FINAL

Study of Alternatives to Housing
For the Funding of Brooklyn Bridge Park Operations

Presented by:

BAE Urban Economics

Presented to:

Brooklyn Bridge Park
Committee on Alternatives to Housing (CAH)

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Executive Summary

Overview

This report has been prepared for the Brooklyn Bridge Park Corporation (BBP), a City of New York-controlled non-profit corporation responsible for the planning, construction, and operation of the Brooklyn Bridge Park (Park), to summarize an investigation of alternatives to housing for the funding of Brooklyn Bridge Park operations.

One of the fundamental principles of Brooklyn Bridge Park since its inception has been the requirement that the Park's operations and maintenance budget be funded through ground lease and related revenues generated from development of a portion of the project's land in order to make the Park financially sustainable. This principle was memorialized in the 2002 Memorandum of Understanding (MOU) between New York State and New York City that led to the creation of the Park. It was then further refined in the Park's General Project Plan (GPP) of 2005, which set forth a specific development program that would generate the required funds, while minimizing the footprint of new development and maximizing public accessibility to the Park's recreational amenities. The development program in the GPP includes residential development, development of a hotel, a commercial development, and to a lesser extent, revenues from concessions and events. The principle of financial self-sufficiency for operations was affirmed in the 2010 transfer of control of the Park's development and operation from the State to the City. As part of this transfer, the City and local elected officials agreed to establish a committee to investigate the viability of alternative revenue sources to those listed in the GPP.

In the fall of 2010, the BBP Board of Directors voted to establish the Committee on Alternatives to Housing (CAH) to investigate revenue generating alternatives. The CAH engaged BAE Urban Economics (BAE) to assist in this investigation. The process has included extensive public outreach to solicit ideas for potential alternatives, including: two listening sessions, a public hearing on the Draft Report, and a dedicated email address to which written testimony on both the development of alternative concepts and the Draft Report could be submitted. In addition, BAE has conducted an investigation into best practices for revenue generation at a number of major new urban parks in the U.S. and abroad.

The Purpose of the Report

While the creation of the Park has been accompanied by ongoing public discussion on alternatives for the design, uses, financing, operations, and other aspects of the Park, the purpose of this report is not to address the full range of such ideas. Rather, its purpose is to address two specific questions. The first question this report addresses is how much revenue can be generated from an identified set of alternative sources to replace ground lease payments and Payments in Lieu of Taxes (PILOT) receipts from future residential development on two sites at Pier 6 and one site at John Street. The second question this report addresses is how these alternative funding sources compare in terms of timing, risk, and other relevant considerations to the sources in the Parks' adopted funding model for operations.

The Process for Identifying Alternatives

Two public hearings/listening sessions were conducted and an email address was established for the public to submit ideas for alternative funding sources. Thirty six ideas were identified during this process, which was complemented by consultant research and work with the CAH to identify additional alternatives. The resulting list was used by the CAH to identify for its consideration a smaller list of alternative uses and activities believed to have the greatest revenue generation potential, while being consistent with the threshold parameters established at the time of the CAH's creation.

Selection of the Alternatives for Study

The March 8, 2010 Memorandum of Understanding that created the CAH provided for two "threshold" parameters that all potential alternatives must meet before they can be considered:

- The first threshold parameter is that the CAH will not deem a source to be an alternative source unless, after due analysis and diligence, it concludes that such a source is not, in any way, displacing revenue to which the City is otherwise entitled.
- The second threshold parameter is that the timing and level of risk associated with an alternative source must be consistent with the projected timing of and risk associated with the revenue to be generated by the John Street and Pier 6 sites.

Three potential alternative revenue sources were eliminated by the CAH from further consideration based on these threshold parameters:

- Direct City Funding (General Fund or Other Funds);
- Operating Budget Reductions; and
- Tax Increment Financing (TIF), Park Increment ReCapture (PIRC), or other similar structures.

Nine alternative revenue sources that were determined by the CAH to satisfy the threshold parameters and that were selected for detailed investigation include:

- A Business Improvement District (BID) or Park Improvement District (PID) that would generate revenues from assessment on property owners in an area adjacent to the Park.
- Fee-based recreational facilities that would encompass existing outdoor recreational facilities as well as potential new indoor recreational facilities.
- Event facilities and special events that would include outdoor events as well as an indoor rental events facility, including a banquet hall.
- Concessions of all types, including food and fine dining, that would provide for additional concession facilities beyond those in the approved Park plan.
- Commercial real estate development of retail and/or office buildings within the Park.
- Advertising and sponsorships that would include commercial funding of a range of activities and facilities.

- Fundraising/philanthropy to generate grants and other funding for improvements or operations.
- Revenue from the nearby Watchtower-owned properties to capture value associated with potential sale and/or redevelopment of Brooklyn properties owned by this organization.
- Increased parking revenues through the provision of additional parking, including parking structures, or the imposition of higher parking charges.

The CAH also developed a set of "evaluative" parameters to allow quantitative and qualitative comparisons between different alternatives. The evaluative parameters for each alternative address: whether it is within the control of the BBP; the need for City or State actions to implement it; the need for additional upfront investment by BBP; whether substantial changes would be made to the design and construction of Park improvements; the potential appropriateness of any new buildings as compared to the Pier 6 and John Street sites; and its impact on the diversity of funding for the operating model and the Park's overall financial viability. The section in the full report for each alternative identifies for that alternative how it differs from the "baseline" associated with the Pier 6 and John Street sites based on the evaluative parameters.

Key Findings – Potential Annual Revenue Generation from Alternatives

The research and analysis indicates that the following annual and one-time revenues may be generated from the nine alternatives selected by the CAH for analysis:

Summary of Potential BBP Revenues from Selected Alternative Sources

Alternative	Potential Revenues			Key Considerations
Park Improvement District (PID)	$1,000,000	-	$4,000,000	Requires majority consent of affected property owners
Fee-Based Recreational Facilities	$603,000	-	$603,000	
Events	$288,000	-	$288,000	
Concessions	$40,000	-	$365,000	Dependent on extent of retail elsewhere in Park
Commercial Real Estate	$257,000	-	$257,000	Assumes ICAP exemptions (a)
Sponsorships	TBD	-	TBD	Naming rights could reduce maritime-related costs (b)
Fundraising	$0	-	$1,000,000	
Watchtower Properties	$0	-	$0	Potential one-time payment to redesign Pier 1 hotel (c)
Parking Revenues	$233,000	-	$438,000	Assumes ICAP exemptions (a)
Total Annual Revenues	**$2,421,000**		**$6,951,000**	

TBD = To Be Determined.

(a) ICAP is a commercial property tax exemption program expected to apply to this development, as described in the report.
(b) Naming rights proceeds could allow already committed City and State funds to be shifted to maritime maintenance.
(c) Redesign of the Pier 1 hotel could generate $4 to $5 million in one-time revenues, as explained in the report.

See report for specific details of alternatives, limiting conditions.

Source: BAE, 2011.

Summary Descriptions of the Alternatives

The following paragraphs provide a summary of what each alternative would involve and relevant factors that affect its implementation and potential revenue. Alternatives that involve new buildings generally describe the development program and operation, but no site planning or design has been conducted. A detailed discussion of each alternative is included in the full report.

Park Improvement District (PID)

A Park Improvement District (PID) would use the existing Business Improvement District (BID) ordinance to create a district that would be approximately ¼ mile from the Park's boundaries, with all residential and commercial properties in the PID paying an assessment. Creation of a BID requires the consent of a majority of property owners and ultimately passage of legislation by the City Council. Unlike a traditional BID, the PID would not have its own staff and would not provide direct services (cleaning, security, etc.) to property owners. Rather it would provide an indirect service and benefit by ensuring high quality Park maintenance. The academic literature indicates that the Park could create an average increase of five percent or more in property values within the PID boundary.

The PID assessment would be calculated based on a fixed millage (assessment) rate applied to the assessed value for each property as established by the City's Department of Finance. The variation in potential revenues results from the application of different potential millage rates in a financial model prepared for this report; depending on the rate, the annual PID cost for a Class 1 residence with $750,000 market value could range from $111 to $442 annually. Approximately one-third of the assessed value in the potential PID is already in another BID; if these properties are excluded from the PID the indicated revenues would be considerably less. This alternative presents less market risk and enhances the diversity of funding, however, there is a yet to be determined risk of whether a PID would obtain majority support from the property owners to be assessed.

Fee-Based Recreational Facilities

Fee-based recreational facilities includes two potential alternative sources: (1) fees for use of planned Park fields, courts and rinks, ranging from $25 per hour for basketball courts, to $50 per hour for multi-use fields, to $100 per hour for an in-line roller hockey rink; and (2) ground lease revenues from the development of a new 200,000 square foot year-around indoor recreational facility (which would have to displace a planned Park improvement). Fees for use of fields and courts would generate modest revenues. The addition of an all-weather "bubble" on Pier 5 could also potentially extend the use of the outdoor fields through the winter months and generate up to $150,000 in additional revenues for the Park, based on comparable facilities. A new ice skating rink, would, however, be unlikely to generate additional net revenues to the Park due to the significant capital costs that would be incurred by a concessionaire in constructing the rink. The implementation of fees for use of Park fields and courts would have little risk and enhance the diversity of funding sources with modest upfront costs.

Financial analysis indicates that a new indoor recreational facility would not be feasible, even with market rental rates given the high capital costs associated with the development of the facility. Most existing large indoor recreational facilities elsewhere in the City have used rehabilitated existing structures, resulting in much lower costs. It is possible that a non-profit recreation provider might conduct a capital campaign to build such a facility; however, in this situation the Park would be unlikely to receive significant ground lease payments. A new indoor recreation facility would require a redesign of a portion of the Park.

Event Facilities

As with recreational facilities, this alternative includes two alternative sources: (1) increased efforts to generate revenues from additional rental of planned Park sites, with some potential modifications, comparable to other urban parks that generate up to 15 percent or more of earned revenues from this source; and (2) ground lease revenues from the development of a new 25,000 square foot events facility built within the Park. Increased rental of park sites could generate modest revenues. Similar to fees for recreational facilities, increased event rentals would have little risk and enhance the diversity of funding sources with modest upfront costs.

Financial analysis indicates that a new indoor events facility would not be feasible given the high capital costs associated with the development of the facility. While the operator of such a facility would be expected to generate profits from events, banquets, and other activities, the profits would be insufficient to repay the development costs of the facility. This means a new indoor events facility would not generate ground lease revenues. A key consideration in the cost calculation is the need to provide parking, which is a requirement due to the Park's site in Brooklyn and the lack of adjacent transit. A new events facility would require a redesign of a portion of the Park.

Concessions (All Types, Including Food and Fine Dining)

This alternative envisions an increase in the number of concessions facilities in the Park, to provide a wider range of dining choices, including fine dining and recreational services. The current Park Plan includes a full service restaurant at Pier 6, an outdoor wine bar at Pier 1, and four food kiosks and two food carts at various locations in the Park, as well as a bike rental concession. No market study has been conducted to determine the extent of food-related uses that could be supported in the Park, and doing so is beyond the scope of this report. Extensive amounts of planned new dining and retail are located within and adjacent to the Park. Within the Park, these facilities include at least two large sit-down restaurants within the 75,000 square feet of retail at the One Brooklyn Bridge Park building, retail in one of the other Pier 6 residential sites, a restaurant in the new Pier 1 hotel, and 75,000 square feet of retail in the Empire Stores location. Additional dining and retail are planned adjacent to the Park in the DUMBO neighborhood, and one of the other alternative sources could yield 80,000 square feet of retail space or more. This new retail, if built, may limit the potential market support for additional concessions in the Park.

There are few, if any, comparable waterfront settings in Brooklyn parks; therefore, a survey was conducted of waterfront park and other specialty park concessions in Manhattan. The survey suggests that an additional bike and recreational equipment rental concession has potential, and the Park has just contracted with Bike and Roll to operate such a concession on Pier 1. Interviews with local retail experts indicate that they do not consider the Park a destination environment for dining and retail because of limited transit access. Based on this information, the maximum potential for additional concessions within the Park appears likely to be no more than one additional full-service restaurant, one snack-bar and/or seasonal type operation, one to two kiosks and carts, and one recreational equipment rental facility. Depending upon the extent of competing retail, there may not be demand for even this amount. The cost to concessioners of new buildings will impact potential payments to the Park. The risk profile of concessions is comparable to the baseline model, and the impact on Park design would vary depending on sites and specific designs.

Commercial Real Estate Development

This alternative envisions development of mixed-use retail and office buildings, either on the Pier 6 site or elsewhere in the Park. Buildings within the Brooklyn Heights view corridor would be limited to 45 feet in height. Based on interviews with market participants, the Park has a limited potential to become a retail destination and would support a limited amount of this use. Similarly, office space would need to be smaller in scale and targeted to local professional and creative services firms that do not need convenient transit access. Commercial development would need to provide parking to visitors and tenants to be viable.

Based on current market conditions, financial analysis indicates that the development of office space for this tenant pool would not be feasible. Retail, however is feasible and could support ground rent payments to the Park. The market risk for this use could be somewhat greater than the baseline model, but it could provide some diversity in funding streams. There could be a need for redesign of portions of the Park, depending upon the final location for this use.

Sponsorships

While corporate and individual sponsorships are an increasingly important source of support for parks, these sources are rarely available to fund maintenance. Sponsorship revenues are typically associated with funding the costs of programs, events, or other activities. Naming rights for new facilities are also an important source of revenues, however this typically represents a source of capital funding, rather than funding for operations. It is possible that the sale of naming rights for Park improvements such as the piers could generate revenues that would allow already committed City and State funding to be reallocated to the Park's maritime maintenance reserve fund, lowering future annual maintenance costs, however a comprehensive sponsorship feasibility study would be needed to fully evaluate its potential. There could be a need for redesign of some sites to enhance their potential for sponsorships.

Fundraising/Grants

Fundraising is an essential component for most urban parks to achieve financial sustainability, generating anywhere from 21 percent to 42 percent or more of operating budgets. Raising this level of funds would require a sophisticated fundraising program with a dedicated, capable staff and a sufficient budget. This type of fundraising is typically done by an associated non-profit conservancy or "friends" group. The Brooklyn Bridge Park Conservancy (Conservancy) raised nearly $1 million in 2009; however, these funds were used to support Park programs and activities, rather than operations and maintenance costs.

The experience of other City parks and other new urban parks in the U.S. was used to develop an estimate of potential additional annual fundraising to support Park operations and maintenance. Similar to sponsorships, new capital campaigns to fund planned Park improvements might allow already committed City and State funding to be reallocated to the Park's maritime maintenance reserve fund, lowering future annual maintenance costs; however, a comprehensive fundraising feasibility study would be needed to fully evaluate its potential. This alternative could take longer to implement than the baseline model and present additional risk in terms of the ultimate amount that could be raised, although it would diversify Park funding sources. Additional staff and budget resources would be needed to organize this activity, although this could be done by the Conservancy or another affiliated organization.

Leveraging Opportunities Related to the Expected Disposition of Watchtower Properties

Watchtower is a religious organization that owns 30 tax lots, some with multiple buildings, in the Brooklyn Heights and DUMBO neighborhoods. These office, industrial, and residential properties total just over three million square feet, and there is "as of right" development potential for an additional 860,000 square feet. Watchtower is entitling a new Upstate site that is expected to accommodate many of its current Brooklyn operations, leading to suggestions on how to capture for the benefit of the Park some of the real estate value that would occur from sale and redevelopment of these properties (e.g. conversion of a printing plant to loft residences). Watchtower is conducting an internal review of its options and has no definitive plans at this time.

Two alternatives were studied for this report: (1) agreements to allow Watchtower to use the State General Project Plan (GPP) process for rezoning or entitlements in return for payment of a share of profits to the Park, bypassing the City's Uniform Land Use Review Procedure (ULURP); and (2) redesign of the current Pier 1 hotel so that it has a smaller footprint and is taller and does not block the views of Watchtower's large building on Columbia Heights facing the Park, in return for a one-time payment of a share of the real estate value retained through preservation of the views (the redesign would not impact the protected Brooklyn Heights view corridor).

Another alternative was suggested to use PILOT agreements to capture tax revenues as tax-exempt Watchtower properties are converted to tax-paying status, but was not considered because its study was not authorized by the CAH. CAH members discussed this alternative; however, a majority indicated that they believe such a PILOT would not satisfy the threshold parameters because it would displace moneys that the City normally receives when tax-exempt property is sold to a tax-paying entity.

Watchtower's interest in sharing its profits in order to use the GPP process, as other developers have done, would likely be a function of the financing carry costs it might save and the shortened timeline for reviews and approval. It is assumed that Watchtower would not seek to rezone or entitle properties in a manner that would be unlikely to eventually obtain approval from the City. Meetings with the Watchtower representatives and those who have worked with Watchtower indicate that it is a sophisticated property owner without the financial pressures or development deadlines that typically drive developer decisions. This suggests that Watchtower would pursue rezoning and entitlements as needed to increase property values prior to sale and that it would likely be a patient seller of property over a number of years. In this case, Watchtower would likely consider the cost for its use of GPP rather than ULURP to not be worth the savings in time. Therefore a conservative assumption was made that this alternative has no revenue potential for the Park.

This finding led to an additional idea related to increased property value from any rezoning or new entitlements that Watchtower decides to obtain through the ULURP process. This would be for the City to obtain as a condition of final approval for Watchtower-related rezoning or new entitlements, to the extent allowed by law, financial or other benefits for the Park. However, this is essentially another type of PILOT agreement that would redirect funds that would otherwise go to the City's General Fund, and therefore it also fails to satisfy the threshold parameters.

For redesign of the Pier 1 hotel, it was possible to calculate an estimated number of new residential units that would have greater value because of the preserved East River and Manhattan views from Watchtower's building, and then to calculate a potential one-time payment to the Park for a share of the resulting real estate value. Redesign of Pier 1 appears to present fewer risks, primarily related to opposition to a taller building, even with a smaller footprint and compliance with the terms of BBP's agreement with the community on design of the building, including protection of the designated Brooklyn Heights view corridor.

Increased Parking Revenues

This alternative includes charging fees for use of the up to 80 new surface spaces on Park property adjacent to Furman Street provided for in the Park Plan, as well as the construction of over 200 new parking spaces in a new parking garage. This parking would be in addition to the 1,132 spaces being provided in various locations adjacent to the Park to meet the needs of new development and Park visitors, as well as residents of the adjacent neighborhoods. This alternative could be implemented more quickly and with comparable or even less risk than the baseline model. It would diversify the Park's funding sources. There would be a need for redesign of affected areas of the Park, with impacts relative to existing sites based on location and design.

Additional Contents of the Full Report

The full report contains the complete research and analysis of the nine alternative funding sources. It also contains additional material on the creation of the CAH and its members; an overview of the current Park Plan for funding improvements and operations (the baseline model), including a review of market conditions and current risks; a comparison of the current Park funding model with other new nationally and internationally prominent urban parks. Following the report are a series of appendices that provide additional detailed information.

Next Steps

Following a 60-day comment period on the draft of this report, comments received at a public hearing and via e-mail were compiled by BAE and presented to the CAH. These comments are included as Appendix F. The CAH provided BAE with direction on how to address the various comments received.

This Final report will be presented to the CAH for acceptance at a meeting scheduled for June 14, 2011. If accepted, this report along with related recommendations from the CAH will be forwarded to the full BBP Board for consideration.

Introduction and Approach

This report has been prepared for the Brooklyn Bridge Park Corporation (BBP), a City of New York-controlled non-profit corporation responsible for planning, construction, and operation of the Brooklyn Bridge Park (Park). It was prepared at the direction of BBP's Committee on Alternatives to Housing (CAH) to evaluate the revenue generation potential from a defined set of alternative uses and activities in the Park. The revenues from these alternative sources could help support long-term operation of the Park and are being evaluated as partial or full replacement of revenues from future residential development that the Park Plan envisions adjacent to the Park at Pier 6 and John Street.

BBP retained the consulting firm of BAE Urban Economics (BAE) to identify and study the potential alternatives for revenue generation compared to the adopted funding model for future operation of the Park. As detailed in the Park's General Project Plan (GPP), the adopted model relies upon earned revenues from concessions, permitted activities and events, and ground lease payments and Payment in Lieu of Taxes (PILOT) revenues from proposed residential and commercial development located at multiple sites within and adjacent to the Park. A condition of the 2002 Memorandum of Understanding (MOU) that created the Park requires it to be self supporting, with no funding support from the City's General Fund.

BAE's work was conducted pursuant to a scope of work developed by the CAH. It included public hearings and an email address for the public to submit alternatives. This was complemented by BAE's research and work with the CAH to identify alternatives. The results from this work were used by the CAH to identify a smaller list of alternative uses and activities believed to have the greatest revenue generation potential. A set of threshold and evaluative parameters was also adopted by the CAH to compare these alternatives against the revenue sources in the Park's adopted Plan and funding model. This report presents the results of BAE's research and analysis for the CAH's consideration.

Committee on Alternatives to Housing (CAH) Process

The Committee on Alternatives to Housing (CAH) was created pursuant to a Memorandum of Understanding (MOU) dated March 8, 2010 between the City of New York, the State Assembly Member from the 52nd District, and the State Senator from the 25th District. The MOU required BBP to create a Subcommittee on Alternatives to Housing (SAH). Subsequently, the BBP Board of Directors authorized the creation of the SAH which was renamed the Committee on Alternatives to Housing (CAH). The members of the CAH are, in alphabetical order:

- Peter Davidson, Executive Director, Empire State Development Corporation
- Seth Pinsky, President, New York City Economic Development Corporation
- John Raskin, Former Chief of Staff to Senator Daniel L. Squadron, 25th District, New York State Senate
- Deputy Mayor Robert K. Steel (Chair)

- Anne Strahle, Chief of Staff to Assemblywoman Joan L. Millman, 52^{nd} District, New York State Assembly
- Matthew Wambua, Commissioner, Department of Housing Preservation and Development

The CAH is charged with investigating which potential alternative sources, if any, could be relied upon to fund the ongoing operations of the Park in lieu of revenues from the John Street and Pier 6 development sites. The MOU establishes two “threshold” parameters that all potential alternatives must meet before they can be considered. The first threshold parameter is that the CAH will not deem a source to be an alternative source unless, after due analysis and diligence, it concludes that such a source is not, in any way, displacing revenue to which the City is otherwise entitled. The second threshold parameter is that the timing and level of risk associated with an alternative source must be consistent with the projected timing of, and risk associated with, the revenue to be generated by the John Street and Pier 6 sites.

The CAH has met several times as part of the study process to review the current model for park operations, select the alternatives to be evaluated by BAE, adopt additional parameters for the evaluation of alternatives relative to existing funding sources, and provide guidance to BAE on its research and analysis of the alternatives.

Following a 60-day comment period on the draft of this report, comments received at a public hearing and via e-mail were compiled by BAE and presented to the CAH. These comments are included as Appendix F. The CAH provided BAE with direction on how to address the various comments received.

This Final report will be presented to the CAH for acceptance at a meeting scheduled for June 14, 2011. If accepted, this report, along with related recommendations from the CAH, will be forwarded to the full BBP Board for consideration.

Report Purpose and Organization

This report presents the results of BAE’s research and analysis of alternative funding sources for Park operations for review by the CAH and other interested parties, including City residents. The sections of this report are presented sequentially to reflect the study’s approach:

- An overview of why the report is being conducted, its scope, and its process;
- An in-depth review of the current Park funding plan for operations;
- Comparison of the Park’s funding plan with those for other nationally prominent, new urban parks;
- The process by which alternatives were identified and the final alternatives for study selected, including excluded alternatives; and
- Detailed analysis of the selected alternatives in terms of potential revenues, timing,

relevant considerations for implementation, and comparison to existing funding sources based on the parameters adopted by the CAH.

Following the report are appendices that contain more detailed information on selected topics.

Topics Outside the Scope of the CAH and this Report

The creation, financing, and operation of the Park has been a source of ongoing discussion since the adoption of the Park Plan and construction of the first round of improvements and their opening to the public. This includes discussion of the Plan's strategy to fund Park operations in large part from ground lease payments and related PILOT receipts from residential and commercial development sites on locations at the periphery of the Park and within its borders. The purpose of the CAH is to conduct a full examination of potential alternative revenue sources, consistent with the requirements of the MOU that created it.

It is important to understand that the purpose of this report is not to address the full range of alternative ideas for the design, construction, and operation of various elements of the Park, or other non-financial aspects of the Park Plan. Rather, its purpose is to address two specific questions. The first question this report addresses is how much revenue can be generated from alternative sources to replace ground lease payments and PILOT receipts from future residential development at two sites adjacent to the existing One Brooklyn Bridge Park project at Pier 6 and one site at John Street. The second question this report addresses is how these alternative funding sources compare in terms of timing, risk, and other relevant considerations to the sources in the Parks' adopted funding model for operations.

This means that this report does <u>not</u> address a wide range of topics of interest to various organizations and individuals, including but not limited to:

- Other alternative sources of funding in addition to those approved by the CAH.
- Redesign of existing improved Park areas, or changes to portions of the Park that have not yet been built, including Piers 2, 3, 5, and the unimproved portion of Pier 6.
- Changes to plans for other Park sites that will generate ground lease revenues, PILOT, and other revenues, including: One Brooklyn Bridge Park (360 Furman Street), Empire Stores, the Pier 1 hotel and condominiums, the Tobacco Warehouse, and planned Park concessions.
- Revenue generation from other City-owned property, or property that the City might acquire, that is adjacent to or near the Park, including but not limited to the River Café.
- The condition of the 2002 Memorandum of Understanding that created the Park, which requires it to be self supporting, with no funding support from the City's General Fund.
- Revisions to Park's Plan for operations and maintenance, and resulting changes to the Park budget.

- Revisions to the financing sources for Park capital improvements, even if these could have a potential impact on reducing the cost of future Park operations.
- Revisions to the Park's governance model, including the role of BBP.

The exclusion of these topics is not a reflection on their significance, but is a matter of the scope of the MOU that authorized this study, as well as the ability of this study to consider only a limited number of topics within the available timeframe and budget.

Report Methodology

The report reflects the results of BAE's independent research and analysis of the alternative funding sources selected by the CAH. This work includes a range of market, financial, operational, legal, and policy analyses. The section of this report for each alternative describes the relevant methodology and data sources that were used.

BAE reviewed relevant reports, presentations and data from the City of New York, the State of New York, the Empire State Development Corporation (ESDC), the Brooklyn Bridge Park Development Corporation (BBPDC), New York City Economic Development Corporation (NYCEDC), community documents, past reports, and other information concerning the history and genesis of the Brooklyn Bridge Park's development, capital funding, and funding of the operations and maintenance budget.

BAE worked with BBP and other City staff to collect and analyze all relevant reports, presentations, models and related data concerning the adopted funding model for the operations and maintenance of the Park, and other related documents. Other work with City staff addressed legal, regulatory, and policy implications that could be associated with any of the alternatives. At the direction of the CAH and as coordinated by BBP staff, BAE also conducted a number of key informant interviews with Park stakeholders to complement the formal background research for this task.

Limiting Conditions

This report presents the results of an initial review of a range of alternative funding sources undertaken between late December, 2010 and the end of January, 2011. The figures and findings presented in this report should be considered preliminary and subject to adjustment based on changes in future market conditions, including other development in the area and region, as well as changes in laws, regulations, or City policies. For a number of alternatives more detailed market and feasibility studies should be undertaken before relying upon the level of revenues estimated in this report, and these considerations are outlined in the discussion of individual alternatives.

The findings in this report are also reflective, in some cases, of the majority opinion of the CAH rather than of the consultant or BBP staff.

Park Overview and the Current Plan

The adopted Park Plan that is being implemented by BBP represents the final result of a two-decade effort to create a new waterfront park on former working port piers and upland areas. It began with neighborhood organizations and community advocates, and has involved the State and City of New York. Appendix B to this report provides a timeline of major events and key milestones that have led to the adopted Park design, development and operating model.

The Park Setting and Plan

The Park is comprised of approximately 85 acres along 1.3 miles of East River waterfront in Brooklyn. The Park project combines passive park design, sustainable design, and active play areas, along with five sites on the Park's periphery that have been designated for development through public-private partnerships to generate ground lease and other revenues to fund Park operations.

There are 10 acres of "calm water" in the Park plan that may be used for kayaking and other recreational uses. The Park will include the former Empire Fulton Ferry State Park and Main Street City Park; once the John Street site is wrapped into BBP's master lease with BBPDC (expected in 2012), the northern end of the Park will be bounded by John Street and the southern end will be bounded by Atlantic Avenue. As of February 2011, Pier 1, the Pier 1-2 uplands, the uplands of Pier 6, and a bike/pedestrian trail connecting Piers 1 and 6 are in operation. Construction is pending in other areas.

