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:

- **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

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

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
Primary Use, 195,000 SF, 56%
Work space for established TAMI sector companies, targeting Microsoft and Roku as our anchor tenant.

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
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.

Retail/Dining

Stacking Diagram
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 gather, 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.
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

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.

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.

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).

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.

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

- Direct
- Sublease

Graph showing average asking rent from 2007 to 2021.
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 125th 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.
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 astronomical 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

Flately, something is happening in Long Island City. We came to buy an. Your house, they're going for a drive with some of their families.

One of them whispers, "It's like an oil field."

What exactly is going on in Long Island City? Many people don't even know it exists. But those who do know it love the young things. The 42nd Avenue below the nondescript exterior.

Long Island City's population is 70,000, mostly of foreign descent, and many of them have bachelor's degrees. The city's total population is 200,000, and more than half have finished high school.

The upgrading of Long Island City involves at least eight major projects. Developers are finally accepting the challenge. Just a few years ago, the area was considered the Mecca of the middle class.

The area is also home to the Queens Museum of Art, the Queens Library, and the Queens County Courthouse. This neighborhood is also known for its historic architecture, including the New York City Police Headquarters and the Queens Court House.

(1) A floating restaurant. It will be constructed on a barge beside the 42nd Avenue pier, just opposite the Gantry Building.

(2) A new shopping mall. The new mall will be located on 42nd Avenue and will include a movie theater, a bowling alley, and a food court.

(3) A high-rise apartment complex. The complex will be located on 42nd Avenue and will have 500 units.

(4) A new school. The new school will be located on 42nd Avenue and will accommodate 1,000 students.

(5) A new park. The park will be located on 42nd Avenue and will include a playground, a basketball court, and a skate park.

(6) A new office building. The new office building will be located on 42nd Avenue and will accommodate 1,000 employees.

(7) A new hotel. The new hotel will be located on 42nd Avenue and will have 300 rooms.

(8) A new hospital. The new hospital will be located on 42nd Avenue and will have 500 beds.

The area is also home to the Queens Museum of Art, the Queens Library, and the Queens County Courthouse. This neighborhood is also known for its historic architecture, including the New York City Police Headquarters and the Queens Court House.
Thank you.

Don’t forget that successful neighborhoods in New York all had humble beginnings, no matter LIC, East Village. Even Times Square was once crime and poverty ridden. Invest in a different future in East Harlem Now!
New York Post. Second Avenue subway extension could alter plans for Harlem development sites.  


We Act. East 125th Street community visioning action plan.  


Prudential Center. https://www.prudentialcenter.com/

Daily News. How a revitalized transit hub can strengthen East Harlem.  


Construction Costs: Metro Stations.


Appendix 2: Design Precedents

1&2: New World Mall.  [https://www.newworldmallny.com/about-us/](https://www.newworldmallny.com/about-us/)

