggressive marketing strategies. In-house property management team is also incorporated into the function to minimize operations expense overdrive.

Overall, the project is feasible with high residual land value. The project will be even more feasible if we get city support in building the subway station and a bonus FAR, but it is not likely given the astronomic cost of over \$400 million. Despite this, we will be able to offer a competitive price for the land, with plenty of residual land value.

# Humble Beginnings



## The Next Neighborhood:

By Bob Keating

**F**ORTY-FOUR FLOORS ABOVE THIRD AVENUE, TWO publishing executives peer with binoculars through their conference-room window. Panning past the United Nations building and across the East River, they home in on 500 acres of Queens marked by a giant Pepsi-Cola sign and known as Long Island City. The two men cover the waterfront from the 59th Street Bridge, Long Island City's northern border, one and a half miles south to Greenpoint, the Brooklyn frontier. As they go, they recite aloud the name of each

Plainly, something is happening in Long Island City. It's time to buy in. Next week they're going for a drive with some of their backers. One of them whispers, "It's like an oil field."

**W**HAT EXACTLY IS GOING ON IN LONG ISLAND CITY? Most New Yorkers don't even know where it is. And those who do, know it best for the wrong things: the Ely Avenue subway slasher, the namal-like exlo-



## Long Island City

the area's total population of 7,500 are of foreign descent, and more than half of these were born outside the United States. Only one in twenty graduated from college, and more than half never finished high school.

The upgrading of Long Island City involves at least eight major projects. Speculators are busily accumulating properties. Park Avenue lawyers are literally going door to door looking for bargains.

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□ A floating restaurant. It will be constructed on a barge beside the 44th Drive pier, just opposite the Gilcorp building. Tom Quinn, who owns restaurants in Connecticut and Lake Placid, will spend \$1.4 million on the two-level establishment, which will seat 316—over twice as many as the River Café in Brooklyn. Seafood and Italian and French cuisine will be served in the downstairs dining room. Upstairs will be a lounge and bar.

Outside, there will be a snack bar. (OPAC) Built on a portion of a center. The project, a 3,000-seat indoor great theater, two television arts dis- vision facilities







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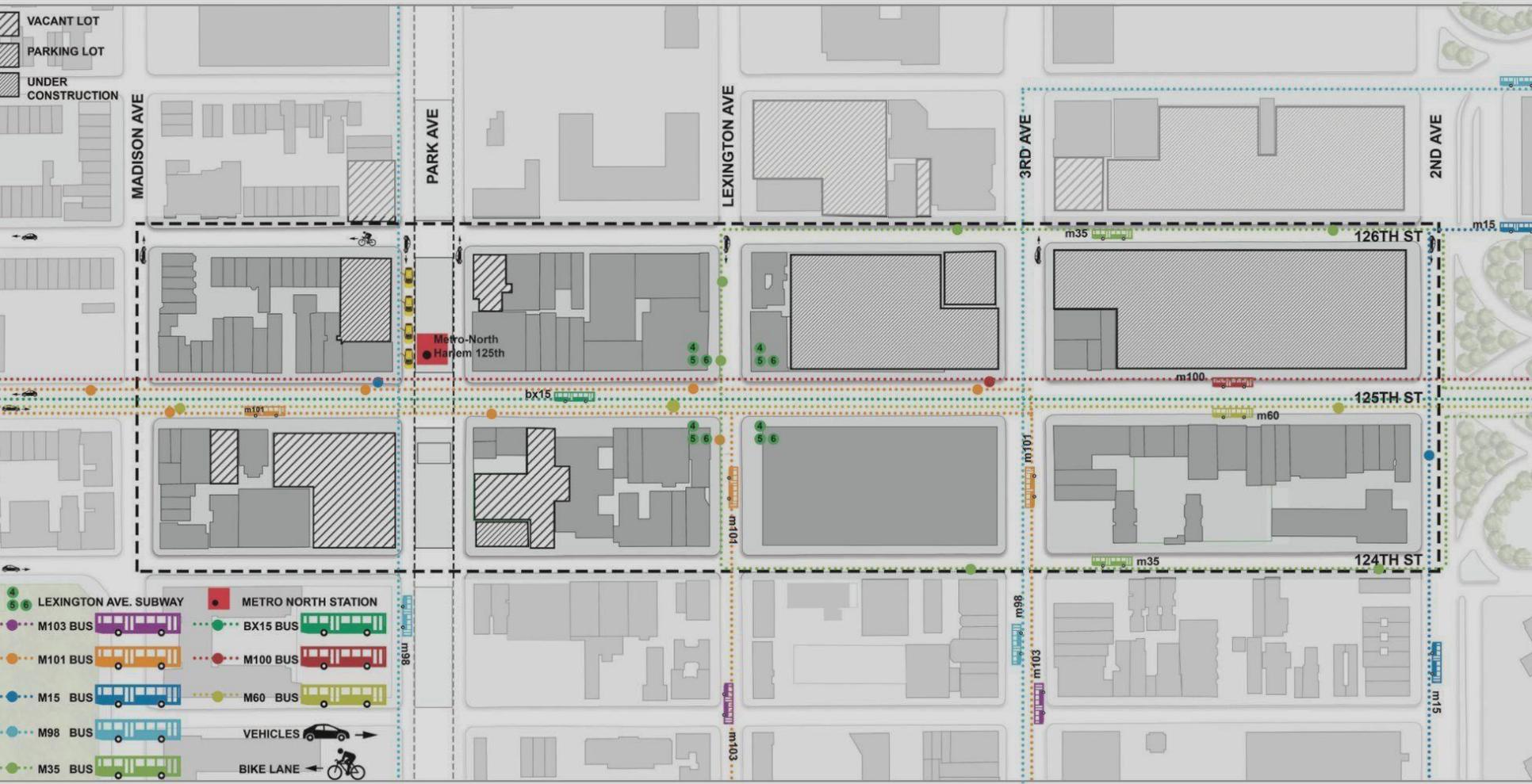
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NY Mag. Why New York Can't Have Nice Things It costs three times more to build a subway station here than in London or Paris. What if we could change that? <https://nymag.com/intelligencer/2019/05/new-york-infrastructure-costs.html>

# Appendix 1: Transportation map in East 125th Neighborhood by WeAct



VACANT LOT  
 PARKING LOT  
 UNDER CONSTRUCTION

MADISON AVE

PARK AVE

LEXINGTON AVE

3RD AVE

2ND AVE

Metro-North  
 Harlem 125th

126TH ST

125TH ST

124TH ST

- LEXINGTON AVE. SUBWAY
- M103 BUS
- M101 BUS
- M15 BUS
- M98 BUS
- M35 BUS
- METRO NORTH STATION
- BX15 BUS
- M100 BUS
- M60 BUS
- VEHICLES
- BIKE LANE

bx15

m35

m100

m101

m101

m101

m60

m35

m98

m103

m101

m15

m101

m15

m101

m15

m101

m15



**Appendix 2: Design Precedents**

- 1&2: New World Mall. <https://www.newworldmallny.com/about-us/>
- 3: <https://www.nytimes.com/2019/09/13/realestate/dumbo-brooklyn-condos-on-former-jehovahs-witness-parking-lot.html>
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