Figure 1: Brooklyn Bridge Park

Maritime Features

One of the Park's unique features is that approximately 20 acres (24 percent) of its 85 acres consist of pier decks, most supported by pilings in the East River. The Park's holdings include Pier 1 through Pier 6. Pier 4 has recently fallen into the East River. Pier 1 rests on landfill. The remaining four piers rest on a total of 12,000 piles, all of which are in various states of deterioration and in need of encapsulation in order to extend the life of the piers and support the planned Park infrastructure. The current and ongoing need for piling repairs is captured in the expense model for the Park.

Surrounding Area

In addition to its unique maritime setting, the Park is immediately adjacent to several of Brooklyn's most historic and dynamic neighborhoods, including Brooklyn Heights/DUMBO (Community District 2) and Cobble Hill/Carroll Gardens/Park Slope (Community District 6). Residents from these neighborhoods have been heavily involved in providing input on the planning and development of the Park. Background economic and market data for the Park vicinity and broader market area is presented as Appendix C to this report.

Park Governance

BBP is a not-for-profit corporation whose Board of Directors includes representatives of the Mayor, Governor, Borough President, City Council, State Senate and State Assembly. In July 2010, BBP took over responsibilities for the planning, design, construction, and maintenance of Brooklyn Bridge Park from the Brooklyn Bridge Park Development Corporation ("BBPDC"), a wholly owned subsidiary of the New York State Urban Development Corporation d/b/a Empire State Development Corporation ("ESDC"). BBPDC, with ESDC, will continue to be responsible for administering the Modified General Project Plan and environmental review pursuant to SEQRA. The GPP stipulates that the maintenance and operating costs of the Park must be funded from revenues generated by commercial and residential uses and other activities within the Park and the other areas in the project controlled by BBP.

The Current Financing Plan

Capital Budget

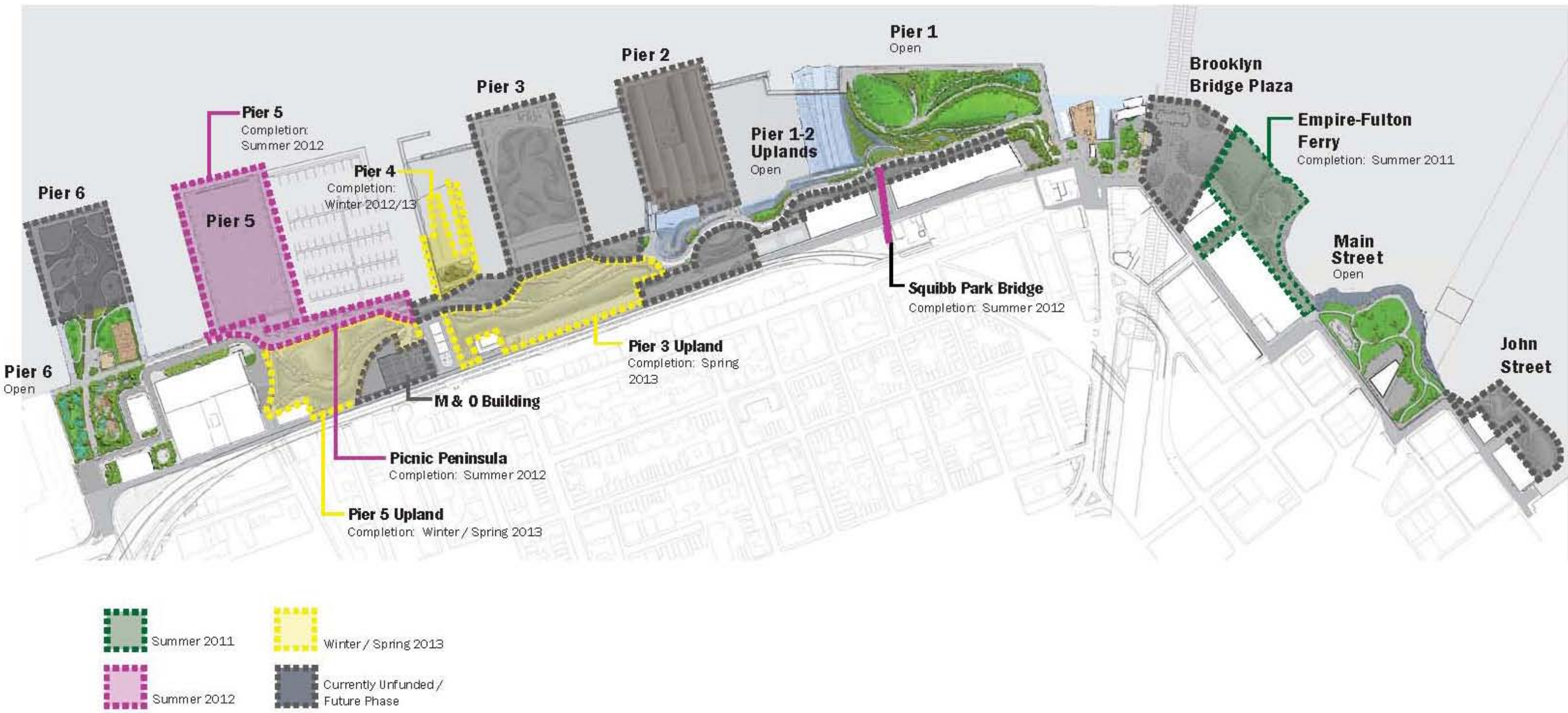
The Park's current capital budget is approximately $355 million for full build-out of the Park. Figure 2 depicts the construction phasing plan for the Park, while Table 1 below presents the BBP capital budget by phase and use. As shown in Table 1, of the total $355 million for Park build-out, BBP has already funded and/or obtained additional commitments for approximately $232 million of the total amount. The major capital sources are the City of New York, representing more than 60 percent of the total capital funding for the Park, and the Port Authority of New York and New Jersey (PANY/NJ), representing an additional 30 percent plus of the funding. Smaller sources include $4.9 million from a combination of Borough President and City Council funding and $3.5

million from private donors[1].

Up to an additional $55 million from the City is conditioned upon BBP Board of Directors approval of the development plan for the John Street and Pier 6 sites, or alternatives. Pursuant to the GPP and the agreement between the City and the State, BBP plans on bringing additional expense commitments (i.e., park areas and uses) online only if and when revenue sources that will cover the operating expenses of those additional areas/uses have been brought online.

[1] All figures are provided in current 2011 dollars.

Figure 2: Brooklyn Bridge Park Construction Phasing Plan



Spring 2011 - Brooklyn Bridge Park - Michael Van Valkenburgh Associates, Inc. - Gardiner & Theobald

Table 1: Capital Budget and Phasing Plan

Initial Funding

Use	Total Budget	Portion of Park	Year Funded	Year Opened
Soft Costs	$48,324,994	Legal, Design, Start-up	Complete	N/A
Early Works	$15,709,459	Demo, Site Prep	Complete	N/A
Main Street Park	$7,042,615	Main Street Park	Complete	N/A
GMP 1	$49,785,527	Pier 1A	FY 2010	Winter 2010
GMP 2	$53,692,012	Pier 6B, Uplands	FY 2010	Summer 2010
GMP 3	$30,000,000	Pier 5, M&O South	FY 2011	Summer 2012
GMP 4 & 5	$20,000,000	Pier 3-5 Uplands	FY 2012/13	Winter 2012/Spring 2013
Squibb Park Bridge	$4,900,000	N/A	FY 2011	N/A
Empire Fulton Ferry Park	$3,450,000	Empire Fulton Ferry Park	FY 2010	Spring 2011
Sub-Total Initial Funding	**$232,904,607**	**--**	**--**	**--**

Proposed Additional City Funding (a)

Use	Total Budget	Portion of Park	Year Funded	Year Opened
Pier 2	$31,750,000	--	FY 2013	Spring 2014
John Street	$4,000,000	--	FY 2013	FY 2014
Sub-Total Proposed Additional Funding	**$35,750,000**	**--**	**--**	**--**

Unfunded

Sub-Total Unfunded	**$86,250,000**	**--**	**--**	**--**
Total	**$354,904,607**			

Other Funding

Use	Total Budget	Portion of Park	Year Funded	Year Opened
PA Funding	$3,000,000	Pier Repairs	FY 2010	N/A
Total Other Funding	**$3,000,000**	**--**	**--**	**--**

Notes:
(a) These areas will be funded if the John St. development is approved; another approximately $20 million of projects (to be decided at a later date) would be funded if the Pier 6 sites are approved.
Sources: BBP; BAE, 2011.

Operating Budget

As required in a 2002 Memorandum of Understanding between the State and the City, and as reflected in the GPP and the transfer of the Park from the State to the City and BBP, the underlying premise of the Park's operating model is that operating and maintenance expenses will be entirely paid from ongoing revenues generated by activities within the Park. BBP's self-sustaining operating model is similar to other public parks in New York City overseen by dedicated public entities, including Hudson River Park, Bryant Park, Battery Park City and the High Line Park.

Expenses

The budget estimates of operating expenses are based on a model that consultant Signe Nielsen developed for the 2005 EIS process. This model is based on the Park's usage, acre-by-acre, and assigns an operating cost based on the types of usage on each acre with consideration of other factors affecting costs. The model also estimates a reserve amount to fund future capital expenditure requirements associated with replacement of Park improvements once they reach the end of their service life. During 2008, the BBPDC adjusted the model to capture the effects of inflation, specific park design features that reduce costs, including use of photovoltaic cells and reuse of storm water, and recommendations by the New York City Department of Parks & Recreation for achieving consistency in operating costs at a large waterfront park. BBP made the revised expense budget public in January 2009 as a part of the Park's financial plan.

The operating model has since been updated based on studies that provide additional information regarding maritime costs over the next 50 years, indicating a total cost of up to $200 million for ongoing maritime repairs and improvements. Finally, the model has also been adjusted based on actual operating costs at the Park since its opening in March 2010, and on alternative, less aggressive assumptions regarding capital expenditures. Operating expenses for the Park not including maritime-related expenses are expected to rise to a stabilized average of $12 million per year in current dollars, assuming all development sites are on-line and full park build-out occurs by the end of Fiscal Year 2017[2].

[2] These expenses include approximately $1.5 million in a market contingency fund to accommodate fluctuations in market demand that may affect the potential revenues from the development sites.

Table 2: Stabilized Park Operating Expenditures

Security		$2,500,000	15.6%
Maintenance		$1,150,000	7.2%
Utilities		$800,000	5.0%
Insurance		$100,000	0.6%
Landscaping		$800,000	5.0%
Admin		$1,501,520	9.4%
Tech Services		$400,000	2.5%
Equipment		$600,000	3.7%
OTPS		$250,000	1.6%
General Contingency		$2,430,456	15.2%
Market Contingency		$1,500,000	9.4%
Maritime Maintenance (a)		$4,000,000	25.0%
	Total	$16,031,976	100.0%

Notes:

(a) Represents an annual average cost over 50 years.

Source: BBP; BAE, 2011.

Maritime Expenses

Due to the Park's unique use of waterfront piers for a large portion of its land area, maritime expenses constitute a major ongoing operating expense item for BBP. Piers 2 through 6 are built on timber piles (approximately 12,000) that will need to be encapsulated to protect them from marine borers. Without this work, the piers will eventually deteriorate to the point where they would have to be closed to public access. These maintenance expenses will average $4 million per year over 50 years for a total cost of up to $200 million in maritime-related expenses in current dollars. The nature of this work is that it can be done incrementally, and needs to be done continually throughout the life of the Park, based on a maintenance schedule with irregular annual expenditures.

BBP has established a maintenance reserve fund with $4 million annual payments to fund these expenditures. Because of the irregular timing of maintenance expenditures, this reserve fund will have a varying balance from year-to-year, but will be sufficient to fund all required work over the 50 year timeframe.

Revenues

The primary driver of revenues for the Park is planned development at five key sites at peripheral locations within the Park boundaries as identified by the GPP for residential and commercial development through public-private partnerships. The ground lease revenues from that development are the primary revenue source to fund Park operations and maintenance. The Park's full development program and key development sites are profiled in Table 3 and Figure 3 below.

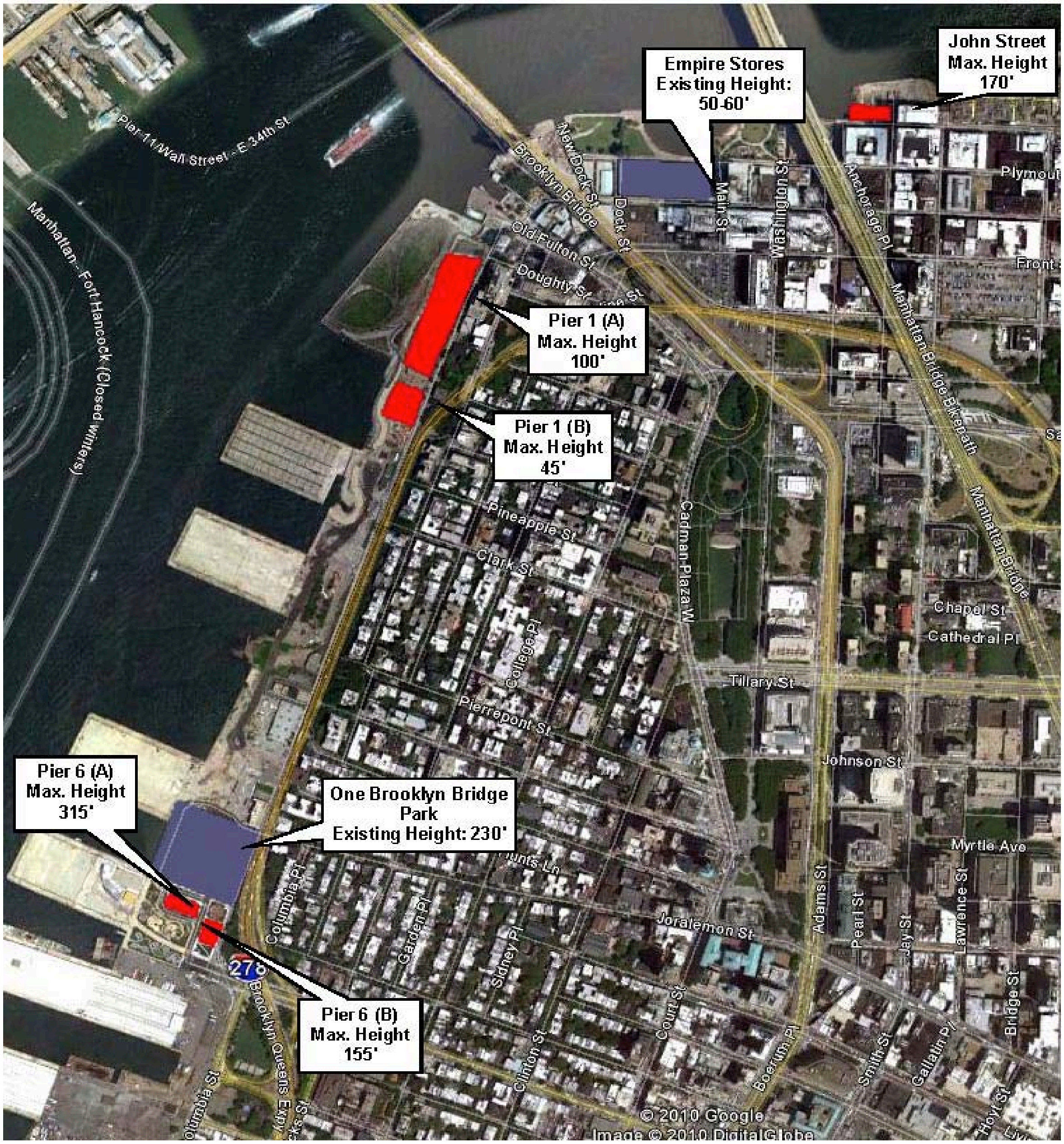
Table 3: Brooklyn Bridge Park Development Program

Site Description	Allowable Use	Max Height	Max Floors	Max Units	Estimated Max GSF	Area of Footprint (SF)	Max Parking Spaces
John Street	Residential	170 ft	16	130	141,000	10,000	110
Empire Stores (a)	Commercial/Retail	50-60	4-5	N/A	325,000	75,000	-
Pier 1							
Site A (b)	Residential/Hotel	100	9-10	180/	389,400	64,000	300
Site B	Residential	45	4	175 hotel	125,540	36,000	-
One Brooklyn Bridge Park (a)	Residential	230	14	450	1,051,670	130,000	650
Pier 6							
Site A	Residential	315	31	290	306,000	10,000	72
Site B (c)	Residential	155	15	140	148,000	10,000	-
Total				**1,190/ 175 hotel**	**2,486,610**	**345,000**	**1,132**

GSF stands for the gross square footage of developed space.
SF stands for square feet.

Notes:
(a) These sites are existing buildings.
(b) The number of hotel rooms can be increased to 225 if the number of residential units drops to 150.
(c) Ground floor retail allowed on Site B.
Sources: BBP; BAE, 2011.

Figure 3: Brooklyn Bridge Park Development Sites



Current and Ongoing Revenues

Table 4 below displays projected operating revenues for the Park in a stabilized year (2021)[3], assuming that all residential development is completed and fully absorbed into the market by the end of 2020. As shown, 96.1 percent of the Park's operating revenues are projected to be generated by ground rent and Payments in Lieu of Taxes (PILOT) that would be paid to the Park from the various development sites, with Pier 6 and John Street alone providing a combined 50 percent of all operating revenues. By comparison, only 3.9 percent of revenues would be generated by concessions and events. The revenues are represented in current dollars.

Table 4: Stabilized Ongoing Park Revenues

Ground Lease Revenues			
360 Furman		$3,636,122	21.9%
Empire Stores		$665,387	4.0%
Pier 1		$3,354,841	20.2%
Pier 6		$6,335,916	38.1%
John Street		$1,976,760	11.9%
Concessions		$569,328	3.4%
Events		$75,000	0.5%
	Totals	$16,613,354	100.0%

Source: BBP; BAE, 2011.

For the purposes of this report, a key factor is the timing and risk of the projected revenues from the John Street and Pier 6 residential development sites. Table 5 below displays the current projected timing of the recurring and one time revenues for these sites, assuming that the first John Street development site begins construction in 2015 and all residential units are developed and sold by the end of 2020[4]. To the extent that ground leases with developers provide for deferrals of rent until construction starts, and/or contain participation provisions that tie payment of some of the ground lease revenues to leasing or sale milestones, these revenues are subject to the same market risk that applies to residential real estate development in general.

One-Time Revenues

In addition to ongoing revenues, BBP projects that it will receive one-time revenues from Payment in Lieu of Sales Taxes (PILOST) and Payment in Lieu of Mortgage Recording Taxes (PILOMRT) associated with the John Street and Pier 6 Development Sites. These one-time revenues will total approximately $3 million for the John Street development sites and $21.5 million for the two Pier 6 sites combined.

[3] Stabilization refers to the point at which all development has occurred and the revenue that it will generate is at a stable long-term level based on full occupancy.

[4] The current funding model assumes that the residential development on the John Street and Pier 6 sites will be absorbed by the local market at the rate of 28 units per quarter beginning in 2016 and through 2020.

Table 5: Recurring and One time Revenues from John Street and Pier 6 Sites

Recurring Revenues	2015	2016	2017	2018	2019	2020	2021
Pier 6	$0	$0	$0	$0	$6,336,000	$6,336,000	$6,336,000
John Street	$0	$0	$1,977,000	$1,977,000	$1,977,000	$1,977,000	$1,977,000
Total Recurring	$0	$0	$1,977,000	$1,977,000	$8,313,000	$8,313,000	$8,313,000
One-Time Revenues							
Pier 6	$0	$0	$18,820,000	$2,724,000	$0	$0	$0
John Street	$2,397,000	$823,000	$0	$0	$0	$0	$0
Total One-Time	$2,397,000	$823,000	$18,820,000	$2,724,000	$0	$0	$0

Source: BBP; BAE, 2011.

Maritime Maintenance and Capital Replacement Reserve Balance Analysis

BBP has accumulated reserve funds from operations over the past several years due to payments that it has received from the 360 Furman Street development and other revenue sources that it received prior to the Park's opening. One critical measure of success in creating a self-sustaining Park is the ability of potential revenue sources to support a positive running balance of this operating reserve over the long-term in order to fund maritime maintenance needs and long-term capital replacement of Park improvements, as discussed earlier in this section. According to analysis conducted by BBP and the New York City Economic Development Corporation, the current funding model allows the Park to: 1) cover annual maintenance and operations costs; 2) cover the large and irregular maritime expenses when they arise, and; 3) retain an appropriately sized reserve.

Analysis of Current Funding Model

The current funding model for the Park has been structured to provide a dedicated stream of real estate ground lease revenues to sustain the long-term operation of the Park, as well as meet the Park's financial needs for maritime maintenance and capital reserves. This funding model is not subject to governmental budgeting processes or the fluctuation of fiscal cycles. However, this model can be impacted by exposure to timing and market and financial risks associated with real estate development.

Timing

Each of the development sites will be conveyed through a long-term ground lease pursuant to a public Request for Proposals (RFP) process, with construction projected to commence one year after selection pursuant to the RFP, and an average construction period of approximately 18 months. The residential development contemplated for the John Street and Pier 6 sites is projected to begin with construction of the John Street housing in 2015 and continue through full build-out and sale of all units by the end of 2020. The projected timing of these projects and the resulting one-time and ongoing revenues to the Park coincide with the complete build-out of the Park by 2017.

Similarly, the PILOT and ground lease payments generated from these developments would provide a steady stream of income to the Park, subject to the specifications of the ground lease agreements to be worked out with prospective developers and also subject to conditions in the local for-sale residential market.

Risk

The most obvious risk of the current funding model is that it is heavily dependent on sufficient market support for residential rents and sale prices that support land values and ground lease payments, and the assumption of a relatively aggressive rate of sales and absorption over a compressed time-frame. As profiled in the residential market tables provided in Appendix C, Brooklyn is anticipated to add approximately 5,000 households per year between 2010 and 2020. Only a portion of these households, however, will form part of the effective demand pool for the proposed housing. In any given year between 2016 and 2020 when the units are being offered for sale, the BBP developments could make up between 7 and 44 percent of the total effective demand pool for condominium units in the general price range of $450,000 plus in the surrounding market area and in the broader Brooklyn housing market.

Table 6: New BBP Housing Units vs. Projected Demand, 2016-2020

	2016	2017	2018	2019	2020	Total
John Street	56	37	37	0	0	130
Pier 6	0	0	186	122	122	430
BBP Housing	56	37	223	122	122	560
Brooklyn Demand Pool (a)	504	504	504	504	504	2,519
BBP % of Demand (b)	11%	7%	44%	24%	24%	22%

Notes:
(a) Represents % of new owner households earning approximately $100,000 or more.
(b) Represents new BBP units as % of effective demand in Brooklyn for comparably priced condominium units.
Sources: New York Metropolitan Transportation Council; BBP; Claritas. Inc., 2010; BAE, 2011.

Related to this market risk, there is a financial risk associated with the ability of prospective developers to obtain equity investment or debt financing for new residential projects of this scale over the coming years. Current real estate capital market conditions, following the extraordinary financial crisis of the past several years, make it very challenging for developers to obtain financing for housing development projects at a reasonable rate and with reasonable terms.

Another potential risk is that in a bankruptcy situation, PILOT may not have the same priority for payment ahead of creditors as do taxes. Another concern related to market support for condominium product types is the potential loss of PILOT payments if residential development types change and/or developers elect to utilize the 421a program to develop 80/20 rental housing product types, which would reduce PILOT payments. The conventional wisdom among developers is that Brooklyn housing prices, unlike those in Manhattan, are not high enough to make it feasible for developers to enter into the 421a program, but this may change over time.

Finally, the risks associated with market acceptance and financial feasibility of the proposed developments highlight another important risk of this model which is its lack of diversity in revenue sources. The majority of revenues are dependent on the rebound of the housing market and its assured revenue stream. Based on the full build-out scenario for all sites, more than 70 percent of the model's revenues are tied to the housing market, which if it is delayed or overpriced, could create shortfalls in Park funding.

Comparison with Other Park Plans

Urban parks are in state of constant evolution with new and innovative approaches to park programming, maintenance and funding. In order to inform the analysis of funding alternatives for this report, BAE reviewed both current practices in New York City parks and also conducted case studies of a number of major new U.S. and international urban parks. Appendix D to this report contains a selection of case studies that encompass a broad range of urban parks, including historic and new, small and large, domestic and international. This information provides a context for BBP's operating model within the range of other creative public-private partnerships currently being used for urban park development.

The surveyed parks were as follows:

- Bryant Park, New York City
- Millennium Park, Chicago
- Discovery Green, Houston
- Civic Park, Los Angeles
- Riverfront Park, Cincinnati
- Balboa Park, San Diego
- Orange County Great Park, Irvine, CA
- South Bank, Brisbane, Australia

On average, the parks surveyed raise the majority of their operating funds from a combination of public sources, private sources, and rental income. The remaining revenue comes from a combination of unclassifiable or atypical sources, including real estate development-related activities. Among the comparable parks, rental income represents the main source of operating funds, averaging 35 percent, including rent by leasing facilities or grounds for special events, leases to tenant restaurants and concessions and charges.

Parks profiled for this study have widely varying operating budgets, with most being lower on an annual basis than Brooklyn Bridge Park. Depending on the exact characteristics of each park, they tend to raise revenues from a diverse range of sources. Bryant Park, as an example, raises the vast majority of its operating income (81 percent) through rental fees, including 53 percent from leasing the grounds for large special events. It receives an additional 27 percent of its income from the Bryant Park Grill and other concessions. Similarly, Discovery Green generates approximately one-quarter of its revenues from food service operators. This high level of income is attributable in large part to the fact the both the Bryant Park Corporation and Discovery Green Conservancy financed the construction of purpose-built restaurants targeting upscale consumers, reducing the upfront costs to concessioners and thereby increasing the amount of rent they can pay.

In addition, the case study parks generate income through a number of private sources, including charitable contributions, corporate sponsorships, and Business Improvement District (BID) assessments. On average, these sources comprise 19 percent of annual operating income, with

Discovery Green and Millennium Park being particularly successful examples. Discovery Green raises 21 percent of its annual operating income through charitable contributions, fueled in large part by a biennial gala that regularly nets over $1 million in donations. In addition, its private partner, the Discovery Green Conservancy focuses on finding corporate and institutional sponsors for park programming, enabling the Conservancy to cover another 17 percent of its costs.

Similarly, Millennium Park, run by the Chicago Department of Cultural Affairs, manages to raise a third of its operating budget from sponsors. This money primarily funds targeted programming, however, rather than operations and maintenance. Millennium Park Inc., the park's private partner, helps defray maintenance costs by tending for certain park amenities out of a dedicated endowment created during the capital campaign phase.

Bryant Park is the only park surveyed to collect BID assessments, which comprise ten percent of its income. The Bryant Park Corporation raises an additional eight percent through charitable donations and grants.

The Orange County Great Park and South Bank were the only parks surveyed to rely in some part on real estate development-related income. As part of the City of Irvine's development agreement with Lennar Development, which donated the land for the Great Park as part of the larger redevelopment of the former El Toro Marine Corps Air Station into a new master planned community, the City plans to use a portion of a Community Facilities District tax on surrounding property owners to maintain certain core infrastructure. On the other hand, the South Bank Corporation, which owns significant real estate beyond the local Parklands, earns operating revenue by selling leasehold development rights, generating 19 percent of its total revenues.

A complete breakdown of funding sources for the case study parks is contained in Appendix D.

Identification of Alternatives and the Framework for Analysis

Public Listening Sessions and Testimony

Two public meetings of the CAH, structured as listening sessions, were conducted early in the study to solicit testimony on alternative funding ideas from interested individuals and organizations. The first listening session was held on November 30, 2010, at the Long Island College Hospital adjacent to the entrance to Pier 6 of the Brooklyn Bridge Park. Approximately 40 persons spoke at the first listening session. The second listening session was held on December 9, 2010, at Saint Francis College in Downtown Brooklyn. Approximately 58 persons spoke at the second listening session. BBP had a transcriber at both meetings to prepare a written transcript of the testimony.

An email address was also set up to allow those who could not attend to submit their comments and materials by December 13, 2010. A total of 50 emails were received. Additional materials were also submitted separately at the listening sessions by a number of persons.

Although the purpose of the listening sessions and email address was to solicit input on alternative funding sources, many speakers used the opportunity to speak to other aspects of Park planning, design, construction, financing, operations, and other items that are beyond the scope of this study. The comments spanned the spectrum from those who stated that the Park Plan should be revised to construct lower-cost improvements and provide facilities with a greater community orientation, to those who opposed the ground lease of sites for residential development to fund Park operations, to those who offering specific recommendations for alternative funding sources and strategies, to those who wish to see the Park Plan implemented as soon as possible under its current funding model.

A total of 36 distinct funding alternatives were identified through the listening sessions and email (with many endorsed by multiple persons). A complete list of these alternatives is contained in Appendix E to this report.

Potential Categories for Funding Alternatives

The information from the public listening sessions and submitted testimony, complemented by the case study research on financing strategies for other world-class urban parks and best practices, was used to formulate a list of categories that covers all potential funding alternative, including:

- A Business Improvement District (BID) or Park Improvement District (PID) that would generate revenues from assessment on property owners in an area adjacent to the Park.

- Fee-based recreational facilities that would encompass existing outdoor recreational facilities as well as potential new indoor recreational facilities.
- Event facilities and special events that would include outdoor events as well as an indoor rental events facility, including a banquet hall.
- Concessions of all types, including food and fine dining, that would provide for additional concession facilities beyond those in the approved Park plan.
- Commercial real estate development of retail and/or office buildings within the park.
- Advertising and sponsorships that would include commercial funding of a range of activities and facilities.
- Fundraising and philanthropy to generate grants and other funding for capital improvements or operations.
- Revenue from the nearby Watchtower-owned properties to capture value associated with potential sale and/or redevelopment of Brooklyn properties owned by this organization.
- Increased parking revenues, through the provision of additional parking, including parking structures, or the imposition of higher parking charges.
- Direct City funding, through the City's General Fund or other funds.
- Operating budget reductions.
- Tax Increment Finance, Park Increment ReCapture (PIRC), or other funding structures that seek to capture a portion of the future increase in property tax revenues associated with new development and increases in property values.

Evaluative Framework: Threshold and Evaluative Parameters

The potential funding categories were evaluated by the CAH based on "threshold parameters" established in the MOU. The concept of a threshold parameter is that it is a minimum requirement that an alternative must pass to merit consideration as a potential replacement for all or part of the funding in the baseline model.

Threshold Parameters

There are two threshold parameters alternatives that all potential alternative sources must meet, as set forth in the March 8, 2010 MOU:

"1. The CAH and the Consultant shall not deem a source to be an alternative source unless the parties, after due analysis and diligence, conclude that that the Source is not in any way displacing revenue to which the City is otherwise entitled.

"2. The timing of and level of risk associated with the revenue to be generated by such a source (or sources) must be consistent with the projected timing of and risk associated with the revenue projected to be generated by the John Street and Pier 6 sites."

Evaluative Parameters

The CAH also formulated a set of evaluative parameters to consider alternatives that pass the threshold parameters test. The concept of an evaluative parameter is that it allows quantitative and qualitative comparisons between different alternatives to allow a fully considered evaluation of the various advantages and disadvantages relative to the Park's baseline funding model. These are the adopted evaluative parameters:

1. Is the alternative within the control of the BBP?
2. To what extent are external or legislative (City or State) actions necessary to implement this alternative?
3. Does the alternative require an additional upfront investment by the BBP?
4. Does the alternative require a substantial change to the design and construction of any existing elements of the Park?
5. Does the alternative require a change to the design of any future Park phase that would have a material impact on cost or timing?
6. If the alternative requires development of a new building, is that building appropriate for its location and in context with its surrounding uses, and how does this building compare with the contemplated developments at the John Street and Pier 6 development sites?
7. Does the alternative add to the diversity of funding streams in the Park's operating model and thus enhance the Park's overall financial viability?

Alternatives Excluded After Consideration

The CAH conducted a public meeting on December 20, 2010 at City Hall to review the potential categories for funding alternatives and determine which ones met the threshold parameters and should be the subject of detailed research and analysis for this study. The CAH voted to accept all the proposed categories, with the exception of:

- Direct City Funding (General Fund or Other Funds);
- Operating Budget Reductions; and
- Tax Increment Financing (TIF), Park Increment ReCapture (PIRC), or other similar structures.

These three categories were determined to not pass the first threshold parameter and/or to be outside the scope of the MOU that created the CAH.

Development of Detailed Alternatives for Analysis

Following the CAH's approval of a list of funding categories for detailed research and analysis, BAE proceeded to formulate development programs for alternatives that involve new facilities and work out the particulars for alternatives that are based on outside revenues or new activities rather than new facilities. This was done so that the potential revenues and issues associated with each category could be fully evaluated. For some categories, this led to consideration of multiple alternatives. The detailed alternatives are described in the subsequent section on analysis of the alternatives.

During this development of the alternatives, a question arose as to how to treat PILOT from new development associated with the alternatives. Based on discussions with the CAH, PILOT from new structures that would be built within the Park as part of an alternative were included, since there are not funds that the City would otherwise receive. However, the possibility of using PILOT to capture new property tax revenues from redevelopment of Watchtower properties was excluded, as the City would expect to receive property tax revenues when these currently tax-exempt properties are sold to a new taxable entity.

Analysis of Alternatives

The following pages set forth detailed analysis of alternatives in the funding categories approved by the CAH. Each alternative starts with a discussion of what it includes, then discusses the role of BBP and any partners who would be involved, addresses locations in the Park, timing and other key considerations, and finally assesses the amount of net new revenues that could be generated as an alternative to the John Street and Pier 6 site to fund operations. The final section in each alternative discusses how it would be evaluated pursuant to the evaluative parameters for those items that differ from the baseline model.

Considerations for Threshold and Evaluative Parameters

Each of the alternatives meets the threshold requirement, based on the analysis in this report, of not displacing in any way revenue to which the City is otherwise entitled.

For each of the alternatives in this section there is a paragraph that discusses the other threshold requirement of the projected timing and risk of revenues from this alternative being consistent with the revenue projected from the John Street and Pier 6 sites (the baseline model).

Following that discussion, for each alternative there is additional discussion of the particular aspects of the alternative that merit consideration pursuant to the evaluative parameters because of differences from the baseline model. Discussion of evaluative parameters where the alternative is comparable to the baseline model is excluded, as there are no meaningful differences with the baseline model. This has been done to help focus consideration on those items where there are differences in how the evaluative parameters would be applied to an alternative versus the baseline model.

Park Improvement District (PID)

What It Involves

A Park Improvement District (PID) would utilize State and City law authorizing Business Improvement Districts (BID) to create a district next to the Park that would levy an assessment on property owners within the district to fund Park operations. The PID term is used to connote a type of BID that provides park-related services versus the typical commercial district cleaning, security, and other services provided by BIDs. The most direct analogy is the Bryant Park PID, which was created using the BID authority.

There is a specific process for creation of BIDs that is managed by the City's Department of Small Business Services (SBS). That process includes review by the Planning Commission and ultimately the passage of legislation by the City Council that authorizes creation of the BID and approves its District plan, including its final boundaries and the budget that is funded by assessments on property owners within the BID. A key provision is that the opposition of a majority of property owners (51 percent) within the proposed district would prevent creation of the new BID.

To maximize revenue generation for the Park, the PID would not provide direct services to properties within the district, such as cleaning or other activities. Rather, it would provide indirect services by providing financial support to ensure high quality maintenance and operation of the Park, helping generate greater visitor traffic for commercial businesses, and supporting increased recreational amenities and higher property values for residential properties. This means that the PID organization would not need to hire staff or carry the administrative expenses associated with BIDs that provide direct services. Rather, its expenses would be modest and limited to billing and collection of assessments.

The Role of BBP and Potential Partners

A new non-profit management association with its own Board of Directors is typically created to implement the approved District Plan that enters into a contract with the BID. It would need to be determined if BBP, as a corporation controlled by the City, could fulfill this function or if a new non-profit would need to be created that would then enter into an agreement with BBP.

Location(s) in the Park

Since the benefit of the PID to assessed property owners is the increase in property values resulting from a well-maintained Park, the PID boundaries need to include only those properties that can be reasonably expected to receive a benefit. A review of academic literature on the premium in real estate values created by parks suggests that it does not extend beyond one-quarter mile from a park. Accordingly, a conceptual PID boundary was created that includes properties within approximately one-quarter mile of the park, with adjustments so that it excludes properties closer than approximately one-quarter mile to another park or open space (e.g. Van Voorhees Park). The benefitting property owners within the PID would through the PID assessment share a portion of the increased property value due to the Park. These conceptual boundaries are shown in Figure 4 as the shaded area adjacent to the Park. It is important to note that if a PID were to be created, the actual boundaries would be determined as part of the BID establishment process, which includes the participation of the property owners. The PID boundaries could be adjusted with a resulting impact on potential revenues. The example shown here is illustrative of potential revenues that could be generated.

Figure 4: Conceptual Brooklyn Bridge Park PID Boundaries

Timing and Key Issues

The City's BID statute sets forth a defined process for creation and approval of a BID. Provided that it obtains the approval of the City's Law Department, the Planning Commission, the City Council, and has support from the subject property owners, BID creation is fairly routine and there should not be any timing issues.

Discussions with the City's Law Department indicate that while this type of BID is unusual, there is nothing in the laws that authorize BIDs that would prohibit it. Another unusual aspect is that the properties within the PID boundary shown in the figure are overwhelmingly residential: approximately 10:1 residential vs. commercial/industrial in terms of the number of properties and approximately 4:1 in terms of assessed value (while the Bryant Park PID includes residential properties, a majority of the included Midtown properties are commercial).

Another issue with commercial properties is that a number of those within the proposed PID district are already included in the existing DUMBO BID (a small number of properties at the southern end of the potential PID are also within the Montague Street BID). These properties represent approximately one-third of the assessed value in the proposed PID. It is believed that overlapping BID districts have been created only once before, for a significant Midtown Manhattan building. No survey of DUMBO BID members has been conducted on whether some of these property owners may be unwilling to pay a second assessment for the new PID. The PID proceeds could be decreased by approximately one-third or more if all of the properties in the DUMBO and Montague Street BIDs were excluded.

Finally, SBS staff indicates that all BIDs that have been created to date have experienced overwhelming support from property owners within the new district, and no BID has had less than 85 percent support. No survey has been done on the potential support of Brooklyn Heights and DUMBO property owners for a PID, so it is not possible to assess the extent of their potential support at this time. While speculative, City staff have noted that there may be challenges in generating support from the property owners who would be assessed because the City and State have already committed to funding Park capital improvements and identified sources to fund operations – in other words, since the Park Plan and funding model is in place property owners may not perceive a benefit from the assessment they are being asked to pay, affecting their willingness to support a PID.

Net Revenues to the Park

SBS staff assisted with the creation of a model to project potential PID revenues from properties within the boundaries shown in the above figure. The numbers of properties and their assessed value, as well as the properties already in an existing BID, are shown in the following table:

Table 7: Proposed PID Properties by Type

Property Type	Number	Assessed Value ($ Million)
A - Commercial	71	$ 79.0
B - Parking/Garage	18	$ 2.6
C - Residential	764	$ 324.1
D - Vacant Land	14	$ 1.2
		$ 406.9

Above Properties Within an Existing BID:

	% of Total	Assessed Value ($ Million)
DUMBO BID	32.0%	$ 130.1
Montague St. BID	4.6%	$ 18.8
	36.6%	$ 148.9

Above excludes 59 government, non-profit, or exempt properties.

Sources: NYC DSBS; BAE, 2011.

Since the benefit of the PID is tied to property values, the model was structured to calculate the assessment rate that would generate annual PID proceeds, prior to administrative costs, of $1 million, $2 million, $3 million, and $4 million. The same assessment rate was used for all property types, and the actual assessment on property owners would be the rate times the assessed value of their property. The resulting increase in property taxes for a sample Class 1 residence (building with three units or less) and a sample Class 4 commercial building was also calculated. The results of this analysis are shown in the following table (it does not include administrative expenses, which are expected to be limited to the costs of billing and collection and therefore relatively minor):

Table 8: Assessment Rates for PID Revenue Scenarios

Target PID Budget	PID Assesssment Rate	Annual Cost for Sample Residence (a)	Annual Sq. Ft. Cost for Sample Comm'l Bldg. (b)
$ 1,000,000	0.0024579	$ 111	$ 0.48
$ 2,000,000	0.0049159	$ 221	$ 0.95
$ 3,000,000	0.0073738	$ 332	$ 1.43
$ 4,000,000	0.0098317	$ 442	$ 1.91

Notes:
(a) Example is for Class 1 residence (buildings w ith three stories or less, assuming unit market value of $750,000, multiplied by 6% assessment ratio, and the resulting figure multiplied by the indicated assessment rate.
(b) Example is for Class 4 commercial building, assuming market value of $413 per sq. ft., multipied by 45% assessment ratio, and then multipied by the indicated assessment rate.
Sources: NYC DSBS; NYC DOF; BAE, 2011.

These figures assume that all taxable properties within the PID are included; proceeds would be decreased by a third or more if properties in the DUMBO and Montague Street BIDs were excluded. These figures would also change in proportion to changes in the PID boundaries that could occur as part of the process to establish the PID. These figures should be treated as preliminary estimates that are specific to this example – the actual PID assessment rate may vary. The budgets for BIDs (and the PID) are fixed until such time as an increase is approved by the City Council. This means that as assessed values increase, the assessment rate in future years would decrease to leave the actual assessment amount unchanged, until such time as an increase in the budget is approved.

Another way of considering PID revenues for residential properties is to consider the PID assessment in terms of a return on the increase in property value that is created by the Park. For the example of a residence worth $750,000 the academic literature suggests that the Park might create an average increase in value of up to five percent, or $37,500[5]. A PID assessment that captured one percent of the return on that increase in property value would equate to $375 per year.

[5] This is an average value. The increase in value would be greater for those properties closest to the Park and less for those properties closer to the one-quarter mile boundary from the Park.

Suggestions have been made that some type of assessment district or other tax mechanism should be created to generate funds for the Park. Before BID legislation was approved, State law authorized the creation of Special Assessment Districts (SAD) to fund public improvements. However, the creation of any SAD required the approval of the State Legislature, and part of the impetus for creation of BID legislation was to create a mechanism that did not require legislative approval every time. Any other type of new tax to fund the Park would require the approval of the State Legislature. The above calculations for potential PID revenues can serve as a proxy for what other alternative tax mechanisms would generate with the same set of taxed properties.

Considerations for Threshold and Evaluative Parameters

Timing and risk relative to the baseline model. The PID can occur sooner and without the market risk present in the baseline funding model. However, the yet to be determined level of property owner support represents a risk factor in terms of whether majority support can be obtained.

Enhances diversity of funding streams for Park operations and its overall financial viability. A PID would diversify the Park funding model, and since it is not as subject to market cycles could enhance overall financial feasibility.

Extent of BBP's control; need for City or State legislative actions. City Council approval would be required. It appears that action by the State legislature would be required to create a PID with a majority of residential properties, although further research is being conducted on this topic.

Summary

A Park Improvement District (PID) would use the existing Business Improvement District (BID) ordinance to create a district that would run approximately ¼ mile from the Park's boundaries, with all residential and commercial properties in the PID paying an assessment. Creation of a BID requires the consent of a majority of property owners and ultimately passage of legislation by the City Council. Unlike a traditional BID, the PID would not have its own staff and would not provide direct services (cleaning, security, etc.) to property owners. Rather it would provide an indirect service and benefit by ensuring high quality Park maintenance. The academic literature indicates that the Park could create an average increase of five percent or more in property values.

The PID assessment would be calculated based on a fixed millage (assessment) rate applied to the assessed value for each property as established by the City's Department of Finance. The variation in potential revenues results from the application of different potential millage (assessment) rates in a financial model prepared for this report; these have been projected for annual PID budgets (revenues) ranging from $1 million to $4 million. Approximately one-third of the assessed value in the potential PID is already in another BID; if these properties are excluded, then the indicated revenues would be considerably less. This alternative presents less market risk and enhances the diversity of funding; however, there is a yet to be determined risk of whether a PID would obtain majority support from the property owners to be assessed.

Fee-Based Recreational Facilities

What It Involves

Fee-based recreational facilities can either be outdoor fields, courts and active areas or large indoor facilities offering year-round access to a variety of recreational activities. Randall's Island is one example of a park which has contemplated charging for the use of outdoor multiuse fields, while Chelsea Piers in Manhattan and Aviator Sports in Brooklyn are notable examples of park-located indoor recreational facilities. BBP could under the current Plan generate revenues for Park operations by assessing fees on certain types of planned recreational uses as they are built and become available for use. A new indoor recreation facility, on the other hand, would replace some portion of the current Park design. This type of facility would not be free and open to all members of the public, but rather would operate on a fee basis generating revenues for the operator, who would pay ground lease revenues to BBP to fund Park operations and maintenance. Additional ideas for outdoor or enclosed recreation spaces include an all-weather "bubble" on Pier 5, a new ice-skating rink near the Brooklyn Bridge, and a small craft marina.

The Role of BBP and Potential Partners

BBP has the ability under its current authority to charge fees for use of Park facilities as soon as they are completed without prior authorization from the State or the City of New York. In order to create a new indoor facility, however, BBP would need to partner with a private developer and operator of recreational and fitness facilities for the development and ongoing operation of a new facility or facilities, pursuant to a long-term ground lease. It is possible that more than one operator could be involved depending on the configuration of the facility and the desired mixture of recreation uses. In addition, a nonprofit or philanthropic partner could also be recruited to offer low-cost or free programming and use of some portion of the facilities. The exact type of recreational facilities, the mix of activities and uses, and the ultimate development and physical configuration of any new development would depend on the requirements of the RFP and the submitted proposals of the development teams responding to an RFP issued by BBP seeking partners in such a new venture.

Location(s) in the Park

The primary location for fee-based activities would need to be determined within the Park based on the need for a relatively large building footprint in the case of a new indoor facility.

Timing and Key Issues

BBP could begin to assess fees for the planned multi-use fields, basketball courts and in-line skating rink as soon as these components of the Park come on-line. The timing of a new indoor facility or group of facilities would require a series of actions: planning; market and financial feasibility analysis; design and engineering studies; and a competitive offering to select a private partner.

Net Revenues to the Park

In order to estimate the total potential future events revenues at full park build-out, BAE modeled two distinct alternative revenue generating scenarios:

- Increased revenues from assessing fees on currently planned recreational elements of the Park; and
- Increased revenues achievable from new indoor year-around facilities to be constructed in the Park.

For the indoor facility concept, based on comparable facility usage in New York City as well as a review of industry standards, hourly rental rates of $100 to $150 were assumed for the use of the multi-use fields and the basketball courts, with average weekly usage per field or court ranging from 40 to 45 hours. Somewhat lower rates and hours of usage were assumed for seasonal usage of the outdoor fields under the current Park Plan[6].

Fee Revenues from Planned Multi-Use Fields, Basketball Courts and In-Line Rink

Piers 2 and 5 will offer multi-use fields, basketball courts and an in-line roller hockey rink which, given the scarcity of such facilities in the surrounding neighborhoods, could be attractive to a variety of private groups and institutional users. Based on relatively conservative fee and usage assumptions, BAE estimates that net revenues generated from these Park assets could reach as much as $603,000 per year in a stabilized year at full Park build-out.

Table 9: Revenue Potential for Planned Recreational Uses

Multi-Use Field (9 Months/Year)		**Revenues**	
# Fields	3	Multi-Use Fields	$312,000
Multi-Use Field Hourly Rate	$50	Basketball Courts	$234,000
Hours Week	40	In-Line Hockey Rink	$208,000
		Total Gross Revenue	**$754,000**
Basketball Courts			
# Courts	6	**Expenditures (20%)**	$150,800
Hard Court Hourly Rate	$25		
Hours Week	30	**Net Revenues**	**$603,200**
In-Line Roller Hockey Rink			
Hourly Rate	$100		
Hours Week	40		

Source: BAE, 2011.

Indoor Recreation Facility

As highlighted in the public testimony for this report (see Appendix E), the idea of a new indoor recreational facility that could operate year-round has been widely discussed as an attractive

[6] The seasonally adjusted rates for the outdoor multi-use fields displayed in Table 9 do not assume the development of an all weather bubble that would extend the usage of these fields in winter months. The potential revenues for this seasonal structure are estimated separately as a concession payment based on comparable facilities in New York City.

alternative for Brooklyn Bridge Park because it would address the lack of such facilities in Brooklyn for families, including families in the Cobble Hill area adjacent to the Park. The Chelsea Piers model which generates a total of $3.2 million annually in ground lease revenues to the Hudson River Park Trust has been suggested as a financially viable alternative, and one that would contribute to the Park's overall vitality and attractiveness to the local community and users from across Brooklyn and New York City.

One important issue to note in analyzing this type of alternative, however, is that the ground lease revenues from Chelsea Piers encompass such uses as a film studio, event center, restaurants and a host of other uses. While detailed revenue data is unavailable, discussions with those who are knowledgeable about the Chelsea Piers operations indicate that the Field House and Sports Center components do not generate anywhere near the same levels of revenue as the other uses. Moreover, it is important to note that in the case of both Chelsea Piers and Aviator Sports, the feasibility of these projects was enhanced because they were able to create new facilities through adaptive reuse of existing buildings and access subsidies and incentives from public agency partners, rather than having to finance the full cost of new construction as would be necessary in the Park.

In order to estimate the potential revenues of new indoor recreational facilities, a new 125,000 square foot field house with indoor fields as well a 75,000 square foot hard court gymnasium and fitness center was modeled. The capital costs associated with developing these facilities – even in a strong market for recreational uses – render the development of these facilities infeasible given current construction costs. Even in a smaller format, the relationship between capital costs and related debt carrying costs and potential revenues results in a negative cash flow to a potential developer/operator and BBP in a stabilized year.

Table 10: Indoor Recreational Center Financial Feasibility Summary

Total Development Costs	$53,796,600
Project Value (9% capitalization rate)	$19,128,889
Residual Land Value (basis for ground lease payment)	($34,667,711)
Annual Ground Lease Payment (10% of residual value)	$0
Annual PILOT	$0
TOTAL Annual Revenues	$0
One-Time Revenues (Including PILOST AND PILOMRT)	$0

Source: BAE, 2011.

One other option that could still be pursued for an indoor recreation facility would be to recruit a non-profit partner who would conduct a capital campaign for the facility, allowing it to rely on revenues to only fund operating costs rather than debt service and return to investors. This would be comparable to the model that the YMCA uses to develop facilities. However, such a facility would likely be able to generate minimal if any ground lease revenues to the Park (and no PILOT since it would be a tax-exempt entity), setting aside the other benefits of community access to year-around indoor recreation.

Seasonal Temporary Structure (Bubble)

One concept specifically mentioned in the 2010 MOU which will require further exploration is that of a seasonal air structure or bubble which would enclose the equivalent of one full soccer field on Pier 5. In accordance with MOU, BBP will release an RFP for a concessionaire to build, maintain and operate a bubble permitting indoor fee-based recreation during the winter season. This concession will be dependent on the determination of the BBP Board that such a bubble will not result in any material negative impact to the structure of Pier 5or require a capital investment by BBP of over $750,000. According to recent construction cost estimates, this 60,000 square foot structure would cost approximately $2 million to construct and would effectively extend the usage of a portion of Pier 5 during the winter months. An earlier study prepared by the Brooklyn Bridge Park Conservancy estimated potential concession revenues from the bubble at $50,000, but additional feasibility analysis is needed to assess the costs and benefits of this concept.

The costs for the design, planning and permitting of this structure have not been fully vetted by BAE, but BAE conducted an analysis of comparable facilities located in similar parks in New York City. These facilities primarily provide a seasonal venue for tennis and racquet sports rather than for soccer or other sporting activities requiring larger areas. The average annual concession fee paid by operators of temporary structures in comparable parks was $146,289 in 2010. This suggests that under the right circumstances, the bubble could potentially earn more than the $50,000 originally projected by the Conservancy. The additional costs associated with constructing a larger than typical seasonal structure to accommodate multi-use fields plus the costs of building such a bubble on a pier deck would, however, need to be studied in depth to understand the impact on concession revenues.

Table 11: Value of Existing Enclosed Tennis Concessions at New York City Parks

Park	Borough	Concessionaire	Est. Municipal Revenue FY 2011
Mill Pond Park	Bronx	Gotham Tennis Academy	$200,000
Bensonhurst Park	Brooklyn	Bridgeview Racquet Club	$171,578
Prospect Park	Brooklyn	Prospect Park Alliance	$76,667
Queensboro Oval	Manhattan	Sutton East Tennis Club	$2,155,463
Randall's Island	Manhattan	Sportime	$106,533
Cunningham Park	Queens	Cunningham Tennis Center	$172,955
Alley Pond Park	Queens	Not yet named (a)	$150,000
		Average Annual Concession Fee (b)	**$146,289**

Notes:
(a) Concession agreement has been put to bid. City has assumed that the concession will yield $150,000 annually for fiscal planning.
(b) Average excludes Sutton East Tennis Club, which is a clear outlier.
Sources: City of New York, Agency Annual Concession Plan for FY 2011; BAE, 2011.

Ice Rink

Another concept mentioned in the 2010 MOU is that of an outdoor ice skating rink, which would be operated by a concessionaire at one of two potential sites within the Park: adjacent to the Brooklyn Bridge, or in one of the upland areas. Based on preliminary discussion with potential ice skating rink operators, the location near the Bridge would be preferred as it would be a much more marketable site in terms of attracting patrons and generating revenues. It is estimated that an ice skating rink under the Bridge will not be possible for up to five years from the date of this report, as construction activities on the Brooklyn Bridge would interfere with rink operations.

Based on initial feasibility analysis conducted by the Conservancy, an appropriately sited ice rink could earn approximately $1 million per year, including $640,000 in sponsorship revenues. These annual revenues would, however, only cover the related operating expenses for the rink. The model of working with a concessionaire to operate a seasonal ice rink is common in urban parks across North America. Based on comparables research conducted by BAE for this study, the ability of these seasonal facilities to generate positive net revenues depends heavily on the role of corporate sponsors. In order to fully assess the ability of the ice rink to do more than break even at this location, a full sponsorship feasibility study and marketing plan would need to be prepared.

Marina

Another potential type of outdoor recreational facility not analyzed in depth by BAE for this study is a small craft or yacht marina. The current plan for the Park includes issuing an RFP for a concessionaire to build, maintain and operate a 186-slip marina between Piers 4 and 5. Based on BAE's experience analyzing comparable planned and proposed marinas on the East River, it is unlikely that a small marina catering to recreational users would generate positive net revenues to the Park due to the high capital costs associated with developing breakwaters and other necessary infrastructure to address the currents and unique conditions of the East River. A large-yacht marina is a concept that could potentially be explored as a means of generating positive net revenues, but this type of facility would likely require a major redesign of one or more of the Piers.

Considerations for Threshold and Evaluative Parameters

Timing and risk relative to the baseline model. BBP staff can at the direction of the Board develop a recreational fee schedule and revenue generation program for Piers 2, 5 and potentially other components of the Park in the short-term and with relatively little risk relative to the base model. To implement the concept of a new indoor recreational facility or set of facilities, BBP would need to engage in planning and project fundraising activities over a longer time frame and with substantially greater risks than those posed by the current funding model.

Enhances diversity of funding streams for Park operations and its overall financial viability.
In line with the practice at other major urban parks in New York and across the United States, additional user fees from outdoor recreational facilities would diversify the Park funding model and improve overall financial viability.

Extent of BBP's control; need for City or State legislative actions.
In the case of a new indoor facility, an operating agreement would be needed to establish roles and responsibilities between BBP and the facility operator. This agreement would be constrained by the need to ensure feasible operations.

Requirements for substantial changes to design and construction of existing or future Park elements. The outdoor option would not require any redesign of the Park, but would require a change in Park policy regarding charging for the use of fields, which have been contemplated as being low-cost or free to the public. The new indoor facilities would require a major reconfiguration of the Park and thus a GPP amendment as well.

Requirement for additional upfront investment by BBP. An enhanced revenue generation program for the multi-use fields, basketball courts and in-line skating rink would require a modest additional investment in staff capacity and organizational infrastructure, which would be offset by revenues.

Appropriateness of any required new building to its location and in context with surrounding uses; and how does this compare with the proposed Pier 6 and John Street sites.
The appropriateness of new indoor facilities could be a matter of some debate from a design and context perspective given its large scale. It is likely that a Chelsea Piers or Aviator Sports-type facility would generate substantially more Park usage and related traffic (pedestrian, vehicular, etc.) than the proposed Pier 6 and John Street developments.

Summary

Fee-based recreational facilities includes two potential alternative sources: (1) fees for use of planned Park fields, courts and rinks, ranging from $25 per hour for basketball courts, to $50 per hour for multi-use fields, to $100 per hour for an in-line roller hockey rink; and (2) ground lease revenues from the development of a new 200,000 square foot year-around indoor recreational facility (which would have to displace a planned park improvement). Fees for use of fields and courts would generate modest revenues. The addition of an all-weather “bubble” on Pier 5 could also potentially extend the use of the outdoor fields through the winter months and generate up to an additional $150,000 in revenues for the Park, based on comparable facilities. A new ice skating rink, however, would be unlikely to generate additional net revenues to the Park due to the significant capital costs that would be incurred by a concessionaire in constructing the rink. The implementation of fees for use of Park fields and courts would have little risk and enhance the diversity of funding sources with modest upfront costs.

Financial analysis indicates that a new indoor recreational facility would not be feasible, even with market rental rates given the high capital costs associated with the development of the facility. Most existing large indoor recreational facilities elsewhere in the City have used rehabilitated existing structures, resulting in much lower costs. It is possible that a non-profit recreation provider might conduct a capital campaign to build such a facility; however, in this situation the Park would be unlikely to receive significant ground lease payments. A new indoor recreation facility would require a redesign of a portion of the Park.

Event Facilities

What It Involves

Event facilities and special events are one of the most important ways that major urban parks generate revenues for park programming and the general operations and maintenance of park facilities. The case studies of major urban parks conducted for this report reveal that facilities (outdoor or indoor) and rentals for events generate an average of 15 percent of reported revenues for the parks profiled. Depending on the location, programming priorities and other revenue sources, the importance of events revenues can vary widely from park to park. In New York, Bryant Park generated approximately 50 percent of its total revenues in 2010 from events, while Central Park generated almost 20 percent of total revenues from park usages fees related to all types of events, including recreation. Closer to Brooklyn Bridge Park, the Prospect Park Alliance estimates that on the order of $500,000 in parks revenues – or approximately 4.5 percent of total revenues – can be attributed to events at Prospect Park for 2010.

With its highly scenic location on the East River waterfront, the Brooklyn Bridge Park is already an attractive location for events of all types, and will almost certainly continue to be an increasing draw for a variety of events and special Park users. In 2010, the Park generated $145,000 in events income, with $143,000 attributable to commercial and general purpose events that required the exclusive use of all or part of the built Park. (Note that these events do not include small permitted gatherings of 20 or fewer persons that do not require the exclusive use of park facilities.)

Table 12 on the following page shows the distribution of this event-related income by type of event. As shown, commercial film shoots, festivals/cultural events, and marketing/promotional events made up the vast majority of event revenue. Marketing/promotional events were the most lucrative type of special event, both on a gross and per-event basis. Promotional events, such as the appearance of a life-size Thomas the Tank Engine, yielded over $15,000 in revenue, on average, in 2010. Non-student film shoots made up the next largest proportion of events revenue, reaping over $3,000 in permit fees on average. Finally, festivals and cultural events, such as the Brooklyn Hip Hop Festival sponsored by Brooklyn Bodega, earned, on average, just over $2,000 in revenue.

Other event types, such as weddings and photo shoots of various stripes, occur at relatively more frequent intervals. However, as the cost of obtaining a permit for such events is generally lower, these events do not represent a substantial portion of the Park's overall event revenue.

Table 12: Special Event Revenue by Type of Event, 2010

Event Type	Number	% Total	Per Event Fee	Total Payment Received	% Total
Wedding Photos	23	17.6%	$24	$550	0.4%
Photo Shoot	22	16.8%	$359	$7,900	5.4%
Film Shoot	17	13.0%	$3,279	$55,750	38.4%
Wedding Ceremony	16	12.2%	$25	$400	0.3%
Community Recreation/Exercise	9	6.9%	$11	$100	0.1%
Festival/Cultural Event	8	6.1%	$2,078	$16,625	11.4%
BBPC Event	6	4.6%	$8	$50	0.0%
Community Musical Event	5	3.8%	$20	$100	0.1%
Marketing/Promotional Event	4	3.1%	$15,394	$61,575	42.4%
Party	4	3.1%	$13	$50	0.0%
Picnic	4	3.1%	$19	$75	0.1%
Award Presentation	3	2.3%	$667	$2,000	1.4%
Student Film	2	1.5%	$25	$50	0.0%
Birthday Party	2	1.5%	$13	$25	0.0%
Charitable Event	1	0.8%	$25	$25	0.0%
Unclassifiable	5	3.8%	$5	$25	0.0%
Total	**131**	**100.0%**	**$1,109**	**$145,300**	**100.0%**

Sources: BBP, 2010; BAE, 2011.

This funding alternative involves two distinct options for increasing revenues for Brooklyn Bridge Park related to events and special events:

- Increasing the Park's marketing and organizational capacity to generate greater event revenues at full Park build-out with no changes to the current Park plan and design; and
- Issuing an RFP for an outside entity to develop and manage a new, indoor events facility to be developed within the boundaries of the Park.

The Role of BBP and Potential Partners

BBP staff currently manages the events which take place throughout the Park. In order to expand the role of events revenues in funding Park operations, BBP would need to add additional in-house staff capacity to market the Park to potential users, to manage event rentals and to coordinate the use of event facilities. In the case of the indoor event facility, an outside operator (for-profit or non-profit) would enter into a long-term ground lease and operating agreement with BBP and would take primary responsibility for constructing, marketing and managing the event space.

Location(s) in the Park

The entire Park is potentially attractive to different types of users for various events. For large ticketed events which require relatively large open spaces to accommodate pavilions, stages, tents and other temporary structures, it is likely that Pier 1 would be the most desirable location. For film shoots, photo shoots and other smaller commercial activities, locations in the Park with a clear view of the Brooklyn Bridge as a backdrop will likely continue to be attractive. Smaller private events such as weddings and other private ceremonies and celebrations could potentially take place in various areas of the Park, including the Uplands and portions of the Piers when the Park is fully built.

Timing and Key Issues

The current operating model estimates event revenues in the amount of $75,000 in a stabilized year in 2011 dollars. In order to increase the role of events in driving revenues, the Park would need to increase staff capacity and potentially reconfigure portions of the Park to make it more attractive to event users. It would also likely need to expand Park policy regarding allowing the exclusive use of Park facilities for private events and temporary commercial uses.

Net Revenues to the Park

In order to estimate the total future events revenues that could be achieved at full park build-out, BAE modeled two distinct alternative revenue generating scenarios: 1) increased revenues from outdoor events and special ticketed events; and 2) increased revenues achievable from an indoor event facility not currently included in BBP's physical plan. Background market research, information from the New York City Department of Parks and Recreation and detailed analyses of these two alternatives are included as Appendix Tables G-3 through G-6.

Outdoor Events and Special Ticketed Events

In order to estimate the revenues that BBP could generate from outdoor and special ticketed events, BAE examined prevailing practices for comparable New York City parks. It should be noted that for certain events like film shoots, the BBP's current practice actually allows somewhat higher charges than is the adopted policy in New York City parks. The estimate prepared for this report assumes that by 2017 BBP will be required to adhere to New York City film policy, which limits charges for film shoots to $300 in permit fees in order to promote this activity. In a more aggressive scenario based on film shoot and marketing fees at BBP from recent years, these types of events could generate more in net revenues, however, as seen in the chart above, these film shoots only generate approximately $3,000 per event for an annual revenue of $20,000 to $50,000 and the number of film shoots in any given year is highly speculative. Assuming a gradual ramping up in demand for and capacity to accommodate event activities between now and 2017, the Park could achieve additional net revenues of approximately $288,000 per year in a stabilized year. This revenue estimate factors in the limited availability of outdoor areas for certain events during a portion of the year.

Table 13: Outdoors and Special Events Revenues, 2011-2017

Event Revenues	2011	2012	2013	2014	2015	2016	2017
Special Events - Athletic	$57,800	$86,700	$115,600	$115,600	$115,600	$115,600	$115,600
Special Events - General	$93,000	$139,500	$186,000	$186,000	$186,000	$186,000	$186,000
Park Usage/Commercial - Small Scale	$30,000	$36,000	$42,000	$48,000	$54,000	$60,000	$75,000
Permits - Small Groups (a)	$1,875	$2,500	$3,125	$3,750	$4,375	$5,000	$5,000
Permits - Films Shoots	$1,500	$2,100	$2,700	$3,300	$3,900	$4,500	$3,000
Total Revenue	**$184,175**	**$266,800**	**$349,425**	**$356,650**	**$363,875**	**$371,100**	**$384,600**
Event Expenses							
Special Events and Permits (b)	($46,044)	($66,700)	($87,356)	($89,163)	($90,969)	($92,775)	($96,150)
Total Expenses	**($46,044)**	**($66,700)**	**($87,356)**	**($89,163)**	**($90,969)**	**($92,775)**	**($96,150)**
Net Operating Income	**$138,131**	**$200,100**	**$262,069**	**$267,488**	**$272,906**	**$278,325**	**$288,450**

Notes:
(a) Less than 20 people.
(b) Calculated as 25% of revenues.
Source: BAE, 2011.

Indoor Event Facility

One option for Park funding that has been widely discussed is the idea of developing a new event facility to tap into the lucrative market for special events such as weddings, private receptions, corporate parties and bar/bat mitzvahs. These types of event centers have been especially successful in unique rehabilitated and historic structures in highly desirable locations. As the Park does not currently have such a physical space in its Plan, a financial model was developed that assumes the construction of a new 25,000 square foot building and structured podium parking to be managed by a private operator. The indoor event center could, based on a review of the local market, potentially accommodate the equivalent of between 175 to 200 full-day rentals per year. Despite the strong market for certain types of events in Brooklyn and New York City, the upfront capital costs associated with developing a new facility outweigh the long-term financial benefits. In a stabilized year, an indoor events facility would yield a negative residual land value, and thus no PILOT or ground lease payments to BBP.

Table 14: Indoor Event Center Financial Feasibility Summary

Event Center	
Total Development Costs	$8,460,790
Project Value (9% capitalization rate)	$7,822,222
Residual Land Value (basis for ground lease payment)	($638,567)
Annual Ground Lease Payment (10% of residual value)	$0
Annual PILOT	$0
TOTAL Annual Revenues	$0
One-Time Revenues (Including PILOST AND PILOMRT)	$0

Source: BAE, 2011.

A key cost consideration affecting feasibility is the need to provide parking, presumably in a more expensive podium level or other type of parking structure. While a number of New York City event venues do not offer parking, these facilities typically are located in Manhattan and/or have much greater transit access than the Park. Provision of parking would be an important factor for creating a successful dedicated event venue in the Park.

Considerations for Threshold and Evaluative Parameters

Timing and risk relative to the baseline model. The development of additional park capacity to accommodate outdoor and special events can occur sooner and with relatively little risk compared to the current funding model. The indoor events center, however, does not, under current development conditions, prove financially feasible within a comparable time frame.

Enhances diversity of funding streams for Park operations and its overall financial viability. In line with the practice at other major urban parks in New York and across the United States, additional event revenues would diversify the Park funding model and improve overall financial viability.

Requirements for substantial changes to design and construction of existing or future Park elements. Additional outdoor events would not require substantial changes to Park design, although a new indoor facility would necessitate a reconfiguring of one or more Park elements as well as GPP amendment. The dedication of an indoor facility to the exclusive use of private events would also potentially restrict public access to certain parts of the Park.

Requirement for additional upfront investment by BBP. An expanded events program would require a modest upfront investment by BBP to add staff capacity.

Appropriateness of any required new building to its location and in context with surrounding uses; and how does this compare with the proposed Pier 6 and John Street sites. A new indoor facility could be designed to fit in with the Park context and surrounding uses. The scale of the development would be much less significant than the proposed housing developments.

Summary

As with recreational facilities, this alternative includes two alternative sources: (1) increased efforts to generate revenues from additional rental of planned Park sites, with some potential modifications, comparable to other urban parks that generate up to 15 percent or more of earned revenues from this source; and (2) ground lease revenues from the development of a new 25,000 square foot events facility built within the Park. Increased rental of park sites could generate modest revenues. Similar to fees for recreational facilities, increased event rentals would have little risk and enhance the diversity of funding sources with modest upfront costs.

Financial analysis indicates that a new indoor events facility would not be feasible given the high capital costs associated with the development of the facility. While the operator of such a facility would be expected to generate profits from events, banquets, and other activities, the profits would be insufficient to repay the development costs of the facility. This means a new indoor events facility would not generate ground lease revenues. A key consideration in the cost calculation is the need to provide parking, which is a requirement due to the Park's site in Brooklyn and the lack of adjacent transit. A new events facility would require a redesign of a portion of the Park.

Concessions (all types, including food and fine dining)

What It Involves

Expanded concessions in the Park, including fine dining, have been suggested as a potentially high value business that can support substantial payments to the Park. The beginning point for consideration of the potential for additional concessions is what has already been included in the approved Park plan, as shown in the following table:

Table 15: Concessions in the Adopted Park Plan

Location	Type	Payment to Park
Pier 1		
Ditch Plains	Kiosk	$24,000
Brooklyn Bridge Wine Bar	Outdoor Wine Bar	$210,000
Calexico	Cart	$9,000
Blue Marble	Cart	$10,000
Pier 6		
Restaraurant	Full Service Retaurant	$230,000
Pier 5		
Picnic Peninsula Kiosk	Kiosk	$15,000
BB Plaza		
Smokestack Bldg	Kiosk	$14,000
Pier 2		
Snack Bar	Kiosk	$14,000
Total		**$526,000**

Figures are stabilized operations in 2011 dollars.

Source: BBP; BAE, 2011.

The Pier 1 concessions have opened, although some are still in a growth phase and have not yet reached stabilized operations and maximum potential revenues. The Park is currently in the process of identifying a potential user for an approximately 2,000 square foot restaurant at Pier 6. The Park also now has a bike rental concession at Pier 1 which will generate approximately $15,000 per year. The remaining concessions would be established on a seasonal basis as Park areas are built.

Aside from the Park's concession activities, there are other dining and retail facilities that will be located within or adjacent to the Park and compete with park concessions:

- The Pier 1 hotel project would be expected to have one or more restaurant venues, a bar, and meeting and banquet/event facilities.
- The One Brooklyn Bridge Project (360 Furman Street) has approximately 75,000 square feet of ground floor retail. The developer recently executed leases for a coffee shop, a wine store and a pet supply store comprising approximately 3,500 square feet.
- One of the other two residential development sites at Pier 6 could accommodate one or two additional restaurants or other retail uses in its ground floor space.

- Empire Stores, another revenue generating site for the Park, is also expected to have at least 75,000 square feet of ground floor retail, which would be expected to include restaurant and other food service uses.
- Additional retail development, envisioned as an alternative revenue source, could create up to an additional 65,000 square feet or more of retail, if approved. Such new retail would be expected to include restaurant and other food service uses

Adjacent to Pier 1 at the north end of the Park are the Brooklyn Ice Cream Factory and the River Café Restaurant, and within a quarter mile are additional dining and other retail choices along Old Fulton Street and the edge of the DUMBO area.

The traditional approach to park planning is to locate a limited number of concessions that offer convenience to park visitors and help enhance the park experience, rather than try to maximize market potential. For destination urban parks this can result in a smaller number of concessions than might be supported based on retail market conditions. The analysis in this report of the potential for additional concessions is intentionally limited to those that: (1) appear to have some potential market support, based on the analysis done for this report; and (2) appear to have the potential to be physically accommodated within the Park without displacing other recreational improvements[7].

The biggest constraint on the potential for additional concessions is the amount that has already been approved in the Park and in the project adjacent to the Park, along with new retail development in the DUMBO area and the potential for retail revitalization including new restaurants along Old Fulton Street at the north end of the Park. Existing buildings can be more advantageous for new retail because the costs of renovation are typically less than the cost of new construction. The northern end of the Park near Pier 1 has the greatest potential for additional concessions because of its accessibility, but would also most directly compete with nearby retail areas. The southern end of the Park near Atlantic Avenue has the second greatest potential for concessions, but it would directly compete with new retail in the Pier 6 sites (including One Brooklyn Bridge Park). The areas between Piers 2 and 5 have a much more limited ability to support extensive amount of new retail, and more limited site availability.

This extensive amount of competing new retail, in a location that local retail experts do not consider a destination because of limited transit access, means that there may be a risk of too much retail supply, which would affect the potential support for additional Park concessions. A detailed market study would be needed to quantify how much retail, including dining and other uses, might be captured in the Park relative to the local market area. That investigation is beyond the scope of this study.

[7] The section on the commercial real estate development alternative addresses the potential revenues from development of a much larger amount of retail space that would likely include additional restaurants and food-related tenants.

For this study, representatives of New York Parks & Recreation Department, other area parks and open space authorities and agencies, and individuals active in the Brooklyn retail real estate market were interviewed to identify a range for the potential types and amount of additional concessions that could be supported in the Park.

Based on discussions with Parks & Recreation staff, BAE identified high-value concessions, which are located in City-owned waterfront settings and are somewhat comparable to the Park, enumerated in the table below.

Table 16: Selected Park & Rec Food Service Concessions

Name and Location	Type of Food Service	Entrée Price Range	Avg. Annual Gross Revenue	Concession Fee Year 1	Concession Fee At Stabilization
Battery Park Restaurant Battery Park	Full-service restaurant and catering facility	$14-36	$6.9 million	$250,000 vs. 15% of gross	$400,000 vs. 17% of gross
Loeb Boathouse on The Lake in Central Park	Full-service restaurant and catering facility, outdoor café	Rest: N/A Café: $15-16	$18 million	$1 million vs. 15% of gross	$1.5 million vs. 17% of gross
Conservatory Waters Snack Bar Sailboat Pond, Central Park	Snack bar	$5-9	$360,000	$75,000 + 3% of gross above $1 million	$180,000 + 3% of gross above $1 million
Pier 1 Café along Hudson River in Riverside Park	Outdoor café	$14-18	$1.7 million	$20,000 + 7% of gross > $500,000	$20,000 + 9% of gross > $500,000
Hudson Beach Café Riverside Park	Outdoor café and bar	$9-17	$430,000	$35,000 vs. 9% of gross	$53,000 vs. 11% of gross
Boat Basin Café Riverside Park	Outdoor café and bar	$16-26	$3.8 million	$440,000	$462,000
Tavern Specialty Trucks Central Park	Four specialty food trucks	$6-8	N/A	$45,000 to $100,000 per truck	Does not change
Metropolitan Museum Specialty Carts	Two specialty carts	$3-7	N/A	Cart 1: $85,000 Cart 2: $108,000	Cart 1: $104,000 Cart 2: $158,000

Sources: NYC Dept. of Parks and Recreation, 2010; BAE, 2011.

The above food service concessions are all based in Manhattan. Aside from the Prospect Park Boathouse, which is a unique destination, Park & Recreation food service concessions in Brooklyn parks do not generate anywhere near the level of fee-based revenues as Manhattan concessions. The top two concessions in Table 16, Loeb Boathouse and Battery Park Restaurant, are not considered to be replicable in the Park since the available Park locations do not offer the same level of accessibility, visitor traffic, or potential to create a unique, high-volume destination catering venue as exists at Battery Park or Prospect Park. Excluding these two concessions, the revenues from the other restaurant concessions range from approximately $150,000 to $460,000 per year. The projected payments to the Park in its financial model from its new Pier 6 restaurant would fall midway in this range.

Another successful new equipment rental concession is the Bike and Roll bike rental concession, which is allowed to operate in five City parks. At full operation it will pay the City a minimum of $150,000 per year in total vs. percentage rent of 10.5 percent to 14.5 percent at various sales levels. The Park has just contracted with Bike and Roll for a bike rental concession at Pier 1 for an annual fee of approximately $15,000.

All of these considerations suggest that there may be at most potential support for no more than one additional sit-down restaurant in the park, one limited snack bar or outdoor café, one kiosk or cart, and one recreation equipment rental facility.

The Role of BBP and Potential Partners

BBP is responsible for identifying appropriate sites for concessions, defining the types of concessions to be conducted, conducting competitive solicitations, and administering concession contracts to ensure compliance and proper calculation of payments owed to it. The amount of staff time required to support concessions activities increases with the number of concessions.

Concessioners are generally responsible for the financing, construction, and operation of their facilities. For this discussion it is assumed that the Park would issue concession contracts of sufficient length, 20 years to 30 years or more, to allow a concessioner sufficient time to amortize the cost of new improvements.

Location(s) in the Park

Identification of specific locations within the park is beyond the scope of this study. A potential program for additional concessions is outlined, but additional planning and design work would need to occur to determine specific locations. A new restaurant should be located on or adjacent to the waterfront to help create the type of destination environment that can support higher revenues and larger payments to the Park. Other food service should be clustered to the extent possible near areas of maximum foot traffic at Pier 1 and Pier 6.

Timing and Key Issues

The timing of additional concession revenues could be expected to be comparable to that projected for the concessions in the approved Park plan. There may, however, be the risk that too many new concession activities could end up cannibalizing business from other concessioners, or other retailers in buildings in or adjacent to the park, rather than expanding overall demand or capturing new customers. This is a concern because the Park adjoins the Brooklyn Heights residential neighborhood and the neighborhood-scale retail area around Water and Front Streets; these areas do not offer the same level of accessibility, foot traffic, or residential and employment base as the more densely developed neighborhoods that are adjacent to many Manhattan and other City parks with high value concessions. This impact, if it occurs, would result in a smaller increase in additional concession revenues than is projected. The extent of this risk would be affected by the amounts and types of retail, including food service, that will end up on the ground floor of other new residential and commercial buildings in the Park, as well as in any other new commercial buildings in the Park or adjacent to it (including the nearby commercial areas outside the Park).

An expanded concessions program would require additional staff resources to solicit and negotiate concession contracts, as well as supervise concessioner activities and ensure compliance with concession contracts and the proper calculation of revenues owed to the Park. Further work would be needed to estimate these costs.

Net Revenues to the Park

The following table illustrates potential net revenues to the Park from additional concessions to those already in the approved Park plan. The projected revenues are based on what Manhattan park concessions are able to pay, discounted to reflect a lower intensity of park visitation in Brooklyn. These amounts represent a projection of what concessioners can afford to pay after deducting all costs of operation, required profit, and amortization of the cost of new facilities.

Table 17: Revenue from Additional Park Concessions

Type	Number	Additional Revenue to Park		
Casual Restaurant	0 to 1	$0	to	$200,000
Snack Bar / Outdoor Café	0 to 1	$0	to	$100,000
Kiosks & Carts	0 to 1	$15,000	to	$25,000
Bike and Equipment Rental	1	$25,000	to	$40,000
Total		**$40,000**		**$365,000**

Figures are stabilized operations in 2011 dollars.

Source: BAE, 2011.

Considerations for Threshold and Evaluative Parameters

Timing and risk relative to the baseline model. The timing of additional concession revenues would be expected to be similar to those in the baseline model. There may, however, be additional market risk as discussed in the previous section on timing and key issues.

Enhances diversity of funding streams for Park operations and its overall financial viability. Additional concessions would not increase the diversity of funding, although additional revenues could enhance overall financial feasibility.

Requirements for substantial changes to design and construction of existing or future Park *elements.* Permanent additional concession facilities, as well as temporary facilities such as kiosks, would be expected to require additional design and construction to integrate them into the Park setting. A new restaurant building would be expected to require a modification of the Park's GPP. While much of these construction costs would be expected to be paid by concessioners, there may be some additional costs to the Park.

Appropriateness of any required new building to its location and in context with surrounding uses; and how does this compare with the proposed Pier 6 and John Street sites. This would be a function of the specific locations and design for the additional concession facilities.

Summary

The concessions alternative envisions an increase in the number of concessions facilities in the Park, providing a wider range of dining choices, including fine dining, and recreational services. The current Park Plan includes a full service restaurant at Pier 6, an outdoor wine bar at Pier 1, and four food kiosks and two food carts at various locations in the Park, as well as a bike rental concession. No market study has been conducted to determine how much food-related uses could be supported in the Park, and doing so is beyond the scope of this report. Extensive amounts of planned new dining and retail are located within and adjacent to the Park. Within the Park, these facilities include at least two large sit-down restaurants within the 75,000 square feet of retail at the One Brooklyn Bridge Park building, retail in one of the other Pier 6 residential sites, a restaurant in the new Pier 1 hotel, and 75,000 square feet of retail in the Empire Stores location. Additional dining and retail are planned adjacent to the Park in the DUMBO neighborhood, and one of the other alternative sources could yield 80,000 square feet of retail space or more. This new retail, if built, may limit the potential market support for additional concessions in the Park.

There are few, if any, comparable waterfront settings in Brooklyn parks; therefore, a survey was conducted of waterfront park and other specialty park concessions in Manhattan. The survey suggests that an additional bike and recreational equipment rental concession has potential, and the Park has just released a Request for Proposals for an operator of such a facility. Interviews with local retail experts indicate that they do not consider the Park a destination environment for dining and retail because of limited transit access. Based on this information, the maximum potential for additional concessions within the Park appears likely to be no more than one additional full-service restaurant, one snack-bar and/or seasonal type operation, one to two kiosks and carts, and one recreational equipment rental facility. Depending upon the extent of competing retail, there may not be demand for even this amount. The cost to concessioners of new buildings will impact potential payments to the Park. The risk profile of concessions is comparable to the baseline model, and the impact on Park design would vary depending on sites and specific designs.

Commercial Real Estate Development

What It Involves

This alternative envisions retail and/or office development taking the place of residential development to fund park operations. Developed within Park boundaries under the GPP, new office or retail developments could be accommodated on the John Street or Pier 6 sites (if found viable) as well as in the uplands along Furman Street in the current Park plan. There would be a total of approximately 82,000 square feet of office space and 65,000 square feet of retail space (with 40,000 square feet, or slightly less than two-thirds, of that space potentially at the two Pier 6 sites).

For these developments to be viable, they would also need to offer parking to prospective retail consumers and office users. Development of new commercial development on the Piers is not feasible for structural reasons.

The Role of BBP and Potential Partners

As with the current Plan, BBP would issue RFP's to seek proposals from viable commercial development interests and then enter into development agreements with a chosen development firm or firms. As with the residential development, BBP would have the ability to collect both ground rent and PILOT revenues, and, in the case of the retail development, would potentially have the ability to collect some percent of gross revenues in the form of a participation agreement.

Location(s) in the Park

The location of the retail and office developments would be subject to further planning and feasibility testing, but, in order to minimize visual and other impacts from these non-park uses, it is assumed that they would likely be located on the Pier 6 sites or at a location along Furman Street. This would conceivably allow a mixed-use building with retail on the ground level and two or three stories of office space above it. Pier 6 commercial development would be outside the protected view shed and would not be limited to 45 feet.

Timing and Key Issues

Appendix C to this report contains a full market overview for both retail and office uses and highlights the uncertainty associated with the market acceptance of these uses over the proposed development time frame of 2016-2020. The market for office uses in particular may not support the occupancies and rents needed to create a feasible project.

Net Revenues to the Park

In order to estimate net revenues that could be generated from new office and retail development, BAE modeled a basic office development prototype and a retail prototype using current market and financial assumptions.

Given current market conditions and taking into account the types of office tenants that could be potentially drawn to this location, the office prototype does not achieve financial feasibility and thus does not generate positive revenues for the Park. A new retail project, however, could achieve feasibility as the retail market in Brooklyn improves and assuming a modest increase in prevailing retail lease rates. Table 18 below provides a summary of the potential revenues that could be generated by commercial development in the Park. The size and type of retail and office projects modeled by BAE are based both on an assessment of general site conditions as well as an assessment of commercial market demand over the five to ten year time horizon. It should also be noted that both office and retail development would likely receive Industrial and Commercial Abatement Program (ICAP) property tax exemptions for a period of up to 25 years, thus eliminating potential PILOT payments to BBP during the time frame under consideration.

Table 18: Estimated Office and Retail Revenues

	Office 2-4 Stories	Retail 65,000 Sq. Ft.
Total Development Costs	$30,318,885	$21,268,002
Project Value (7.5 - 8% capitalization rate)	$19,295,719	$23,836,032
Residual Land Value (basis for ground lease payment)	($11,023,166)	$2,568,030
Annual Ground Lease Payment (10% of residual value)	$0	$256,803
Annual PILOT (Assumes ICAP exemptions)	$0	$0
TOTAL Annual Revenues	$0	$256,803
One-Time Revenues (Including PILOST AND PILOMRT)	$0	$1,295,430

Source: BAE, 2011.

Considerations for Threshold and Evaluative Parameters

Timing and risk relative to the baseline model. Despite the clear market risk associated with the current funding model, the market risks associated with office and retail development are perhaps greater. Based on background market research conducted for this report, retail and office developers do not currently see the Park as a desirable development location absent the redesign of the Park to include a signature attraction and increase visitation. The Park also has transit access issues which, at present, impact its attractiveness as an office and retail location.

Enhances diversity of funding streams for Park operations and its overall financial viability. New office and retail development would offer some diversity in the Park funding streams.

Requirements for substantial changes to design and construction of existing or future Park elements. Some portion of the Park would potentially need to be reconfigured to provide adequate access to new office and retail development, but the costs would likely not be substantial. Substantial new commercial development within the Park would also require a GPP amendment.

Appropriateness of any required new building to its location and in context with surrounding uses; and how does this compare with the proposed Pier 6 and John Street sites.
To the extent that commercial development is seen as compatible with Park activities, new office and retail development could be designed to fit in with the local context. These uses would likely, however, generate more traffic than the proposed residential development, though further study of this would be required.

Summary

This alternative envisions development of mixed-use retail and office buildings, either on the Pier 6 sites or elsewhere in the Park. Buildings within the Brooklyn Heights view corridor would be limited to 45 feet in height. Based on interviews with market participants, the Park has a limited potential to become a retail destination and would support a limited amount of this use. Similarly, office space would need to be smaller in scale and targeted to local professional and creative services firms that do not need convenient transit access. Commercial development would need to provide parking to visitors and tenants to be viable.

Based on current market conditions, financial analysis indicates that the development of office space for this tenant pool would not be feasible. Retail, however is feasible and could support ground rent payments to the Park. Due to ICAP property tax exemptions, such a development within the Park would likely not result in short-term PILOT payments that would generate additional revenues for the Park. The market risk for this use could be somewhat greater than the baseline model, but it could provide some diversity in funding streams. There could be a need for redesign of portions of the Park, depending upon the final locations for this use.

Sponsorships

What It Involves

Corporate and individual sponsors are increasingly a major source of support for urban parks. The types of sponsorships include naming rights for individual facilities, one-time sponsorships for events, and ongoing sponsorships of programs. Research conducted for this report looked at urban parks in New York City and across the country where individual and corporate sponsors are typically involved in funding major capital projects and/or events and programs rather than the ongoing operations and maintenance of parks facilities. At Randall's Island, for example, the Icahn Stadium was financed in part by a $10 million one-time individual donation. Another example of how sponsorships are used is the Hudson River Park Trust, which has made an aggressive effort to offer sponsorship opportunities and naming rights to underwrite the costs of a variety of events and programs.

The research conducted for this report did not reveal cases where sponsorships have been used to provide annual dedicated support for operations and maintenance, and those involved in creating sponsorship opportunities and programs noted the unwillingness of sponsors to fund these types of activities.

An alternate strategy to leverage sponsorship opportunities could use the sale of naming rights for new Park facilities to free up public money already committed to Park improvements. These released improvement funds could then be reallocated to maritime repairs, helping to lower the amount of the annual reserve that must be set aside to fund this long-term need. Such a strategy would mean that the timing of the completion of Park improvements would be subject to the ability to successfully sell such naming rights.

The Role of BBP and Potential Partners

BBP would need to launch an enhanced effort to garner potential sponsors interested in providing capital funds in exchange for naming rights. A sponsorship feasibility study would need to be conducted to assess the viability of this effort and analyze the types of park assets that would be attractive to various types of sponsors. Absent such a study, projections of potential sponsorship revenues are speculative at best.

Location(s) in the Park

A variety of facilities within the Park would potentially be attractive locations for sponsorship, particularly all or part of the sports venues on Piers 2 and 5.

Timing and Key Issues

The timing of this alternative is somewhat unknown as it is dependent on the results of full targeted sponsorship campaign.

Net Revenues to the Park
The Park would not receive direct recurring revenues from this alternative for operations. However, if sponsorships could be used to relocate capital improvement funding to maritime expenses, this could potentially help lower the overall Park operating expense budget.

Considerations for Threshold and Evaluative Parameters

Timing and risk relative to the baseline model. As this alternative would not directly contribute to annual maintenance and operation revenues, but rather to funding capital projects, the timing is dependent on the results of a sponsorship campaign and the ability of the Park and the Conservancy to garner major new sponsorship support between now and 2017. Compared to the concept of generating revenues through residential development, this alternative could potentially take a relatively longer time to implement and involve greater risk in terms of the exact amount of funds that can be raised.

Enhances diversity of funding streams for Park operations and its overall financial viability. Sponsorship support for capital projects, events or programs could potentially serve to diversify the Park's funding streams and increase long-term financial viability.

Requirements for substantial changes to design and construction of existing or future Park elements. In the course of further assessing the viability of acquiring a sponsor for the naming rights of one or more Park components, it is likely that changes to the Park design could be suggested to enhance the Park's attractiveness and marketability to potential sponsors. For example, rather than the current plan for outdoor multi-use fields, it is likely that a sponsor would be more interested in funding a signature sports facility or indoor structure with another purpose.

Requirement for additional upfront investment by BBP. BBP and possibly the Brooklyn Bridge Park Conservancy would need to add staff capacity to make a concerted effort to garner major new sponsorships.

Summary
While corporate and individual sponsorships are an increasingly important source of support for parks, these sources are rarely available to fund maintenance. Sponsorship revenues are almost always associated with funding the costs of programs, events, or other activities. Naming rights for new facilities are also an important source of revenues; however, this typically represents a source of capital funding, rather than funding for operations. It is possible that the sale of naming rights for Park improvements such as the piers could generate revenues that would allow already committed City and State funding to be reallocated to the Park's maritime maintenance reserve fund, lowering future annual maintenance costs; however, a comprehensive sponsorship feasibility study would be needed to fully evaluate its potential. There could be a need for redesign of some sites to enhance their potential for sponsorships.

Fundraising/Grants

What It Involves

Fundraising is an essential component of the financial sustainability model for most major urban parks. Discovery Green in Houston is a notable example of a new urban park that has been particularly successful at raising money through ongoing fundraising activities and one-time events— 21 percent of its operating revenues are attributable to private individual, corporate and foundation giving. In New York, the Central Park Conservancy raised $8.6 million in 2009 to support Park programming and operations, representing 43.9 percent of the Conservancy's budget. The Prospect Park Alliance raised approximately $4 million in 2010, or 36.1 percent of that Park's annual budget. Although private donors and philanthropic funders are typically more interested in funding capital projects, events and programs than ongoing park operations and maintenance, a mature Park fundraising program with dedicated fundraising capacity and resources can potentially generate significant ongoing funding for operations and maintenance activities.

BBP does not currently engage directly in fundraising for operations and maintenance of the Park. The Brooklyn Bridge Park Conservancy, however, does raise money for Park programming activities. In 2009, the Conservancy raised $718,000 from private sector grants and contributions and another $217,000 from one-time fundraising events. These funds are used to support a variety of Park programming activities but do not serve to cross-subsidize the operations and maintenance budget as is the case with more mature urban parks.

The Role of BBP and Potential Partners

As with sponsorships, BBP, possibly in partnership with the Conservancy, would need to launch an enhanced effort to generate grant revenues that could potentially be used to cross-subsidize park operations.

Timing and Key Issues

Background research conducted for this report suggests that while possible, fundraising for park operations is a relatively labor-intensive and time-consuming endeavor requiring significant experience, capacity and dedicated staff resources. The exact timing of implementing this alternative would need to be established through a full fundraising feasibility study and strategic campaign, but it is likely that a relatively long time frame would be required to reach a significant revenue target.

Net Revenues to the Park

Based on the experience of comparable urban parks in New York and across the U.S., BBP could raise significant grant revenues at full Park build-out and with a fully mature fundraising operation. It is unlikely, however, that the net revenues available for Park operations and maintenance would exceed $1 million per year based on the experience of other urban parks where fundraising primarily supports programs and new capital facilities. As with sponsorships, fundraising could also potentially be used to raise money for capital costs (i.e., maritime maintenance), thus offsetting the need for higher revenues over the course of the next 50 years.

Considerations for Threshold and Evaluative Parameters

Timing and risk relative to the baseline model. Compared to the concept of generating revenues through residential development, this alternative could potentially take a relatively longer time to implement and involve greater risk in terms of the exact amount of funds that can be raised.

Enhances diversity of funding streams for Park operations and its overall financial viability. Fundraising in support of capital projects, events or programs could potentially serve to diversify the Park's funding streams and increase long-term financial viability.

Extent of BBP's control; need for City or State legislative actions. BBP in partnership with the Conservancy would have complete control over the implementation of this alternative.

Requirement for additional upfront investment by BBP. BBP and the Conservancy would likely need to add staff capacity to increase fundraising for the Park to make this alternative viable.

Summary

Fundraising is an essential component for most urban parks to achieve financial sustainability, generating anywhere from 21 percent to 42 percent or more of operating budgets. Raising this level of funds would require a sophisticated fundraising program with a dedicated, capable staff and a sufficient budget. This type of fundraising is typically done by an associated non-profit conservancy or "friends" group. The Brooklyn Bridge Park Conservancy (Conservancy) raised nearly $1 million in 2009; however, these funds were used to support Park programs and activities, rather than operations and maintenance costs.

The experience of other new City parks and other new urban parks in the U.S. was used to develop an estimate of potential additional annual fundraising to support Park operations and maintenance. Similar to sponsorships, new capital campaigns to fund planned Park improvements might allow already committed City and State funding to be reallocated to the Park's maritime maintenance reserve fund, lowering future annual maintenance costs; however, a comprehensive fundraising feasibility study would be needed to fully evaluate its potential. This alternative could take longer to implement than the baseline model and present additional risk in terms of the ultimate amount that could be raised, although it would diversify Park funding sources. Additional staff and budget resources would be needed to organize this activity, although this could be done by the Conservancy or another affiliated organization.

Leveraging Opportunities Related to the Expected Disposition of the Watchtower Properties

What It Involves

The Watchtower Bible and Tract Society of New York, Inc. (Watchtower) is a religious organization with extensive property holdings adjacent to the Park in the Brooklyn Heights and DUMBO neighborhoods. These properties span a total of 30 tax lots (some with multiple buildings), a number contiguous to each other, and include a wide variety of office, industrial, residential, and parking lot uses. Based on City property records, there is a total of just over three million square feet of space in these buildings. Based on current zoning, including the recent DUMBO rezoning, there is also approximately 860,000 square feet of additional space that could be developed "as of right" on some of these Watchtower properties.

Watchtower is in the process of entitling a new Upstate site with the expectation that it will relocate many of its functions currently in Brooklyn. This has led to the suggestion that there may be an opportunity to capture for the benefit of the Park some of the real estate value that would be created once Watchtower properties are sold and converted to a higher value use (e.g. printing plant to loft residences). Watchtower, in a meeting with BBP staff and BAE during preparation of this Study, indicated that it is conducting an internal review of its property holdings but that no decision has been made concerning the disposition of these properties.

Two alternatives were formulated and studied based on public suggestions and discussions with BBP staff to capture value from redevelopment of Watchtower properties:

- Agreements that would allow Watchtower to use the General Project Plan (GPP) entitlement process, similar to what was done for the One Brooklyn Bridge (360 Furman Street) project, rather than the City's Uniform Land Use Review Procedure (ULURP). This could both reduce risk for a developer and speed up approvals, with the developer sharing with the Park some of the additional profits this would create.
- The current design for the Park's Pier 1 hotel and condominium development site would block most of the views from the large Watchtower property at 30 Columbia Heights that spans the block to Furman Street. Redesign of the Pier 1 project could preserve much of these views, enhancing its value, and Watchtower has indicated willingness to make a payment to protect these views.

Because Watchtower is a tax-exempt religious organization, once its properties are sold to taxable entities they will start generating property tax revenues, and the City's General Fund will gain a millions of dollars in new property tax receipts. Another alternative was suggested to use PILOT agreements to capture the new tax revenues as the tax-exempt Watchtower properties are converted to taxable properties. This alternative was not evaluated because its study was not authorized by the CAH. CAH members discussed this alternative, however, a majority indicated that they believe such a PILOT would not satisfy threshold parameters because it would redirect moneys that the

City normally receives when tax-exempt property is sold to a tax-paying entity.

Another idea for capturing increased property value from Watchtower properties is tied to any rezoning or new entitlements that Watchtower would decide to obtain through the ULURP process. The idea would be for the City to obtain as a condition of final approval for Watchtower-related rezoning or new entitlements, to the extent allowed by law, financial or other benefits for the Park. This suggestion is essentially another variation on the PILOT concept and fails to satisfy the threshold parameters, as previously discussed, because it would redirect funds from the City's General Fund.

A different suggestion has been made for the City to use its eminent domain power to seize control of the Watchtower Properties, and then redevelop them in order to capture the increase in value. The use of eminent domain would not appear to be a viable option in this case and would still call for the payment of fair market value for the properties acquired, meaning such use would not result in additional revenues to the Park.

The Role of BBP and Potential Partners

The Brooklyn Bridge Park Development Corporation (BBPDC), a subsidiary of the Empire State Development Corporation, still exists as a legal entity and has the ability to use the GPP process for projects within its boundaries. It is assumed for this analysis that BBP would work with the BBPDC to utilize the GPP process by entering into development agreements with purchasers of Watchtower properties who wish to redevelop them for uses other than those allowed by current zoning.

Redesign of the Pier 1 project would be done through an agreement between BBP and Watchtower. This would require a GPP modification related to the increased height of the building.

Location(s) in the Park

The Pier 1 site is the only location within the Park that is affected in the event that the project is redesigned. Redesign of the Pier 1 project to protect Watchtower views would require that the hotel become a few stories taller than the currently planned 10 stories, however it would occupy a much smaller footprint. Preliminary analysis by BBP staff suggests that this can be done without impacting the protected Brooklyn Heights view plane (i.e. protected views would be unaffected) and in full compliance with agreements between BBP and the community on its design.

The Park would not be directly affected by redevelopment of Watchtower properties, including those adjacent to the Park as well as those in other Brooklyn locations. It is assumed that redevelopment of the Watchtower buildings adjacent to the Park on Furman Street and in Columbia Heights would occur entirely within the existing envelope (structure) of those buildings.

Timing and Key Issues

The timing of use of the GPP process to rezone properties, or an agreement to redesign the Pier 1 project (which would also require a GPP modification), is variable and subject to the decisions of Watchtower and/or those to whom it decides to sell its properties. Real estate investors interviewed for this study consider Watchtower to be a highly sophisticated owner of real estate. It owns its properties debt-free and is under no apparent time pressure or other requirement to sell or redevelop its properties on any particular timeline (e.g. it does not need to sell its Brooklyn properties to finance its Upstate development project).

A key consideration would be Watchtower's motivation for using a GPP process that would require it to share some of its profits with the Park. The alternative would be for Watchtower to pursue the ULURP process for any necessary rezoning or entitlements; given its lack of financial pressure, carrying costs, or development deadlines (unlike a typical real estate developer), it could do so and not have to share *any* of the increase in value with the Park. Property owners who seek to maximize their returns will obtain necessary rezoning or entitlements prior to sale in order to maximize the sale price of their property. Given the extent of Watchtower's holdings in Brooklyn, it is reasonable to expect it to be a "patient seller" who would sell its properties over a number of years and at points in market cycles that will maximize its profit. Although 360 Furman Street was a Watchtower-owned property that was sold to a developer, that the sale occurred prior to the involvement of the Park and the developer's decision to enter into a GPP process with the Park, and thus is not a relevant example.

Net Revenues to the Park

There is no ready formula for the value of an agreement between a State-created entity and a developer to utilize the GPP process. GPP-approved developments at Battery Park City and Queens West are not directly comparable because they involved agency-owned land.

If a State-created entity does not own a development site, it would essentially offer use of the GPP process and set an option price for its use that would be based on a portion of the benefits that the developer believes it would realize from reduced risk and time savings compared to the ULURP process. This calculation would need to be tailored to each individual project. The Park's involvement with a GPP process for the 360 Furman Street (One Brooklyn Bridge) project was motivated by that developer's high carry (financing) costs; however, these potential savings would not apply to a GPP agreement with Watchtower because Watchtower has no such costs.

Key assumptions for this evaluation include: Watchtower will prefer to maximize its profits and use ULURP processes to rezone or obtain other entitlements as needed on its properties prior to their sale to developers; redevelopment of most of its large industrial or office properties to higher value residential uses is likely to be approved given previous approvals for similar redevelopment in the area; and Watchtower's possession of existing rights to develop an additional 860,000 square feet has value. These assumptions support a conclusion that it is unlikely that Watchtower would be willing to pay the Park to utilize the GPP process. For these reasons, this report makes the conservative assumption that there may be no revenue potential for this alternative. An assumption that Watchtower would act in a manner that does not maximize its profits, meaning it would prefer to pay a substantial fee to the Park to use the GPP process (assuming it is available for the properties in question), cannot be supported absent any indication of interest from Watchtower. Watchtower representatives did not express interest in use of the GPP process in a recent meeting with BBP staff and BAE, although they noted that they cannot provide a definitive answer until Watchtower's internal review of its plans for its properties is completed later this year.

The other Watchtower-related alternative, redesign of the Pier 1 project to protect views in Watchtower's building, does have a readily quantifiable value for a one-time payment based on reuse of the 30 Columbia Heights buildings with frontage on Furman Street for for-sale residential[8]. Previous research for other studies on the average increase in value from water views for for-sale residential units indicates a gain of approximately 20 percent. A beginning point for negotiations is that the increase in value would be evenly split between Watchtower and the Park. The calculations to illustrate the potential value to the Park of Pier 1 redesign and payments from Watchtower as shown in the following table:

Table 19: Proceeds from Redesign of Pier 1 Project

Affected Units (a)	75
Average Unit Size - sq. ft.	1,000
Average Unit Value Without View	$725,000
View Premium	20%
Potential Value Premium	$10,875,000
Potential BBP Share at 50%	$ 5,000,000

Note:
(a) Based on estimated floor area of 30 Columbia Heights, half of units facing Park, views on 8 floors protected
Sources: NYCEDC; BBP; BAE, 2011.

The actual amount would be determined through negotiation, and the above figures may change based on more thorough design analysis of the actual number of units that would gain a waterfront view. For planning purposes, a reasonable assumption is that the final negotiated payment from Watchtower could be in the range of $4 million to $5 million. It is important to note that this would be a one-time payment, rather than an annual source of ongoing revenues for the Park.

Considerations for Threshold and Evaluative Parameters

Timing and risk relative to the baseline model. It is difficult to accurately project the potential timing of redevelopment of Watchtower properties. Watchtower has indicated that some of its printing buildings furthest from the Park may be ready for near-term redevelopment in the next few

[8] The redesign of Pier 1 would require a GPP amendment.

years. Aside from the question of whether Watchtower would be willing to pay anything to use the GPP process, the risks associated with redevelopment of its properties is comparable to those associated with development in the baseline model.

By comparison, redesign of Pier 1 presents fewer risks than real estate development, and could occur sooner since it would be tied to the timing of the Pier 1 project. The primary risk would be potential public opposition to a GPP amendment for a taller but smaller footprint Pier 1 project, even though the redesign is expected to protect Brooklyn Heights view planes.

Requirements for substantial changes to design and construction of existing or future Park elements. Since detailed design has yet to occur for the Pier 1 project, minimal design costs are anticipated. The most significant Park cost would be those related to a GPP amendment.

Requirement for additional upfront investment by BBP. None. Although some have suggested that the City purchase Watchtower's properties so that it can act as a master developer and realize development profits, there is no available City or BBP funding to do so, setting aside the question of whether it would be appropriate or effective for a public agency to take on this role.

Summary

Watchtower is a religious organization that owns 30 tax lots, some with multiple buildings, in the Brooklyn Heights and DUMBO neighborhoods. These office, industrial, and residential properties total just over three million square feet, and there is "as of right" development potential for an additional 860,000 square feet. Watchtower is entitling a new Upstate site that is expected to accommodate many of its current Brooklyn operations, leading to suggestions on how to capture for the benefit of the Park some of the real estate value that would occur from sale and redevelopment of these properties (e.g. conversion of a printing plant to loft residences). Watchtower is conducting an internal review of its options and has no definitive plans at this time.

Two alternatives were studied for this report: (1) agreements to allow Watchtower to use the State General Project Plan (GPP) process for rezoning or entitlements in return for payment of a share of profits to the Park, bypassing the City's Uniform Land Use Review Procedure (ULURP); and (2) redesign of the current Pier 1 hotel so that it has a smaller footprint and is taller and does not block the views of Watchtower's large building on Columbia Heights facing the Park, in return for a one-time payment of a share of the real estate value retained through preservation of the views (the redesign would not impact the protected Brooklyn Heights view corridor).

Another alternative was suggested to use PILOT agreements to capture tax revenues as tax-exempt Watchtower properties are converted to tax-paying status, but was not considered because its study was not authorized by the CAH. CAH members discussed this alternative, but a majority indicated that they believe such a PILOT would not satisfy the threshold parameters because it would displace moneys that the City normally receives when tax-exempt property is sold to a tax-paying entity.

Watchtower's interest in sharing its profits in order to use the GPP process, as other developers have done, would likely be a function of the financing carry costs it might save and the shortened timeline for reviews and approval. It is assumed that Watchtower would not seek to rezone or entitle properties in a manner that would be unlikely to eventually obtain approval from the City. Meetings with the Watchtower representatives and those who have worked with Watchtower indicate that it is a sophisticated property owner without the financial pressures or development deadlines that typically drive developer decisions. This suggests that Watchtower would pursue rezoning and entitlements as needed to increase property values prior to sale and that it would likely be a patient seller of property over a number of years. In this case, Watchtower would likely consider the cost for its use of GPP rather than ULURP to not be worth the savings in time. Therefore a conservative assumption was made that this alternative has no revenue potential for the Park.

This finding led to an additional idea related to increased property value from any rezoning or new entitlements that Watchtower decides to obtain through the ULURP process. This would be for the City to obtain as a condition of final approval for Watchtower-related rezoning or new entitlements, to the extent allowed by law, financial or other benefits for the Park. However, this is essentially another type of PILOT agreement that would redirect funds that would otherwise go to the City's General Fund, and therefore it also fails to satisfy the threshold parameters.

For redesign of the Pier 1 hotel, it was possible to calculate an estimated number of new residential units that would have greater value because of the preserved East River and Manhattan views from Watchtower's building, and then to calculate a potential one-time payment to the Park for a share of the resulting real estate value. Redesign of Pier 1 appears to present fewer risks, primarily related to opposition to a taller building, even with a smaller footprint and compliance with the terms of BBP's agreement with the community on design of the building, including protection of the designated Brooklyn Heights view corridor.

Increased Parking Revenues

What It Involves

According to the 2005 Final Environmental Impact Statement prepared for the Park, an estimated 1,283 parking spaces were planned within the park boundaries in five (5) parking facilities. The current development program provides for a total of 1,132 parking spaces excluding on-site parking along Furman Street. This alternative contemplates the addition of on-site parking on

Furman Street as well as approximately 200 new spaces in a fee-generating parking garage, which would serve both Park visitors and the need of the surrounding neighborhood for long-term parking.

The Role of BBP and Potential Partners

BBP would have primary control under the GPP for implementing this alternative, possibly in partnership with a private developer for the development of a new parking garage.

Timing and Key Issues

The on-site parking alternative could be implemented immediately. The parking garage would require a somewhat longer time frame, though still basically comparable with the current funding model.

Net Revenues to the Park

The Park could almost immediately generate net revenues by creating up to 80 new on-site parking spaces along sections of Furman Street and along the loop road at Pier 6 that are not currently programmed. The on-site parking revenue model assumes hourly rates of $2.50 with an average occupancy during peak periods of 8 hours per day. Not accounting for up-front capital costs or ongoing additional maintenance associated with this option, the gross revenues to the Park for this alternative would be on the order of $438,000 per year[9].

Table 20: On-Site Metered Parking Revenues

Spaces	80
Hourly Rate	$2.50
Daily Revenues (assumes 8 hours average usage)	$20
Days/Year (takes into account holidays and seasonal adjustment)	274
Yearly Gross Income	$438,000

Source: BAE, 2011;

In order to estimate the net revenues from a new parking garage, BAE modeled the development of a new above-ground parking structure with approximately 200 spaces. Assuming current prevailing construction costs and market rates for hourly and monthly parking, BAE estimates that this option would generate net ground lease revenues of approximately $233,000 per year with one-time revenues of $631,447. As with commercial real estate generally, however, it is likely that a new for-profit parking garage would be subject to ICAP property tax exemptions and would thus not yield PILOT payments to BBP for up to 25 years.

[9] The model used to derive this figure takes into account seasonal fluctuations in demand for outdoor parking spaces.

Table 21: Net Revenues from Indoor Parking Garage

Total Development Costs	$10,947,915
Project Value (8% capitalization rate)	$13,279,500
Residual Land Value (basis for ground lease payment)	$2,331,585
Annual Ground Lease Payment (10% of residual value)	$233,159
Annual PILOT (Assumes ICAP Exemptions)	$0
TOTAL Annual Revenues	$233,159
One-Time Revenues (Including PILOST AND PILOMRT)	$631,447

Source: BAE, 2011.

Considerations for Threshold and Evaluative Parameters

Timing and risk relative to the baseline model. Compared to the concept of generating revenues through residential development, either option under this alternative could be implemented more quickly and with comparable or less risk compared to the baseline model.

Enhances diversity of funding streams for Park operations and its overall financial viability. This alternative would clearly serve to diversify the Park's funding streams and increase overall financial viability.

Extent of BBP's control; need for City or State legislative actions. BBP would maintain control of the implementation of this alternative, but would likely be required to partner with NYCDOT for the creation of new metered parking spaces. The development of a new parking garage would require a GPP amendment.

Requirements for substantial changes to design and construction of existing or future Park elements. The construction of a new parking garage would require substantial changes to the design and configuration of the park in its upland portions and potentially in the area bordering Furman Street. More planning, architectural and engineering feasibility studies would be required for this alternative to be implemented.

Summary

This alternative includes the provision of up to 80 new surface spaces on Park property adjacent to Furman Street, as well as the construction of 200 parking spaces in a new parking garage. This parking would be in addition to the 1,132 spaces being provided in various locations adjacent to the Park to meet the needs of new development as well as park visitors. Further, the additional new spaces would serve both park visitors as well as residents of the adjacent neighborhoods. This alternative could be implemented more quickly and with comparable or even less risk than the baseline model. It would diversify the Park's funding sources. There would be a need for redesign of affected areas of the Park, with impacts relative to existing sites based on location and design.

Next Steps

Following a 60-day comment period on the final draft of this report, comments received at a public hearing and via e-mail were compiled by BAE and presented to the CAH. These comments are included as Appendix F. The CAH provided BAE with direction on how to address the various comments received.

This Final report will be presented to the CAH for acceptance at a meeting scheduled for June 14, 2011. If accepted, this report along with related recommendations from the CAH will be forwarded to the full BBP Board for consideration.

Appendix A: Sources

BBP Documents Listed in Reverse Chronological Order by Date:

Brooklyn Bridge Park Cash Flow and Assumptions (pdf from NYCEDC, current)
Brooklyn Bridge Park Maritime Lifecycle Costs (internal file from BBP, current)
Brooklyn Bridge Park 360 Furman PILOT Projections (internal file from BBP, current)
Brooklyn Bridge Park Construction Phasing and Funding Sources (internal file from BBP, current)
Brooklyn Bridge Park Capital Commitment Plan (internal document from BBP, current)
Brooklyn Bridge Park FY2011 Revenue Budget
Brooklyn Bridge Park FY2011 Operating Budget
Modified General Project Plan (Affirmed as Modified, June 15, 2010)
Term Sheet dated March 8, 2010 between The City, The State, and the Empire State Development Corporation
Memorandum of Understanding Between the City of New York, the State Assembly member from the 52nd District and the State Senator from the 25th District, March 8, 2010
Brooklyn Bridge Park: A Real, World Class Park for the 21st Century (PowerPoint)
Brooklyn Bridge Park Phasing Plan (PowerPoint)
Brooklyn Bridge Park Financial Plan (PowerPoint, January 29, 2009)
Environmental Impact Statement (December, 2005)
Brooklyn Bridge Park: Concept Plan (spring, 2003)
Economic Viability Study: Piers Sector, Brooklyn Bridge Park (by The Praedium Group, Ltd, Ernst & Young LLP, Federman Design + Construction Consultants, Inc., February 1997)

***Community Documents**:*

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"New Carousel Building to Anchor Park Cove," Dennis Holt, September 27, 2010, www.brooklyneagle.com
"Millman, civic groups say city's bidding process for DUMBO's Tobacco Warehouse stinks," Rich Calder, September 22, 2010, www.nypost.com
"Marketing Campaign Seeks Retailers for 'The Shops at One Brooklyn Bridge Park'" Linda Collins, September 13, 2010, www.brooklyneagle.com
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"A Heavenly Portfolio," C.J. Hughes, July 2010, The Real Deal, www.TheRealDeal.com
"The Greening of the Waterfront," Nicolai Ouroussoff, April 1, 2010, Art & Design section, www.nytimes.com
"Brooklyn Bridge Park as Lure for a New Condo," Alec Appelbaum, March 12, 2010, www.nytimes.com
"State Agrees to Let the City Finish Brooklyn Bridge Park," Diane Carwell, March 9, 2010, www.nytimes.com
"*Historic Turning Point:* After Century in Brooklyn, Watchtower Pulls Out of Heights," Linda Collins, February 23, 2010, www.brooklyneagle.com
"When Parks Must Rely on Private Money," Diane Cardwell, February 5, 2010, N.Y./Region Section, www.nytimes.com
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"Brooklyn Bridge Park's Pier 6 Getting Fast-Tracked," Lockhart, March 17, 2009, Curbed, www.ny.curbed.com
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"Bridge 'park' housing now also on hold," Mike McLaughlin, The Brooklyn Paper, January 20, 2009, www.brooklynpaper.com
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Brooklyn Heights Blog, www.brooklynheightsblog.com

Appendix B: History of Park Development/Timeline

Bolded sections below represent key milestones in the Park's planning and development.

- 1978: New York State Office of Parks, Recreation and Historic Preservation acquires ConEd waterfront property and transforms into Fulton Ferry State Park.

- **1984: PANYNJ begins seeking alternative uses for Piers 1 through 5.**

- **1985: Friends of the Fulton Ferry Landing forms (predecessor to the Brooklyn Bridge Park Coalition).**

- 1989: Brooklyn Bridge Park Coalition, an alliance of more than 60 member groups, forms and begins advocating for a Park along the Brooklyn waterfront.

- **1992: Community, led by the Brooklyn Bridge Park Coalition, draws up guidelines for development, which includes Guideline 8, "Develop a Fiscally Prudent Plan," in which is embedded the idea of a self-sustaining park that will pay for its operating costs.**

- January 1994: Governor Cuomo announces that the State through the Urban Development Corporation (predecessor to ESDC) will take the lead in implementing a plan for mixed-use development on the Brooklyn waterfront at Piers 1 through 5.

- 1996: The Brooklyn Bridge Park Coalition commissions an economic viability study for the Park, paid for with State funding from Assemblywoman Dugan ($1.5MM grant for Park planning).

- December 1996: The PANYNJ grants the Strober Organization a 10-year lease on Pier 3 to operate a lumberyard/warehouse. Community groups challenge the lease in a Federal lawsuit, which a Federal judge later dismisses.

- 1997: Assemblywoman Millman and Senator Connor secure an additional $1MM for master planning of the Park.

- February 1997: Praedium's Economic Viability Study for the Park is released, suggesting major pier uses for public recreation including a pool, marina uses, a conference center and hotel, and an ice-skating rink through a phased implementation plan. Limited market analysis was conducted in the study.

- **December 1997: Borough President Howard Golden and other elected officials propose formation of the Brooklyn Waterfront Local Development Corporation ("BWLDC"). The BWLDC conducts community planning workshops and focus groups to solicit ideas for the waterfront and begin the process of consensus building to solidify plans.**

- 1998: The State Legislature finances the Downtown Brooklyn Waterfront Local Development Corporation to develop a proposal for the site. BWLDC is provided with almost $2MM to create a park plan.

- **1998: The community's 2-year planning process culminates in the announcement of the Brooklyn Bridge Park Master Plan.**

- 1999: David Walentas, a developer, proposes a plan for waterfront development between the Brooklyn and Manhattan Bridges, containing a movie theater, retail shops, a hotel and marina. The plan dies in the face of community opposition, with the criticism being that the plan contains too much commercial development.

- **1999:** BBPDC selects Urban Strategies (Ken Greenberg) to design the Park. Michael Van Valkenburgh Associates is on the team as park designer/landscape architect; HR&A as financial consultant and public finance consultant; Vollmer Associates on transportation and access; Glatting Jackson Kercher Anglin Lopez Rinhart Inc. for strategic advice on transportation and access; Cerami Associates to assess acoustical issues; Maxine Griffith and the Regional Plan Association; and William Boyle as special advisor on waterfronts and public programming.

- **2000: Mayor Giuliani commits $65MM to the Park project.**

- February 2000: The PANYNJ agreed to allow the Brooklyn waterfront piers to be used as public parkland.

- Summer 2000: First Annual Park Film Series.

- **September 2000: BWLDC present Illustrative Master Plan to the City, State and PANYNJ.**

- **January 2001: Governor Pataki commits $87MM to the Park project and donates land to the Park.**

- December 2001: Main Street Playground opens.

- **May 2002: MOU signed between the State (Governor Pataki) and the City (Mayor Bloomberg) committing $150MM to design and construct the park through the Brooklyn Bridge Park Development Corporation ("BBPDC"), a newly formed subsidiary of ESDC with an 11 member Board. The MOU outlined the guidelines for park creation, including that no less than 80% of the area would be reserved for park uses.**

- 2002: Congresswoman Velazquez secures $1MM for a transportation access study.

- May 2002: James Moogan is appointed first President of the BBPDC.

Summer - September 2002: Citizens Advisory Council ("CAC") formed; CAC Consultation.

- **Spring 2003: Concept Plan for Brooklyn Bridge Park, based on the 2000 Illustrative Master Plan, presented by the State (Governor Pataki) and the City (Deputy Mayor Doctoroff) affirms Park's self-sustaining model.**

- September 2003: Mayor Bloomberg and the Governor Pataki cut the ribbon on the first completed section of the Park – a 1.5 acre green lawn and paths overlooking the Brooklyn Bridge.

- Fall 2003: The Jehovah's Witnesses announce intention to sell 360 Furman Street.

- December 30, 2003: BBPDC signs a funding agreement with the State for $85MM which also provides for the transfer of piers 1, 2, 3, and 5 to the BBPDC.

- February 2004: Funding agreements signed to provide capital dollars from NYC ($65MM) and the PANYNJ.

- **2004: Environmental Studies find piers eroding and unable to support certain proposed uses.**

- March 2004: BBPDC appoints Wendy Leventer as new President.

- Spring 2004: Brooklyn Bridge Park Coalition becomes Fulton Ferry Park's events coordinator.

- **2004: EIS begins, including Empire Stores and 360 Furman Street.**

- **Fall 2004: As part of the EIS process, BBPDC completes financial analysis to determine Operations and Maintenance ("O&M") costs and $15MM O&M tally made public. BBPDC announces search for complementary uses within the Park to generate revenues.**

- Winter 2005: Brooklyn Bridge Park Coalition formally becomes the Brooklyn Bridge Park Conservancy.

- **Spring 2005: BBPDC proposes new Master Plan for Park designed by Michael Van Valkenburgh Associates. Public is presented with specific housing development scenarios for the Park. Brooklyn Bridge Park Conservancy supports the plan.**

- **July 26, 2005: General Project Plan ("GPP") adopted by the ESDC and the BBPDC. The GPP has since been modified several times, with the last modification on June 15, 2010.**

- **December 2005: Environmental Impact Statement released.**
- November 2007: Regina Myer appointed President of the BBPDC.
- 2008: Demolition and site preparation work commences.
- February 2008: Construction on the piers section of the Park begins at Pier 1.
- Summary 2008: The "Pop-Up" Park on Pier 1 opens; Brooklyn Bridge Park Conservancy manages the concessions.
- January 29, 2009: BBP presents Park's Financial Plan to the community.
- **March 8, 2010: MOU signed between the City of New York, the State Assembly Member from the 52nd District and the State Senator from the 25th District to require BBP to create a subcommittee on Alternatives to Housing. This "SAH" was subsequently renamed the "CAH" at the direction of the Board of Directors of BBP at their September 22, 2010 meeting.**
- **March 2010: Pier 1 opens for operation. More than 5,000 visitors a day enjoy the Park.**
- **June 2010: Pier 6 opens (upland sections) for operation, including a 1.6-acre destination playground with sandbox and water play area.**
- **August 2010: BBP forms the Committee on Alternatives to Housing ("CAH") to study funding alternatives to the operation of the Park.**

Appendix C: Demographic, Economic and Market Overview

This Appendix provides a demographic, economic and market overview of the area surrounding Brooklyn Bridge Park in comparison to Brooklyn and the City of New York. Community Districts 2 and 6 in Brooklyn, the community districts closest to Brooklyn Bridge Park, are used as a primary trade area for potential Brooklyn Bridge Park users. Data for Brooklyn and New York City as a whole (Bronx, Kings, New York, Queens, and Richmond Counies) are also presented for comparison purposes.

Demographic Trends

Population and Household Trends

The 95,000 households in Community Districts 2 and 6 comprised approximately ten percent of all households in Brooklyn in 2010 (see Table C-1). There was an almost even divide between the percentage of family and nonfamily households in Community Districts 2 and 6 (46 percent and 54 percent respectively) compared to a 66 percent-34 percent divide in Brooklyn overall and a 61 percent-39 percent divide in New York City. Households in Community Districts 2 and 6 have historically been smaller than households in the other two geographies and this trend is projected to continue into the future.

Table C-1: Population and Household Trends, 2000-2015

	Community Districts 2 and 6				
	2000	2010	Annual Average Change 2000-2010	2015	Annual Average Change 2010-2015
Population	202,179	213,135	0.5%	216,195	0.3%
Households	89,608	95,069	0.6%	96,834	0.4%
Average Household Size	2.14	2.13		2.12	
Family Households	41,394	43,800	0.6%	44,543	0.3%
Nonfamily Households	48,214	51,269	0.6%	52,291	0.4%
Renter Households	72.3%	67.6%		67.5%	
Owner Households	27.7%	32.4%		32.5%	
	Brooklyn				
	2000	2010	Annual Average Change 2000-2010	2015	Annual Average Change 2010-2015
Population	2,465,326	2,576,674	0.4%	2,616,486	0.3%
Households	880,727	911,817	0.3%	922,877	0.2%
Average Household Size	2.75	2.78		2.79	
Family Households	584,120	604,546	0.3%	611,656	0.2%
Nonfamily Households	296,607	307,271	0.4%	311,221	0.3%
Renter Households	72.9%	68.9%		68.8%	
Owner Households	27.1%	31.1%		31.2%	
	New York City				
	2000	2010	Annual Average Change 2000-2010	2015	Annual Average Change 2010-2015
Population	8,008,278	8,430,691	0.5%	8,581,158	0.4%
Households	3,021,588	3,131,885	0.4%	3,170,211	0.2%
Average Household Size	2.59	2.63		2.65	
Family Households	1,853,223	1,918,038	0.3%	1,941,433	0.2%
Nonfamily Households	1,168,365	1,213,847	0.4%	1,228,778	0.2%
Renter Households	69.8%	66.0%		65.9%	
Owner Households	30.2%	34.0%		34.1%	

Source: Claritas, Inc., 2010; BAE, 2011.

Household Income

The median household income for Community Districts 2 and 6 has typically been significantly higher than for both Brooklyn as a whole and New York City (see Table C-2). The median household income for Community Districts 2 and 6 was $68,217 in 2010, compared to $42,667 in Brooklyn and $50,063 in New York City. A larger percentage of households in the two community districts had an extremely high household income: 18 percent of these households earned $150,000 or more in 2010, while only 7 percent of households in Brooklyn and 10 percent of households in New York City had incomes in the same range. Claritas estimates that by 2015, the disparity between Community Districts 2 and 6 and the other two geographies will have grown.

Table C-2: Household Income Distribution, 2000-2015

Income Distribution	2000 Number	2000 Percent	2010 Number	2010 Percent	Annual Average Change 2000-2010	2015 Number	2015 Percent	Annual Average Change 2010-2015
Community Districts 2 and 6								
Less than $35,000	33,111	36.9%	26,163	27.5%	-2.3%	24,321	25.1%	-1.4%
$35,000-$49,999	12,780	14.2%	9,834	10.3%	-2.6%	8,722	9.0%	-2.4%
$50,000-$74,999	16,073	17.9%	15,832	16.7%	-0.2%	15,074	15.6%	-1.0%
$75,000-$99,999	9,307	10.4%	12,289	12.9%	2.8%	12,134	12.5%	-0.3%
$100,000-$149,999	9,774	10.9%	13,638	14.3%	3.4%	15,529	16.0%	2.6%
$150,000-$499,999	7,685	8.6%	15,145	15.9%	7.0%	18,106	18.7%	3.6%
$500,000 or Higher	1,058	1.2%	2,167	2.3%	7.4%	2,947	3.0%	6.3%
Total	**89,788**	**100%**	**95,068**	**100%**		**96,833**	**100%**	
Median Household Income	**$48,829**		**$68,217**			**$75,618**		
Brooklyn								
Less than $35,000	465,795	52.9%	393,375	43.1%	-1.7%	371,659	40.3%	-1.1%
$35,000-$49,999	126,402	14.3%	122,348	13.4%	-0.3%	118,532	12.8%	-0.6%
$50,000-$74,999	136,962	15.5%	148,581	16.3%	0.8%	147,987	16.0%	-0.1%
$75,000-$99,999	68,813	7.8%	95,940	10.5%	3.4%	98,846	10.7%	0.6%
$100,000-$149,999	53,988	6.1%	88,458	9.7%	5.1%	104,909	11.4%	3.5%
$150,000-$499,999	27,080	3.1%	58,085	6.4%	7.9%	73,629	8.0%	4.9%
$500,000 or Higher	1,966	0.2%	5,030	0.6%	9.8%	7,315	0.8%	7.8%
Total	**881,006**	**100%**	**911,817**	**100%**		**922,877**	**100%**	
Median Household Income	**$32,638**		**$42,667**			**$46,361**		
New York City								
Less than $35,000	1,400,917	46.3%	1,162,956	37.1%	-1.8%	1,094,259	34.5%	-1.2%
$35,000-$49,999	430,297	14.2%	401,684	12.8%	-0.7%	381,529	12.0%	-1.0%
$50,000-$74,999	503,722	16.7%	516,945	16.5%	0.3%	508,527	16.0%	-0.3%
$75,000-$99,999	273,552	9.1%	351,567	11.2%	2.5%	357,579	11.3%	0.3%
$100,000-$149,999	234,553	7.8%	361,762	11.6%	4.4%	413,041	13.0%	2.7%
$150,000-$499,999	153,554	5.1%	291,949	9.3%	6.6%	355,545	11.2%	4.0%
$500,000 or Higher	25,882	0.9%	45,022	1.4%	5.7%	59,731	1.9%	5.8%
Total	**3,022,477**	**100%**	**3,131,885**	**100%**		**3,170,211**	**100%**	
Median Household Income	**$38,846**		**$50,063**			**$55,374**		

Source: Claritas, Inc., 2010; BAE, 2011.

Housing Tenure by Age of Householder

The primary trade area has a slightly higher percentage of younger owner-occupied householders than Brooklyn and New York City (see Table C-3). Householders 65 years and older have the highest owner-tenure rate in both Brooklyn and New York City (27.5 percent and 26.3 percent, respectively), while the largest percentage of owner householders (26.6 percent) is in the range of

45 to 54 years old.

Table C-3: Housing Tenure by Age of Householder, 2010

	Community Districts 2 and 6		Brooklyn		New York City	
Owner Occupied	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Householder 15 to 24 Years	309	1.0%	3,685	1.3%	11,774	1.1%
Householder 25 to 34 Years	3,032	9.9%	23,466	8.3%	91,038	8.6%
Householder 35 to 44 Years	6,402	20.8%	48,736	17.2%	200,001	18.8%
Householder 45 to 54 Years	8,175	26.6%	66,365	23.4%	251,525	23.7%
Householder 55 to 64 Years	6,737	21.9%	63,375	22.3%	229,662	21.6%
Householder 65 Years and Older	6,103	19.8%	77,969	27.5%	279,502	26.3%
Total Owner Households	**30,758**	**100%**	**283,596**	**100%**	**1,063,502**	**100%**
Renter Occupied						
Householder 15 to 24 Years	3,523	5.5%	32,588	5.2%	97,421	4.7%
Householder 25 to 34 Years	16,820	26.2%	126,070	20.1%	420,161	20.3%
Householder 35 to 44 Years	14,418	22.4%	136,281	21.7%	479,806	23.2%
Householder 45 to 54 Years	11,795	18.3%	123,261	19.6%	405,936	19.6%
Householder 55 to 64 Years	8,433	13.1%	93,452	14.9%	292,686	14.2%
Householder 65 Years and Older	9,323	14.5%	116,569	18.6%	372,373	18.0%
Total Renter Households	**64,312**	**100%**	**628,221**	**100%**	**2,068,383**	**100%**

Source: Claritas, Inc., 2011; BAE, 2011.

Household Projections

Table C-4 below shows the estimated growth in households in Brooklyn and New York City between 2010 and 2030. The average annual rate of household growth between 2015 and 2020 is expected to be faster than from 2010 to 2015 for both Brooklyn and New York City, increasing from a rate of 0.3 percent to 0.9 percent for Brooklyn, and increasing from 0.1 percent to 0.7 percent for New York City as a whole.

Table C-4: Household Projections in Brooklyn and New York City (in 000s), 2010-2030

Geography	**2010**	**2015**	**Annual Average Change 2010-2015**	**2020**	**Annual Average Change 2015-2020**	**2025**	**Annual Average Change 2020-2025**	**2030**	**Annual Average Change 2025-2030**
Brooklyn	893.0	904.6	0.3%	944.6	0.9%	980.3	0.7%	1,021.3	0.8%
New York City	3,059.1	3,074.7	0.1%	3,187.1	0.7%	3,289.4	0.6%	3,425.1	0.8%

Source: New York Metropolitan Transportation Council, 2011; BAE, 2011.

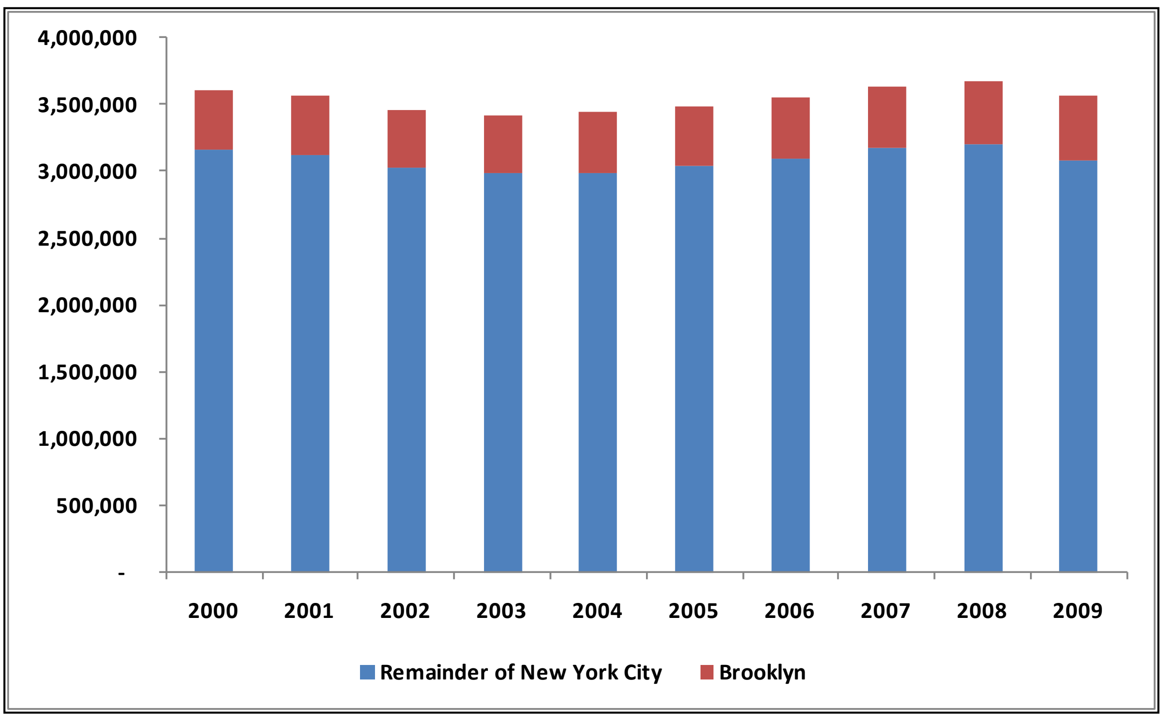
Employment Base

Employment growth in Brooklyn is expected to outpace New York City as a whole in future years, with the pace of growth estimated to slow down after 2020, and become more in line with the City's growth rates.

Total Employment

Figure C-1 below shows the amount of total employment in Brooklyn as a portion of New York City's overall employment. From 2000 to 2009, approximately 12 percent of New York City overall employment was located in Brooklyn. The City experienced declines in total employment from 2001 to 2003, with increases in employment recorded from 2004 to 2009, even with the beginnings of the economic recession occurring during this period.

Figure C-1: Total Employment, 2000-2009

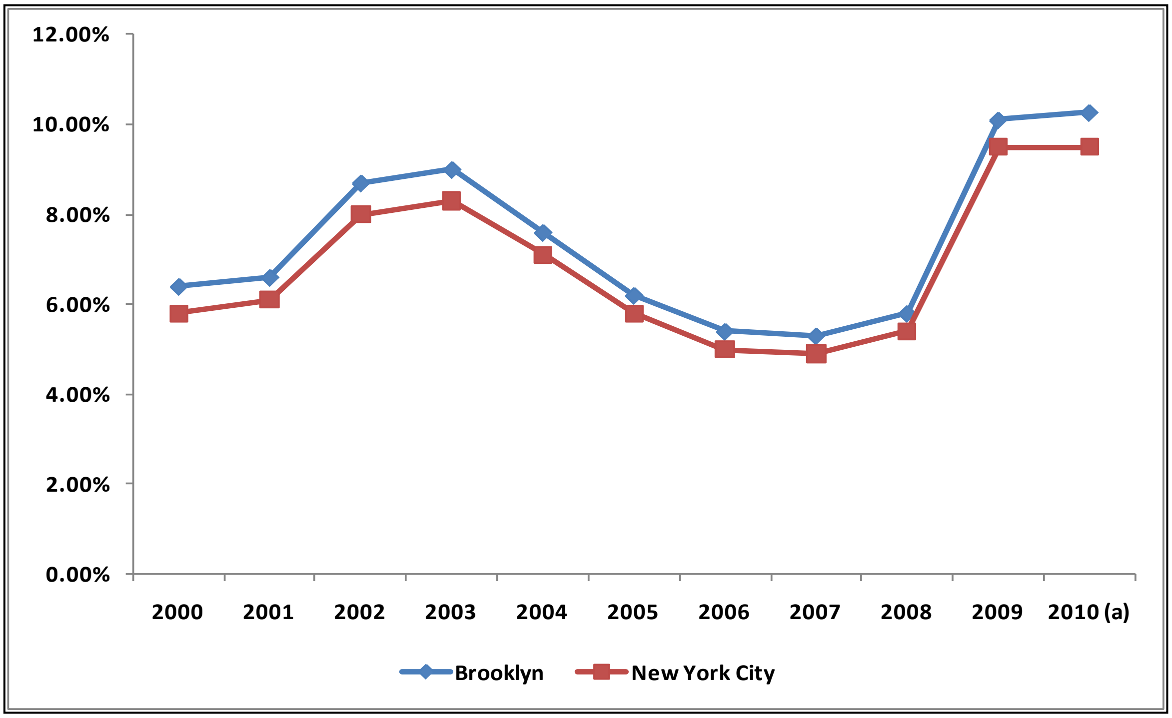


Source: New York State Department of Labor, 2011; BAE, 2011.

Unemployment Rate

Brooklyn's unemployment rate remained slightly higher than New York City's unemployment rate from 2000 to 2010 (see Figure C-2). Both geographies experienced spikes in their unemployment rate during the economic downturns in this time period, notably from 2001 to 2002 and from 2008 to 2009. During both of these time periods, the gap between Brooklyn and New York City's unemployment rates grew as well. From 2005 to 2008, the most recent period of economic strength, there was a difference of .40 percentage points between Brooklyn and New York City's unemployment rates. By 2010, the disparity had grown to .80 percentage points.

Figure C-2: Unemployment Rate in Brooklyn and New York City, 2000-2010



Source: New York State Department of Labor, 2010; BAE, 2011.

Employment Projections

Brooklyn's total employment is expected to increase at a faster rate than for New York City overall from 2010 to 2030 (see Table C-5). By 2025, the rate of employment growth is estimated to slow to rates similar to the City as a whole. Brooklyn's share of overall New York City employment is also expected to increase through 2030.

Table C-5: Projected Total Employment in Brooklyn and New York City (in thousands)

Geography	2010	2015	Annual Average Change 2010-2015	2020	Annual Average Change 2015-2020	2025	Annual Average Change 2020-2025	2030	Annual Average Change 2025-2030
Brooklyn	707.7	760.3	1.4%	809.3	1.3%	855.2	1.1%	896.1	0.9%
New York City	4,747.8	4,928.8	0.8%	5,100.7	0.7%	5,332.4	0.9%	5,530.0	0.7%

Source: New York Metropolitan Transportation Council, 2011; BAE, 2011.

Real Estate Market Overview

Second to Manhattan, Brooklyn offers the most competitive office, retail, and residential markets of New York City's boroughs. At present, commercial and residential markets are not as healthy as they were during their respective peaks in the mid-2000s; however, all three markets have shown improvement from the "bottom" of the real estate bust. Brooklyn retail and residential products are currently more stable than office products, which appear to depend more on smaller tenants.

The following market overview presents Brooklyn in comparison with New York City as a whole. When available, information is presented for Brooklyn Community Districts 2 and 6.

Residential Market

The New York City residential market is gradually beginning to recover from the recent housing crisis. Construction of rental units in the City increased in 2010, after a decrease in recent years. Many for-sale residential products in Brooklyn are now selling quickly after initial struggles forced developers to drastically lower their asking prices. While condominium sales are now steady, there are only a few condominium projects in the development pipeline.

Rental Apartments

Marcus & Millichap estimates that 7,200 market-rate rental units were added to the New York City apartment inventory in 2010.[10] The Avalon Fort Greene in Brooklyn added 631 units alone. Vacancy is expected to fluctuate throughout the City as the new units are absorbed into the rental stock. Occupancy in Brooklyn was expected to increase at a gradual pace for many of the outer neighborhoods, resulting in stagnant rents for 2010.

For-Sale Condominiums

The Furman Center for Real Estate and Urban Policy reports a median sale price of $803,000 for New York City condominiums in 3rd Quarter 2010. Between the boroughs, however, this number varied significantly, from Manhattan's median sale price of $1,142,500 to the Bronx's median of $132,000.

In Brooklyn, the total number of homes sold during 3rd Quarter 2010 increased from the same period in 2009; however, most homes featured a decrease in home value. Sixteen percent of all residential properties sold in Brooklyn were condominiums. Units in structures that contain two to four units remain the most prevalent type of home purchased in Brooklyn.

Construction of for-sale housing in Brooklyn slowed in 3rd Quarter 2010, similar to New York City overall. Residential building permits for 103 units were issued during the 3rd Quarter, a 25 percent decrease from the previous quarter, and a 73 percent decrease from 3rd Quarter 2009.

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[10] Source: Marcus & Millichap, New York City 4th Quarter 2010 Apartment Research Market Update.

Planned, Proposed, Under Construction, and Currently Selling Projects

There are currently only three residential projects planned, proposed, or under construction in Community Districts 2 and 6. Two of the projects—a 70-unit project on Water Street and "Navy Green," a 460-unit mixed-use project on Flushing Avenue— are currently under construction. The third project, the 450-unit "Gowanus Green," has been labeled a Superfund site by the U.S. Environmental Protection Agency, and will not be developed for at least 10 years, although the project's developers maintain that the project will be built.

Examples of the multiple projects currently being sold in the market area are shown in Table C-6. Asking prices vary significantly, with the Richard Meier on Prospect Park and One Brooklyn Bridge Park projects offering the most upscale products in Brooklyn currently. Based on the projects profiled, it appears that units with asking prices in the range of $600 to $640 per square foot have the fastest absorption rate.

In the case of both One Brooklyn Bridge Park and Richard Meier on Prospect Park, at least one quarter of buyers are households already living in Brooklyn. At One Brooklyn Bridge Park, family-friendly amenities make the larger unit types the most popular, while Richard Meier on Prospect Park markets itself as a chic alternative to living in Manhattan.

Table C-6: Selected Condominium Projects Currently Selling In or Near Brooklyn Community Districts 2 and 6

Property Name and Address	Sales Began	# of Bedrooms	Square Feet	Asking Price	Asking Price per Square Foot	Amenities/Features
Be @ Schmerhorn	May 2010	Studio	444	N/A	N/A	Concierge
189 Schermerhorn Street		1	606-871	$418,000-$525,000	$603-$690	Media Room/Billiards Room
Brooklyn, NY 11201		2	910-1,037	$576,000-$760,500	$633-$733	Garage Parking
718.246.0189						Courtyard/Greenhouse
246 total units; 226 sold						Wi-Fi Access in Common Areas
Richard Meier on Prospect Park	2006	1	1,091-1,195	$795,000	$665-$729	Health Club Membership
1 Grand Army Plaza		2	1,043-2,108	$890,000-$2,010,000	$853-$954	Concierge/Doorman
Brooklyn, NY 11238		3	1,825-2,293	$1,850,000-$2,700,000	$1,014-$1,177	Meeting Room/Billiards Room
718.230.7905		4	2,107	$1,850,000	$878	Parking
99 total units; 52 sold						
C-560	Dec. 2010	Studio	571-774	$460,000-$499,000	$594-$832	Basement Storage Space
560 Carroll Street		1	756-781	$455,000-$655,000	$601-$861	Video Security
Brooklyn, NY		2	961-1,335	$725,000-$945,000	$624-$935	
718.923.8001		3	1,412-1,649	$949,000-$1,495,000	$672-$907	
44 total units; approx. 50% available						
One Brooklyn Bridge Park	2007	Studio	589	$425,000	$722	Yoga and Dance Studios
360 Furman Street		Loft	815-1,103	$495,000-$875,000	$588-$971	Free Storage Space
Brooklyn, NY		1	823-1,309	$550,000-$995,000	$668-$838	Parking
718.330.0030		2	1,386-1,586	$950,000-$1,500,000	$685-$946	Meeting Room/Billiards Room
438 total units; 180 unsold		3	1,725-2,162	$1,750,000-$2,595,000	$1,014-$1,200	Children's Art Room
		4	2,295	$2,300,000	$1,002	
Columbia Commons	2010	1	609-802	$399,000-$499,000	$602-$709	Fitness Room
110 Warren Street		2	832-1,010	$595,000-$685,000	$673-$817	Parking
Brooklyn, NY 11201		3	1,272	$935,000	$735	Virtual Lobby Attendant
718.522.6769						
42 total units; less than 20 unsold						

Source: Corcoran Marketing Group, 2011; Brownstoner.com, 2011; Richard Meier on Prospect Park, 2011; One Brooklyn Bridge Park, 2011; BAE, 2011.

The above projects vary significantly in terms of number of units and available amenities. All of the projects profiled, with the exception of C-560, offer parking as an amenity, some with attendants. The Be@Schermerhorn property has had the fastest absorption rates—226 of the 246 total units have been sold since May 2010, when the project was re-launched.

Commercial Market

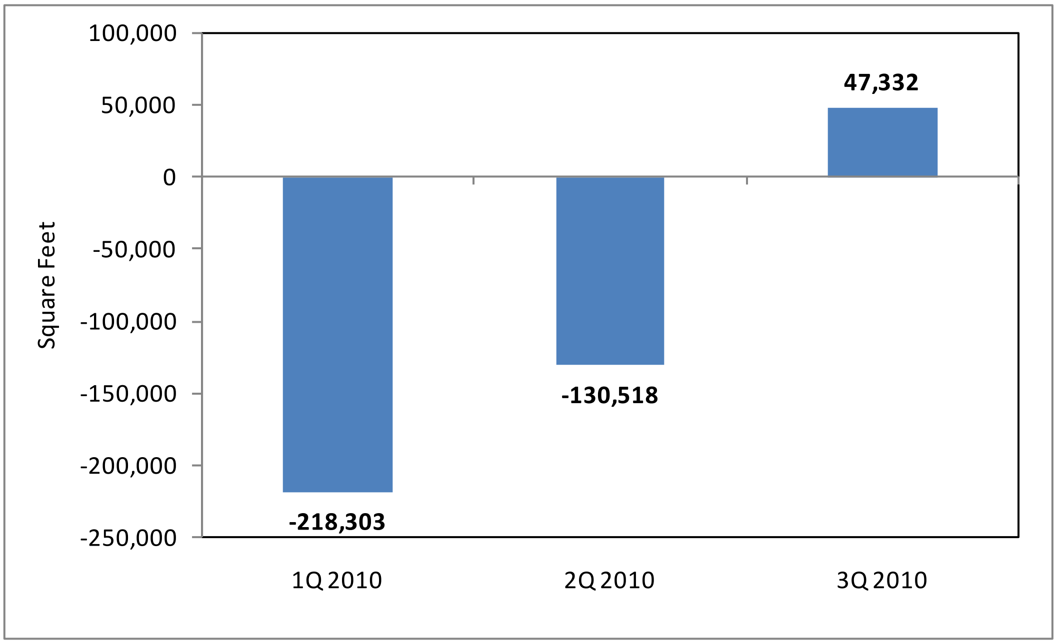
Office Market

Marcus & Millichap estimates that 1.9 million square feet of office space was added to the New York City inventory in 2010, a decrease from the 2.8 million square foot addition in 2009. It is also estimated that in 2010, rents continued to decrease from 2009, to an average asking rent of $52.87 per square foot, with an average effective rent of $42.42 per square foot.

Downtown Brooklyn's vacancy rate and average asking rates have remained relatively stable for the past year, while remaining significantly lower than the New York City averages. Newmark Knight Frank estimates Downtown Brooklyn's average asking rent at $28.78 per square foot in the 3rd quarter of 2010.

Similar to New York City as a whole, construction has slowed in Downtown Brooklyn. There was no office space under construction in Downtown Brooklyn in the 3rd Quarter of 2010. The Brooklyn market experienced a positive absorption in the 3rd Quarter of 2010; however, the total net absorption for 2010 through the end of September remained negative (see Figure C-3).

Figure C-3: Net Office Space Absorption in Downtown Brooklyn, 2010



Source: Newmark Knight Frank, 2010; BAE, 2011.

Smaller office users are responsible for the majority of space leased in Downtown Brooklyn; almost all leases signed in 3rd Quarter 2010 were for less than 5,000 square feet of space, with the exception of a 23,000 square foot space on Montague Street for a healthcare company. *Crain's New York Business* suggests that this may be part of a growing trend, where corporate office space users are able to take advantage of lowered rents in Manhattan, and Downtown Brooklyn is becoming more attractive to creative office space users such as Spike Lee's advertising agency, which recently rented 5,000 square feet in DUMBO.[11]

Retail Market

New York City as a whole experienced an upturn in its retail market in 2010. Marcus & Millichap attributes the upturn to an increase in both employment and tourism. Leasing remains strong in main thoroughfares throughout the City, but property owners in outer areas are having a more difficult time leasing space.

In contrast with office construction for 2010, New York City was expected to add 2.8 million square feet to its current retail inventory, representing an increase over the 855,000 square feet of new retail space added in 2009. Much of this new inventory will be dedicated to national retailers, who are increasing their presence in Manhattan as well as the outer boroughs. In Brooklyn, for example, Toys R Us leased space in a former hardware store for one of their "express" locations.

[11] Cavaluzzi, Joe. "Downtown Brooklyn Losing Its Edge." 14 March 2010. *Crain's New York Business*. http://www.crainsnewyork.com/article/20100314/REAL_ESTATE02/303149986#

The table below shows the average rents per square foot for Brooklyn retail corridors that run through Community Districts 2 and 6. Average rents vary significantly, with a low of $2.92 per square foot along several corridors and a high of $10.42 per square foot along the Fulton Street corridor.

Table C-7: Rents per Square Foot in Selected Brooklyn Commercial Corridors

	$/SqFt	
Retail Corridor	**Low**	**High**
5th Ave. (Lincoln Pl. to 9th St.)	$4.17	$5.42
5th Ave. (9th St. to 16th St.)	$2.92	$4.17
7th Ave. (9th St. to Union St.)	$5.42	$6.67
Atlantic Ave. (Clinton St. to 4th Ave.)	$2.92	$4.17
Columbia St. (DeGraw St. to President St.)	$2.92	$4.17
Court St. (Montague St. to Atlantic Ave.)	$6.67	$8.33
Court St. (Atlantic Ave. to Bergen St.)	$4.17	$5.42
Court St. (Bergen St. to Union St.)	$2.92	$4.17
Court St. (Union St. to 2nd Pl.)	$4.17	$5.42
Court St. (2nd Pl. to 4th Pl.)	$2.92	$4.17
Fulton St. (Adams St. to Ashland Pl.)	$8.33	$10.42
Fulton St. (Ashland Pl. to S. Oxford St.)	$4.17	$5.42
Fulton St. (S. Oxford St. to Classon Ave.)	$2.92	$4.17
Montague St. (Court St. to Hicks St.)	$6.67	$8.33
Myrtle Ave. (Carlton St. to Steuben St.)	$2.92	$4.17
Smith St. (Atlantic Ave. to Union St.)	$4.17	$5.42

Source: CPEX Real Estate, 2010; BAE, 2011.

The type of retail available varies significantly by corridor; some corridors feature national tenants, while others feature primarily locally owned businesses. The corridors that attract the highest rents (Montague Street and Fulton Street) cater to differing demographics. The length of time each area has been an established retail corridor also varies; areas such as 5^{th} Avenue are emerging as retail corridors after businesses have been priced out of more established retail areas.

Retail Leakage Analysis

The following table presents the amount of retail sales that occur in Community Districts 2 and 6, as well as the amount of retail expenditures made by residents of the area. The difference between the amount of expenditures and the amount in retail sales is the resulting leakage, meaning the amount of spending by residents of the area that is spent outside of the area.

The two community districts had an overall net leakage of $1.2 million, meaning more money was spent outside of the area than was taken in by retail stores. Almost $400,000 of resident expenditures in the General Merchandise category was spent outside of the community districts, making it the largest leakage category with the exception of Motor Vehicle and Parts Dealers. Only three categories had an overall capture in sales. Stores in the Health and Personal Care category, which include neighborhood retail stores such as CVS Pharmacy or Walgreens, captured almost $200,000 in surplus sales.

Table C-8: Retail Leakage in Community Districts 2 and 6, 2010

Merchandise Category	Consumer Expenditures	Retail Sales	Retail Leakage
Motor Vehicle and Parts Dealers	$451,948,445	$49,505,388	$402,443,057
Furniture and Home Furnishings Stores	$88,658,545	$40,989,155	$47,669,390
Electronics and Appliance Stores	$94,052,748	$51,173,052	$42,879,696
Building Materials and Garden Equipments Stores	$348,297,498	$215,509,333	$132,788,165
Food and Beverage Stores	$460,031,983	$342,574,257	$117,457,726
Health and Personal Care Stores	$173,669,043	$354,598,932	($180,929,889)
Gasoline Stations	$243,229,126	$41,354,813	$201,874,313
Clothing and Clothing Accessories	$204,743,534	$288,089,159	($83,345,625)
Sporting Goods, Hobby, Book, Music Stores	$81,362,814	$81,600,110	($237,296)
General Merchandise Stores	$496,946,674	$114,307,368	$382,639,306
Miscellaneous Store Retailers	$93,148,891	$57,384,785	$35,764,106
Foodservice and Drinking Places	$417,926,121	$295,919,303	$122,006,818
Total	**$3,154,015,422**	**$1,933,005,655**	**$1,221,009,767**

Source: Claritas, Inc., 2010; BAE, 2011.

Bryant Park, New York City

Site

Bryant Park is a ten-acre park located at the heart of Midtown Manhattan between the New York Public Library and Times Square. The park features mostly passive uses centered around the site's lawn, which include flexible seating, an outdoor library, and a lounge area known as the Porch, which is wired for laptop use. The park also features some minor recreation uses, including a carrousel, ping pong tables, and pétanque courts. While the Bryant Park Grill is the main food operator on site—running both a purpose-built restaurant and seasonal outdoor café—four kiosks scattered throughout the western portion of the park offer more informal food service. Aside from these permanent uses, the park features destination seasonal events funded by private sponsors, including an ice rink in the winter and a movie festival in the summer.

Capital Financing

Bryant Park has been managed by the Bryant Park Corporation (BPC) (formerly Bryant Park Restoration Corporation) under the provisions of a long-term contract since 1985. The BPC is a non-profit, private management company that has since become a national model for private park conservancies. In 1987, Bryant Park was closed for BPC-led renovations and improvements, which included the upgrade of existing facilities and development of new amenities.[12] The $18 million initial restoration was funded through a combination of grants, BID assessments, State bonds, City capital funds, and private venture capital.[13] In 1995, the BPC borrowed $4.2 million in order to construct the Bryant Park Grill. That loan has since been paid off and the rent paid by the restaurateurs now contributes to annual operations. In total, the BPC has funded approximately 83 percent of improvements, while the remainder has been public funds.[14]

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[12] Ernst & Young. *Analysis of Secondary Impacts – New York City Parks Capital Expenditures*. 2003. Purchased from New Yorkers for Parks.

[13] Project for Public Spaces. *Bryant Park, NY: Publicly Owned, Privately Managed, and Financially Self-Supporting*. Date unknown. Accessed online: http://www.pps.org/articles/mgmtbryantpark/

[14] Brooklyn Bridge Park Conservancy. *A Proposed Program Plan for Brooklyn Bridge Park – Phase 1: 2009-*

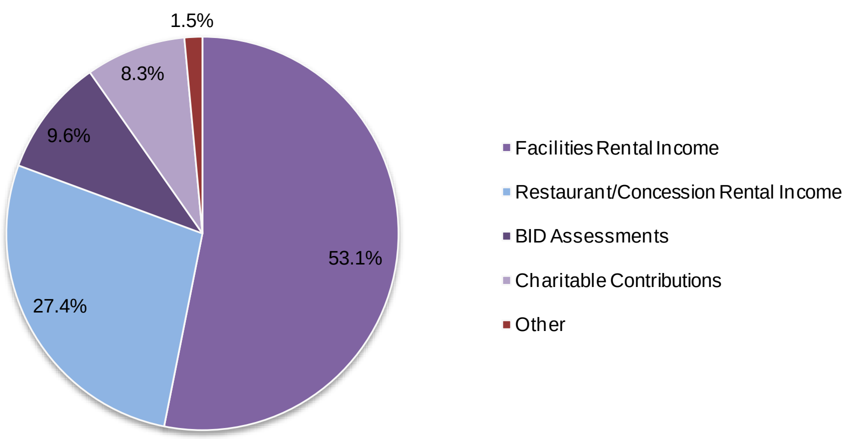
Governance

While the Department of Parks and Recreation permits special events and oversees the protection of designated historic landmarks, the BPC manages both long-term capital improvements and day-to-day programming and maintenance. The City does not provide the BPC with any operating revenue. The Bryant Park Management Corporation (BPMC)—which shares its management team and board of directors with the BPC—operates the Bryant Park business improvement district (BID), which collects assessments on surrounding property owners and tenants to fund park operations.[15]

Operating Income

The chart below summarizes the BPC's average operating income during fiscal years 2008 and 2009, when total income averaged $8,561,657.[16]

Figure D-1: Operating Income by Source, Bryant Park, FY 2008 and 2009



2013. May 14, 2009. Provided by the Conservancy.

[15] KPMG LLP. *Bryant Park Corporation and Bryant Park Management Corporation: Consolidated Financial Statements*. June 30, 2009. Accessed online: http://www.bryantpark.org/static/pdfs/reports/Bryant_Park_FY_2009.pdf

[16] Ibid.

Millennium Park, Chicago

Site

Millennium Park is a new 25-acre park located in the northwest corner of Grant Park, which sits along the lakefront in downtown Chicago. Located on top of an operational commuter rail, the park includes 4,000 spaces of underground parking meant to pay for the structural improvements needed to deck over the tracks. Forming a “green roof” above the parking garage, Millennium Park consists of a grid of destination amenities, including cultural facilities, unique landscapes, and major works of public art. Rather than being oriented toward active or passive uses, Millennium Park serves as a showcase for art and design, making it a major attraction to visitors. Some of the park’s signature features include a concert pavilion and pedestrian bridge designed by Frank Gehry, an indoor theater, a year-round garden, the Cloud Gate sculpture, and the Crown Fountain. During the winter, ice skating is provided free to the public.

Capital Financing

In total, Millennium Park cost approximately $490 million to construct. Fifty five percent of that, or $270 million, was covered by the City of Chicago. The remaining $220 million (45 percent) was raised by Millennium Park Inc. (MPI)—a “blue-ribbon” nonprofit established to solicit private donations. By offering corporate and individual donors not only naming rights, but also the right to influence the design of the park’s amenities, MPI was able to raise far in excess of its original mandate of $30 million. Eighty five percent of the money raised by MPI was donated by 12 major funders to pay for the park’s marquis features. By contrast, the bulk of the City’s contribution funded design and project management, the deck/parking structure, and general landscaping.[17]

Governance

While the construction of Millennium Park was a truly public-private partnership, MPI has since

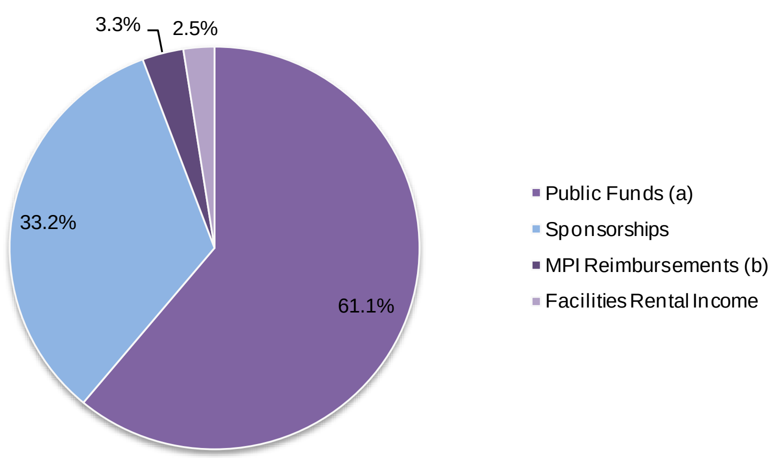
[17] Bruner Foundation. *2009 Rudy Bruner Award: Silver Medal Winner, Millennium Park, Chicago, Illinois.* 2009. Accessed online: http://www.brunerfoundation.org/rba/pdfs/2009/MP.FINAL.pdf

receded from park governance, leaving management of operations to the City of Chicago's Department of Cultural Affairs (DCA). The DCA, which houses the City's Office of Tourism, promotes cultural events by finding private sponsors to fund public programming throughout the city.[18] Millennium Park is the only park in Chicago that is managed by the DCA rather than the Park District. True to its strengths, the DCA plans and oversees all recreational, cultural, and educational activities while contracting day-to-day operations to MB Realty Inc.[19]

Operating Income

The chart below summarizes the DCA's operating income for Millennium Park in 2009, when the budget totaled $12,850,000.[20]

Figure D-2: Operating Income by Source, Millennium Park, 2009



Public operating funds come from the DCA, which dedicates approximately 40 percent of its budget to Millennium Park (a).

MPI reimbursements reflect an annualized repayment of public funds used to pay for the construction of certain park amenities under MPI's purview (b).

Note that as part of its fundraising campaign, MPI established an endowment to fund the maintenance of Cloud Gate, Lurie Gardens, and the Boeing Galleries, although the money may fund other park needs. However, the amount of the endowment is kept secret from the DCA and Millennium Park leadership and is segregated from the general operating funds. Nonetheless, this

[18] Bruner Foundation, 2009.
[19] Brooklyn Bridge Park Conservancy, May 14, 2009.
[20] Bruner Foundation, 2009.

dedicated capital replacement reserve lowers the annual cost of maintenance. In addition, while Millennium Park plays host to several concessions, the Park District realizes all concession fees.[21]

Challenges and Lessons Learned

John Bryan, head of Millennium Park Inc., indicates that founding MPI—thereby establishing a clear, contractual separation between public projects and those funded by donor prerogative—proved critical to raising all of the money needed to build Millennium Park. By protecting private dollars from public influence, Bryan was able to attract and retain major donor participation even amidst an often scathing media environment that put pressure on public officials to reduce project costs.[22]

[21] Brooklyn Bridge Park Conservancy, May 14, 2009.
[22] Bruner Foundation, 2009.

Discovery Green, Houston

Site

Discovery Green is a new 12-acre park in downtown Houston that connects the mixed-use Houston Center to the George R. Brown Convention Center. Like Millennium Park, Discovery Green is built on top of underground parking. On the surface, the park provides many active recreation uses, including two dog runs, a playground, a jogging track, and play fields. The park also features a one-acre artificial lake, where visitors can rent model boats in the summer and ice skate in the winter. In partnership with the Houston Public Library, Discovery Green provides users with a collection of books, wireless internet, and two outdoor “reading rooms,” while free movie screenings, concerts, and outdoor recreation classes serve to bring Houstonians to a long-forgotten edge of downtown. Food service is available at The Grove—an upscale, full-service restaurant—and The Lake House, which provides casual dining.

Capital Financing

Discovery Green was developed by a public/private partnership between the City of Houston and the Discovery Green Conservancy (DGC). The DGC—a non-profit, private management company modeled after the Bryant Park Corporation—was formed when four prominent foundations came together to support the project’s development. During the capital phase, the DGC raised $56 million—or 45 percent—of the project’s $125 million budget through a combination of small-donor campaigns, naming rights, and large contributions from the principal foundations.[23] Private money helped pay for land acquisition and remediation, soft costs, construction, and the purchase of public art.

The City’s $69 million provided the balance of the budget, including $22 million for the underground garage, the donation of two parking lots and a street right-of-way valued at $33 million, and $14 million in additional acquisition and construction funds.[24] Public funds were procured by the Convention and Entertainment Facilities Department (CEFD), which bonded against revenue from other Department-owned garages. While the DGC served as a lead project manager at Discovery Green, it contracted with the CEFD to build the underground parking.[25]

[23] Private conversation with Clark Curry, Operations Director, Discovery Green Conservancy. Conversation held by phone December 29, 2010.

[24] The U.S. Conference of Mayors. “A Public Park Creates an Economic Engine for the City.” *Brownfields Redevelopment: Reclaiming Land, Revitalizing Communities – A Compendium of Best Practices*. November 2010. Accessed online: http://www.usmayors.org/pressreleases/uploads/november2010bestpractices.pdf

[25] Private Conversation with Guy Hagstette, President (former), Discovery Green Conservancy. Conversation

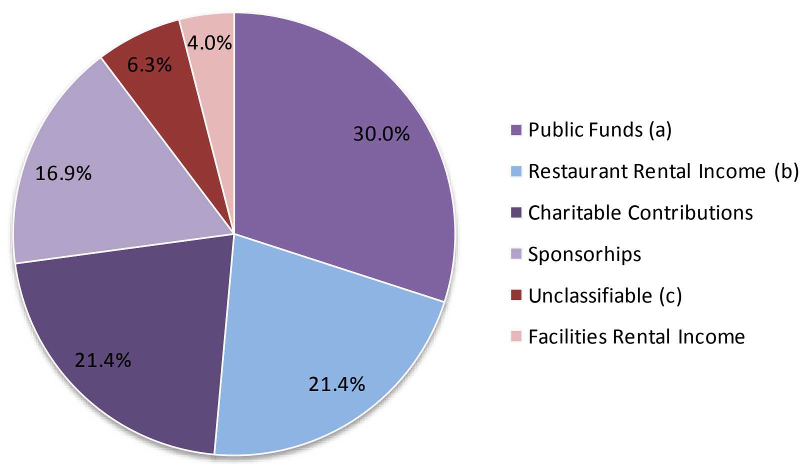
Governance

Discovery Green is governed according to a Joint Development Agreement signed by the City Council, the Council-created Local Government Corporation (LGC), and the DGC. Per the Agreement, the LGC owns the land and improvements, while the DGC operates the park on a long-term basis.[26]

Operating Income

The chart below summarizes the DGC's average operating income during 2008 and 2009, when total income averaged $3,500,000.[27]

Figure D-3: Operating Income by Source, Discovery Green, 2008 and 2009



As Discovery Green supports Convention Center sales by serving as a neighborhood amenity, the CFED pledged in the JDA to provide the Conservancy with an annual operating subsidy of $750,000. But due to high use and an increase in maintenance requirements, the DGC has since renegotiated that figure to $1,050,000. All public funds are restricted and subject to audit (a).

At the time of contracting, restaurant operators refused to pay a fixed minimum rent at Discovery Green because the location was seen as too risky. As a result, the majority of rent is paid as a percentage of gross receipts according to a formula that ties the percent owed to the volume of sales, further defraying risk. However, as the DGC owns all restaurant property, the operators also repay the cost of all "non-facilities equipment" (i.e. tables and chairs) according to an amortized,

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held by phone January 4, 2011.

[26] Discovery Green Conservancy. *Discovery Green – Vision & Reality*. Year unknown. Accessed online: http://documents.clubexpress.com/documents.ashx?key=7Gfegt5Wab9gJX3wtX6hRbcxQGpz6nO7uHh6y6xkGhWlL%2FaiSVDaAlMwBeqP5vlP9tKM2QDDfgA%3D

[27] Guy Hagstette, January 4, 11.

10-year schedule, constituting additional rent (b).

Having under spent its development budget, the DGC taps into a development reserve on an as-needed basis to cover operating holes (c).

Challenges and Lessons Learned

Discovery Green has been successful, in part, because the DGC hired a consultant to prepare a detailed plan for park funding, operations, and maintenance at the outset of the project. By engaging the consultant during design development, the DGC managed to segregate park programs so that Discovery Green could support private events without interrupting core public uses. In addition, the DGC budgeted for certain infrastructure—such as electrical equipment capable of powering A/C for party tents—that, while invisible to the public eye, have proven critical in attracting revenue-generating events.

The restaurants at Discovery Green have taken advantage of their proximity to the Convention Center and downtown office tenants to both activate the park and provide a significant revenue stream. However, relying on an upscale dining venue and other private functions for operating income has necessitated the parking garage, which provides a venue for valet services.

Guy Hagstette, former President of the DGC, indicates that building an operating model that relies on diverse revenue streams—ranging from charitable contributions to corporate sponsorships to private events—has significantly complicated the Conservancy's organizational structure and financial reporting duties.[28]

[28] Guy Hagstette, January 4, 2011.

Civic Park, Los Angeles

Site

Currently under construction, Civic Park will constitute a renovation of the 16-acre County Mall that connects City Hall to the Music Center in downtown Los Angeles, forming the centerpiece of a broad, mixed-use redevelopment zone titled the Grand Avenue Project. Situated at the intersection of several civic and cultural institutions, the park's lawns, terraces, and plazas will serve as a platform for community events, including farmers markets, performances, and sponsored events. Community gatherings will also center around an historic fountain, which is to be renovated. The park will include a playground and dog run in order to accommodate the area's growing residential community, as well two purpose-built structures to house restrooms and a café.

Capital Financing

Civic Park will be funded and constructed as a community benefit by the Related Companies, the developer of the Grand Avenue Project. The project architects designed Civic Park to be constructed in two phases: the Base Park, now under construction, and an Enhanced Park—which would add an event pavilion, pedestrian bridge, and public art campaign, pending additional funds. The $56-million Base Park will be funded by nearly $51 million in pre-paid ground rents from the developer and $1 million in public park improvement funds. The remaining $4 million is expected to be raised through interest on the principal.[29] The Enhanced Park, should it proceed, would be implemented in phases as funding is secured from private donations, corporate sponsorships, and public sources.[30]

Governance

Implementation of the Grand Avenue Project is being coordinated by the Grand Avenue Authority (GAA), a joint powers authority created by the County of Los Angeles and the Community Redevelopment Agency of the City of Los Angeles. While the GAA has overseen the planning

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[29] County of Los Angeles. *Civic Park Project*. April 7, 2009. Accessed online: http://file.lacounty.gov/bos/supdocs/48392.pdf

[30] Grand Avenue Committee. "Civic Park Meeting Held." May 2, 2008. Accessed online: http://www.grandavenuecommittee.org/updates.php

and initial construction of the Grand Avenue Project, Civic Park will be run by an as yet to be named non-profit management company.[31] How revenue will be raised to pay for the park's ongoing operations remains to be determined.

[31] Vaillancourt, Ryan. "Park Powers Forward: Green Component of Grand Avenue Plan, Including a Dog Park, to Have Groundbreaking Ceremony July 15." *Los Angeles Downtown News*. July 1, 2010. Accessed online: http://www.ladowntownnews.com/articles/2010/07/01/news/doc4c2ce0e7d25c1251589212.txt

Riverfront Park, Cincinnati

Site

Riverfront Park, now under construction, will link two existing waterfront parks to create a continuous green corridor that will stitch together Paul Brown Stadium, the Great American Ballpark, and the planned, mixed-use Bends development in downtown Cincinnati. The 45-acre park will feature active recreational uses—including a bike trail, riverfront promenade, and boat landing—as well as playgrounds, water features, and a carrousel for children. At its center, the park will incorporate a stage and event lawn built on top of the roof of an underground parking structure. Aside from smaller vendors, food service will be provided in the purpose-built Moerlein Lager House—a restaurant and microbrewery.

Capital Funding

The Cincinnati Park Board (CPB) is managing the development of Riverfront Park. While the CPB is yet to raise all of the capital needed to complete the $110 million project, it plans to fund construction debt free by soliciting $20 million from the City, $10 million from the State, and up to $50 million from the Federal government. Additionally, the CPB has charged two nonprofits with raising $30-40 million from private sources in order to cover the balance of the capital budget and partially endow the park's operations.[32]

Governance

While the Cincinnati Parks Foundation and the Women's Committee will serve as critical private partners in capital fundraising, once finished, Riverfront Park will be operated by the CPB, which is charged with managing Cincinnati's park system under the City Charter. The Board—with an annual budget of $11 million in 2009—is funded by the City's General and Infrastructure Funds, a citywide street tree assessment, endowment income, and a combination of public and private grants.[33]

[32] Cincinnati Park Board. "Funding for Cincinnati Riverfront Park." Date unknown. Accessed online: http://www.mycincinnatiriverfrontpark.com/funding_for_the_park.htm

[33] Cincinnati Park Board. *2009 Annual Report: Living Our Green Life*. 2009. Accessed online: http://www.cincinnatiparks.com/files/2009_Annual_Report.pdf

Operating Income

Riverfront Park is expected to cost $1.4 million annually to operate upon completion. As the park will serve as an amenity for the Banks development, the CPB has negotiated a common area maintenance charge to be applied to all eventual Banks properties. However, until those properties are built and leased, the City will cover the operating costs out of its General Fund.[34] Park planners also expect that operating costs will eventually be offset by restaurant rent and concession fees, special event fees, and endowment income.

[34] City of Cincinnati. *2011/2012 Biennial Budget Report*. June 4, 2010. Accessed online: http://www.cincinnati-oh.gov/city/downloads/city_pdf39411.pdfhttp://www.cincinnati-oh.gov/city/downloads/city_pdf39411.pdf

Balboa Park, San Diego

Site

Balboa Park is a 1,200-acre cultural and recreational showpiece situated at the northeast corner of downtown San Diego. The site's major attractions date to two early 20th-Century expositions, which bestowed the park with ornate landscapes and buildings, many of which are occupied by destination cultural institutions. The park's central axis, known as El Prado, serves as the home for numerous theaters and museums. In total, over 85 non-profit organizations—ranging in size from archery clubs to the world-famous San Diego Zoo—lease space within the park. In addition to its cultural attractions, Balboa Park provides plentiful opportunities for recreation. While playgrounds, jogging trails, and sports fields dot the landscape, the park also features major facilities such as a velodrome, swim center, tennis club, multipurpose gymnasium, and two golf courses. Visitors may choose from over a dozen dining options, ranging from the upscale, full-service Prado restaurant to coffee carts and hot dog stands.

Capital Financing

While the historic grounds are fully developed, Balboa Park's aging infrastructure and improvements present a massive and looming challenge for the capital-constrained City. A 2008 report conducted by retired City officials tallied $238 million in needed upgrades and improvements, almost none of which had received public funding.[35]

Governance

Balboa Park is owned by the City of San Diego and operated by the Developed Regional Parks Division of the Park and Recreation Department (SDPRD). Advisory input is provided by both the Park and Recreation Board and the Balboa Park Committee (BPC). While the City operates some of the park's recreational and cultural facilities, the lion's share of amenities are leased to and operated by resident nonprofits. Though the City is in technically in charge of maintaining the park's buildings and grounds, some lessees have undertaken significant repairs and improvements in excess of their legal responsibilities. Finally, a number of philanthropic organizations provide additional, ad hoc support.[36]

However, in light of Balboa Park's looming capital crisis, the BPC recommended in 2008 that the SDRPD consider engaging a private nonprofit to help run the park. Of principal concern was the

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[35] The Trust for Public Land. *The Soul of San Diego – Keeping Balboa Park Magnificent in its Second Century*. January, 2008. Accessed online: http://www.benbough.org/soulofsandiegoreport.pdf

[36] The Trust for Public Land, January 2008.

perception that San Diego's donor community would be more likely to help defray the cost of maintenance and repairs if contributions were managed by a private conservancy, rather than the City. Charged with exploring new management options, the Balboa Park Task Force (BPTF) has since confirmed the BPC's conclusions, directing the SDRPD to establish a private partner.

In order to improve donor confidence, that partner would be given the authority spend private contributions according to an action plan approved by the City Council. The BPTF plan indicates that while this new entity would initially be charged with fundraising and project management, it could eventually take over additional responsibilities, including planning, general management, and maintenance. In either event, the City will retain ownership of the park.[37] At present, an organizing committee has been formed to lay the foundation for the conservancy, though a memorandum of understanding requires Council approval before the new arrangement may take effect.

[37] Gustafson, Craig. "Nonprofit conservancy for Balboa Park urged." *San Diego Union-Tribune*. July 13, 2010. Accessed online: http://www.signonsandiego.com/news/2010/jul/13/city-closer-creating-conversancy-manage-balboa-par/

Orange County Great Park, Irvine

Site

The Orange County Great Park, now under construction, will form a region-serving recreation and cultural center and ecological preserve midway between Los Angeles and San Diego. Billing itself as "The First Great Metropolitan Park of the 21st Century," the Great Park will occupy more than 1,300 acres of land that formerly housed the Marine Corps Air Station (MCAS) El Toro. The park will include a 165-acre Sports Park housing athletic fields, a skate park, and the Great Lawn, which, though designed for active recreational use, will also accommodate large public events. Preserving the central axis of the site's former air strip, the Cultural Terrace will consist of a tree-lined promenade that connects cultural facilities, including the Great Park Air Museum, which will pay homage to the site's military history. The Great Park will also feature several distinctive ecological zones, including a botanical garden, a wildlife corridor, and a two-mile long canyon meant to provide respite from the Southern California climate by recreating an indigenous desert ecosystem.

Capital Financing

Having purchased MCAS El Toro at auction, Heritage Fields—a subsidiary of Lennar Homes—donated the land and $200 million to the City of Irvine in order to seed the development of the Great Park. The City has since passed the responsibility for design, development, operations, and maintenance to the Orange County Great Park Corporation (OCGPC)—a non-profit arm of the City governed by a nine-member board that includes all five Council members.[38]

If built according to the specifications of the approved master plan, the Great Park may cost up to $1.4 billion. So far, however, the $200 million provided by Heritage represents the only secured source of financing. The OCGPC has used that money to construct a Preview Park—which includes a visitor center and balloon ride meant to attract local residents to the site—and to initiate the first phase of general construction. In addition, Heritage and the City have agreed to leverage an additional $200 million by creating a community facilities district (CFD)—in which designated property owners pay a special tax in order to fund certain "backbone infrastructure"—though the CFD has not yet been activated. The remaining sources of funds are yet to be identified.

Glen Worthington, Director of Project Development, indicates that the OCGPC will seek a combination of federal, state, and local grants, as well as private donations through the Foundation for the Great Park—the Corporation's philanthropic partner. Future construction will occur "on the fly" as funds are secured.[39]

[38] The Orange County Great Park Corporation. *FY 2009-2020 Strategic Business Plan*. 2009. Accessed online: http://d.ocgp.org/docs/business-plan-2009-2020.pdf

[39] Private conversation with Glen Worthington, Manager of Project Development, Orange County Great Park Corporation. Conversation held by phone December 20, 2010.

Governance

At present, the OCGPC is a department of the City of Irvine. While project leaders initially intended for the OCGPC to detach itself and become an independent entity, that move has not yet come to fruition.[40] Moving forward, the OCGPC will both develop and operate the park, per its Charter, while the City Council will retain discretion over certain financial matters—authority granted by Irvine voters through the passage of Measure R in 2008. According to the Measure, all revenues and expenditures related to the Great Park will be managed by the City in a Special Fund. While the OCGPC's operating budget must be self-sustaining (the Measure prohibits the use of General Funds for park purposes), the City has final authority over all financial matters, including the execution of contracts and the investment and management of project funds.[41]

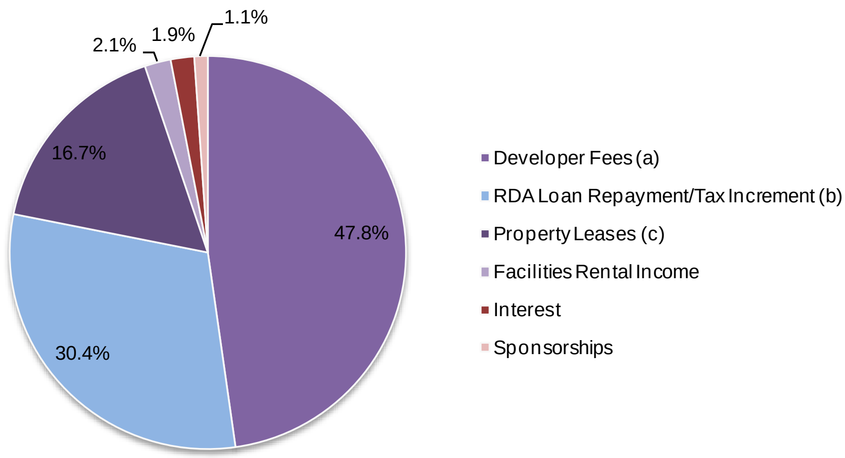
Operating Income

Due to the uncertain timing and direction of the Great Park's development, the OCGPC has not yet settled upon a stabilized operating model. While the Corporation has projected its operating budget out to fiscal year 2020—at which point construction will likely still be underway—some of those revenue sources, such as the interim leasing of park property, will necessarily disappear once the park is completed. How the OCGPC will cover its operating costs at that point remains to be determined.

The chart below summarizes the average projected operating income for fiscal years 2019 and 2020, when total income is assumed to average $22,724,123.[42]

[40] Glen Worthington, December 20, 2010.
[41] The Orange County Great Park Corporation, 2009.
[42] Ibid.

Figure D-4: Projected Operating Income by Source, Orange County Great Park, FY 2019 and 2020



Per the stipulations of the Development Agreement, a portion of the CFD payments made by Heritage Fields will be dedicated to operations and maintenance of certain core park features on an as-needed basis (a).

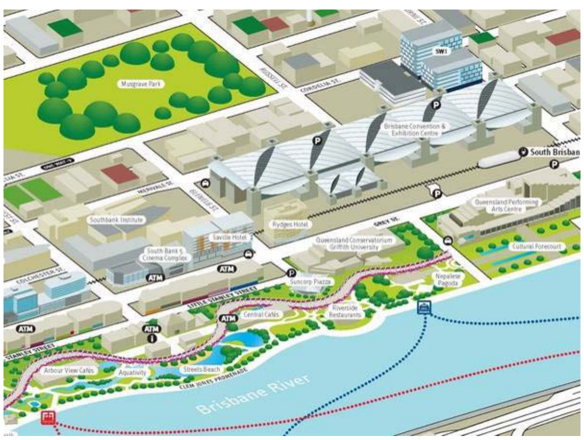
In an innovative financial transaction, the OCGPC lent the Irvine Redevelopment Agency (RDA) $134 million in order to facilitate the collection of tax increment through indebtedness. The RDA then used that money to purchase 20 acres of land from the City that had been granted by Heritage Fields, but was not part of the Great Park. Next, the City transferred the money back to the Great Park Special Fund. As a result, without experiencing any net loss of funds, the OCGPC became a lender to the RDA, which will repay the $134 million over time with nine percent interest using tax increment dollars. In doing so, the OCGPC has effectively used its capital funds to create an ongoing source of operating income (b).

The OCGPC receives rental revenue from four sources. Listed in order, from greatest to smallest, they are: a land lease for the storage of RVs, a property lease for the storage of green waste, a land lease for runway access, and a land lease for the use of agricultural land (c).

South Bank, Brisbane, Australia

Site

Formerly the site of Brisbane's Expo '88, South Bank is a 104-acre precinct that blends open space, commerce, and major cultural institutions along the southern edge of the Brisbane River. Governed by a semi-autonomous municipal agency, South Bank incorporates not just a 42-acre park, but also two major city streets: Grey Street and Little Stanley Street. Little Stanley Street constitutes a popular, upscale shopping and dining district, while Grey Street houses several educational and cultural institutions, including: the Queensland Art Gallery and Gallery of Modern Art, the Queensland Performing Arts Centre, the Queensland Maritime Museum, the Southbank Institute of Technology, and the State Library of Queensland. In addition, the Brisbane Convention and Exhibition Centre (CBEC), which is owned by the South Bank Corporation (discussed below), resides on Grey Street, attracting yet more visitors to the precinct. At the center of this district, the South Bank Parklands provide public open space that is accessible 24 hours a day. The Parklands include a riverfront promenade, 20 different landscaped areas, picnic and barbecue facilities, and a man-made beach. In 2009, South Bank played host to approximately 150 public events, including Riverfestival—Brisbane's largest public celebration.[43] The district also features residential, office, and hotel properties, which are set back from the public zone, housing over 10,000 employees and residents.[44]



Governance

South Bank is both owned and operated by the South Bank Corporation (SBC), a Government Statutory Authority formed by the State of Queensland in order govern the "planning, approval, and delivery of all infrastructure and development" within the precinct. As a Statutory Authority, the SBC is required to incorporate "whole-of-government" targets into its operating strategy, but otherwise, it serves as an autonomous management corporation. The SBC is charged with

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[43] Project for Public Spaces. "Great Waterfront Destinations – South Bank." Provided by PPS in person October 2010.

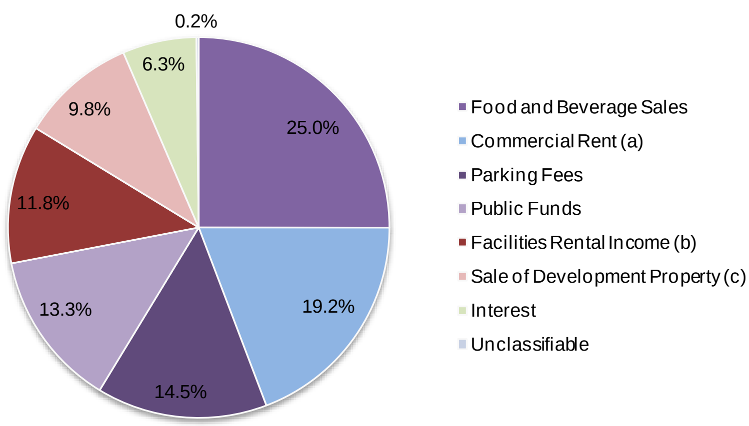
[44] South Bank Corporation. *South Bank Corporation Annual Report: 2009-2*010. 2010. Accessed online: http://www.southbankcorporation.com.au/files/attachments/SBC_Annual_Report_low%5B1%5D.pdf

supporting the local economy by promoting recreational, cultural, and educational opportunities for locals and visitors.[45]

Operating Income

The table below summarizes the SBC's average operating income during the fiscal years 2009 and 2010, when total income averaged $75,440,480 in USD.[46]

Figure D-5: Operating Income by Source, South Bank, FY 2009 and 2010



"Commercial rent" accounts for the rental of commercial and retail space located in the Parklands and on Little Stanley Street (a), while "facilities rental income" accounts for the use of the CBEC, Suncorp Piazza, and other areas within the Parklands, as well as the associated sale of food and beverage and rental of A/V equipment (b).

The "sale of development property" refers to the sale of developable parcels by leasehold (c).

[45] South Bank Corporation, 2010.
[46] Ibid.

Appendix E: Public Testimony at Listening Sessions

Funding Alternatives/Recommendations
Develop destination pay-per recreational facilities that could attract users from around the city, such as "a skating rink, a ball field, a swimming pool, a year-round stage for concerts and other cultural events"
Lower the operating costs by reducing the number of dedicated park vehicles, which require $200k in capital replacement annually
Lower the operating costs by giving administrative responsibility to the City and doing away with any and all conservancies in order "cut the redundancy"
If repairing the piers is the expense that requires subsidy from private housing, then do away with repairing the piers and move that programming to the uplands
Use tax incentives to get a private operator to build a for-pay recreation center in order to create a new revenue stream for park
Maximize the amount of revenue from park concessions: renegotiate lease on River Café to $2m/year, charge other vendors the market rate of $35/sqft/month
Maximize revenue from all non-360 Furman parking spaces at the approx. rate of $25/space/day and assess fee on local private garages that will benefit from park usership
Charge for commercial filming/photography on the order of $20,000/day
Charge for private special events that use the park
All resident operations and tenants--i.e. marina, kayak boathouse, Tobacco Warehouse--should contribute to park maintenance, even if they are not-for-profit
Get the surrounding businesses that benefit from park traffic--such as Patsy's and Pete's Tavern--to contribute to park operations; create a BID similar to Bryant Park
Mandate that all philanthropic donations support general operations, rather than allowing donors to stipulate that their funds be dedicated for specific cost items or granting them use privileges in return
Convert berm to an amphitheater that can be rented for concerts and performances
Change Pier 5 from a yachting marina to a tall ships museum that will attract visitors and could potentially serve as an outdoor summer venue for the Philharmonic
Implement Senator Squadron's Park Increment Recapture Plan
Create an itemized Park Improvement Fund line item on residents' tax bills; could make the fee voluntary, placing a check box on tax bills
Implement a real estate transfer tax to fund the park that either applies to the surrounding zone or all of Brooklyn
"Jehovah Witness Properties off site (see Tony Manheim testimony; Marilyn Gelber editorial Nov. 2010)"
Attract or install a middle school or similar public facility in the park
If housing must be used to finance the park, then don't limit the residences to a few footprints; maximize the revenue by building housing all along the entire length of the park rather than designing housing to preserve view corridors of DUMBO residents
Dedicate the increased tax revenue that has been generated due to property improvements in DUMBO, Cobble Hill, and the Columbia Waterfront over the last several years to pay for the park
"I support creative financing ideas such as the PERK plan"
Reduce the operation budget by commissioning a more simple and lower-cost design; return to plan developed before Michael Van Valkenburgh was hired that was projected to cost only $3-5m/year
Form a non-profit that fundraises for the park year round
Require the residential developers to build underground parking that will be used by park visitors and can help pay for operations
"There are many empty, abandoned buildings throughout the city; Do something with those."
Tax revenue from residents (i.e. property taxes) and visitors (i.e. sales, hotel taxes) should be used to fund the park

Funding Alternatives/Recommendations (Continued)
Study "the Mannheim proposal that the City purchase the Watchtower buildings that will be coming on line and dedicate the tax revenue from those buildings to Brooklyn Bridge Park"
Replace berm with Brooklyn Bridge Museum and Visitor's Center, thereby obviating the costs of maintaining the berm and creating a new revenue stream
Develop Pier 6 as "Atlantic Ferry Landing:" a hub of "recreational, cultural, and hospitality amenities with a significant retail component" with intermodal transportation connections that take advantage of Governor's Island ferry traffic and potential additional service to Manhattan; would include a vertical "pay to play" recreation facility/parking garage on the uplands of Pier 6
Lower the operating costs by removing letting go of half of Pier 6 and doing away with the wastewater treatment facilities/wetlands
Evaluate the income being brought in from the other development parcels ("Pier 1 Hotel/Condos & Empire Stores") in tandem with the residential parcels in order to determine if the amount of housing can be reduced
Public money should be found to cover all operating costs above and beyond what can be raised through concession fees
Lower the operating costs by re-programming upland areas with uses that are cheaper to maintain, such as ball fields
Purchase Watchtower properties that come on the market and develop them for housing in order to create park revenue
Create a special tax for people who live within a certain distance of the park

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Appendix F: Public Testimony on Draft Report

Comments/Requested Revisions
Copy Edits/Fact-Checking/Allegations of Bias
A high-volume recreational use should not be dismissed as inappropriate for the Park (see comment on p. 34)
The claim that the Park is 85 acres is misleading; acreage calculations should only include useable land, and should therefore exclude water and existing structures
P. 17 incorrectly claims that 70% of operating funds are tied to housing; it should be more than 90%, per the notations about the sources of remaining funds
Report should revisit or provide explanation as to why the projected $2/sf revenue from Empire Stores is significantly lower than the $14/sf revenue from the John St. and Pier 6 residential developments
Explain claim that a concession on Pier 6 would compete with retail planned for the ground floors of residential buildings, as such a concession would be built as an alternative to those buildings
It is questionable to assume that outdoor recreational facilities, such as basketball courts, would generate income year-round, i.e. during the winter
Double-check whether or not PILOTs are senior to loan finance in order to clarify the comment that foreclosure could present a risk to the current operating model
BBPDC and the community regarding the design of the Pier 1 hotel, making mention of the "scenic view plane" only
Three of the park financing case studies do not provide useful information on stabilized operating models
Consultant should not refer to the locations of housing development as being on the "periphery," as they are technically located within the Park, and are in fact located at entrances where 90% of the Park's visitors arrive, undermining the claim that they are "peripheral"
Reference to and consideration of the 1997 and 2001 reports that found ways to pay for Park operations without housing should be included in the project's historical timeline
Reference to the 2003 GPP, which did not include housing and had community support, should be included in the project's historical timeline
Report primarily sources information from organizations or news outlets that support residential development and does not draw on others for insight into the community's desires
Threshold Parameters/Criteria Used for Evaluation of Alternatives
The requirement that an alternative not impact the timing of Park construction should be discarded because it ignores the changing realities and risks of the real estate market, which will impact the schedule of the current project plan anyway
Alterations to the design of the Park should be considered as legitimate alternatives if such changes would lower the operating costs and better serve the community's desires
Report should analyze certain alternatives, such as commercial facilities, for their impacts on job creation, which entitles the City to increased income taxes that should be cycled back to support the Park
Report should also use "dwell time" and "time-to-build" as evaluative parameters that impact the feasibility or desirability of the alternatives
Report should consider the impact of housing development on the designated historic resources and neighborhoods surrounding the Park, as well as the economic value of historic resources
Current Project Plan
Projected revenue from planned Pier 1 hotel-condo development should be included in assumptions about the Park's projected operating income under the current plan
Park budget should be reviewed and potentially redefined based on current economic realities
Report should consider whether or not the uncertainty in the for-sale housing market will affect the financial feasibility of proposed high-rise housing and, therefore, the stability of park funding, which is tied to condo development
If the financial risk of the current operating plan is highlighted, then the report should highlight the business risk inherent in the fee-based, concession, and commercial real estate alternatives
The assumed valuation of the John Street lot is inflated, as it does not realistically consider the impact of Manhattan Bridge traffic on living conditions

Comments/Requested Revisions
Current Project Plan (continued)
The two buildings planned for the upland portion of Pier 6 would seem to diminish the prospective value of One Brooklyn Bridge Park by obstructing south-facing views, and thus diminish projected Park income
Report should consider whether or not the presence of high-rise housing would detract from user experience in such a way as to undermine both the park's popularity and commercial prospects
Report should discuss the externalities of residential development, i.e. the impact additional roadways and other housing-related infrastructures have on the percentage of land dedicated for recreational use
Alternative Revenue Assumptions
Consultants should revisit funding assumptions, such as the price of shooting a movie or commercial, in order to ensure that they reflect fair market values
Conservancy currently receives fees for events, concessions, and movie shoots, as well as philanthropic contributions that exceed BAE's assumptions
Report should detail all of the film shoots that have taken place in the Park to date and the rental fees paid, as well as examples of what filmmakers are paying to shoot in other comparable public spaces
Report seems to underestimate the revenue-generating potential of an off-street parking structure, especially relative to earlier analyses of the issue, i.e. Ernst & Young's 1997 analysis for Praedium Study Group
Report only analyzes the value of 80 street parking spaces, as opposed to the 1,120 spaces planned, or the possibility of creating off-street lots whose revenue could help fund the Park (specifically, the "police garage")
A greater attempt should be made to forecast the numerical value of sponsorships, naming rights, and philanthropic donations, even if that means engaging a specialist who can forecast those figures
Report underestimates the revenue that can be raised from special events
Report should consider revenue generated from special events in which an outside party uses open space or erects a temporary structure (such as Fashion Week), rather than assuming that a permanent facility will be required in order generate event revenue; to that effect, the report should reveal what a "designer" paid in 2007 to hold a one-night event on Pier 3 and extrapolate potential revenues from that and similar events
Report should provide more information on the type of special events that are possible and the range of fees usually paid to permit those events, and quantify the benefit that special events would have on concessions
Report understates the potential value of certain revenue sources, such as concessions and restaurants, relative to the value created by those features at comparable parks
Report should reconsider claims regarding the ability of in-Park restaurants and concessions to compete with existing establishments on the outskirts of the Park by reviewing the performance of the Madison Square Park Shake Shack, the Prospect Park Boathouse, and other comparables
Some projected alternative revenue streams seem inflated; there might be public push-back on certain aspects of the alternatives, as currently conceptualized, such as above-market user fees for recreational facilities
Park Improvement District
Report should provide clarification as to how the PID assessment does not violate the first threshold parameter in light of the fact that the assessment may cause property owners not to spend money at stores and restaurants elsewhere, which would impact City tax revenue
PID boundaries seem narrowly and arbitrarily defined; report should consider a broader PID catchment area that includes more non-residential properties, with the potential outcome of lowering the per-property assessment while raising more total revenue
Sampling of property owners either within the conceptual PID boundary or an expanded one should be conducted in order to examine the likelihood of adoption, so long as such sampling does not delay Park construction
The PID boundaries should be reconstructed by taking account demographics and frequency of use in order to create an expanded District; assessments should be gradated based on proximity to the Park or frequency of use
Watchtower Properties
The Board voted to study revenue opportunities relating to the Watchtower properties on December 20th, but the report fails to follow through on this directive
The inclusion of 360 Furman St. in the Park for the purposes of generating PILOT revenues creates a precedent for further exploration of this strategy with respect to the Watchtower properties

Comments/Requested Revisions
Watchtower Properties (continued)
Dedicating PILOTs generated by the redevelopment of the Watchtower properties to Park operations is conceptually identical to the current plan to use PILOTs from residential development on the subject sites to fund the Park; it should therefore be considered to meet the threshold parameters and be studied further as a legitimate alternative
Report should scrutinize the notion that the City is solely entitled to value created through the redevelopment of the Watchtower properties by considering the effect that the Park will have on that value creation; parties should work out a revenue-sharing agreement based on this analysis
Report should consider an amendment of the GPP to extend the Park boundaries in order to incorporate the Watchtower properties and analyze the financial impacts of exempting Watchtower properties from ULURP; the present zoning of the Watchtower sites as manufacturing significantly decreases their property value, and therefore limits the revenue that the City is entitled to should they pass to private hands; by adding the properties to the GPP and rezoning them as residential, all PILOTs above and beyond the prospective tax revenue that could be generated by manufacturing uses would be unencumbered according to the threshold parameters and could flow through to the Park
Report should evaluate the fact that by not exercising its right to authorize the construction of the Pier 1 hotel-condo structure, the BBPDC would discretionarily boost the property value of the nearby Watchtower property, value to which the City is not entitled and could therefore be capture for the Park
Report should consider the usage of eminent domain to take certain Watchtower properties for the purposes of redevelopment as private housing in lieu of housing in the Park, thereby maintaining PILOTs for Park operations but shifting their location; this option would not violate the first threshold parameter as the City has already decided to forego the tax revenue generated by the housing units and hotel rooms designated to be built within the Park
Further analysis of the revenue-generating potential of the Watchtower properties should be included in the final report if and only if it is concluded within 30 days of the end of the public comment period so as not to further delay construction
Report should make a formal recommendation that the BBPDC and City work to explore mechanisms by which the disposition of the Watchtower properties could benefit the Park, even if they don't supplant the need for housing
The claim that the intentions of the Watchtower Society are unclear is contradicted by statements by Society leaders regarding their real estate plans in the media over the past several years; final report should detail when, where, and with whom meetings took place between members of either the BBPDC or the consultant team and Society leaders that led to the conclusion that their plans for the future disposition of property were unclear
Other Alternatives
Report should provide a point-by-point analysis of funding options discussed in the Praedium study
Further effort should be made to study the potential revenue generated by a yachting facility
Further effort should be made to a study the revenue-generating potential of imposing a real estate transfer fee on residential properties within a defined zone surrounding the Park
Report should explore the income-generating potential of Tom Fox's "London Eye" proposal, perhaps as a visually transparent alternative to housing on the Pier 6 uplands
The report does not mention the possibility of using or reconfiguring some of the vacant units at 360 Furman Street for commercial activity that might generate additional revenue
Report should consider whether or not there is another site other than the Tobacco Warehouse that can accommodate a private event facility and generate substantial revenue
Report should consider replacing the berms with 3-5 story mixed-use buildings that generate revenue and activate the Park's edge; interview David Wolentas, who has expressed interest, and Eldon Scott at Urban Place Management in order to further study this option
Consultant should research the Federal Highway Administration's policy regarding the compensation of communities for land used or disturbed during highway construction, which might provide a way for linking operations funding for the Park to the renovation of the BQE
Report should consider revenue generated from temporary waterfront amusement venues, which do not require permanent facilities

Comments/Requested Revisions
Other Alternatives (continued)
Report should further explore the revenue-generating potential of the Atlantic Ferry Landing cultural center; if interviews with potential operators played a role in the consultant's dismissal of the Landing as a viable alternative, then details regarding when, where, and with whom those meetings took place should be provided
Report should consider other destination NYC parks, including Prospect Park, Central Park, and Flushing Meadow; in addition, the Presidio, Granville Island, and Santa Monica Pier (all of which are waterside and have a self-sustaining component) should be considered as in-depth comparables

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Appendix G: Alternatives Background Data Tables

Table G-1: Acreage of Park Features by Site

Park Feature	Acreage: Pier 6 & Pier 6 Uplands	Pier 5	Pier 4	Pier 3	Pier 2	Uplands	Pier 1	Brooklyn Bridge Park Plaza	Empire-Fulton Ferry Landing	Main St. Park	John St. Site	All Sites: Acreage	All Sites: % Total
Basketball	-	-	-	-	0.6	-	-	-	-	-	-	0.6	0.9%
Bathroom Pavilion	-	-	-	-	0.0	-	-	-	-	-	-	0.0	0.1%
Bocce Ball	-	-	-	-	0.0	-	-	-	-	-	-	0.0	0.0%
Calm Water Basin	-	-	2.4	3.6	3.2	-	0.8	-	-	-	-	10.0	14.2%
Circulation (a)	2.8	1.0		1.5	3.1	4.0	3.0	2.0	1.3	1.3	0.4	20.5	29.1%
Habitat Island	-	-	0.1	-	-	-	-	-	-	-	-	0.1	0.2%
Handball Court	-	-	-	-	0.1	-	-	-	-	-	-	0.1	0.1%
Inline Roller Hockey	-	-	-	-	0.4	-	-	-	-	-	-	0.4	0.5%
M&O Facility & Boat House	-	-	-	-	-	0.6	-	-	-	-	-	0.6	0.9%
M&O Headquarters	-	-	-	-	-	0.5	-	-	-	-	-	0.5	0.7%
Multi Use Fields	-	4.1	-		-			-	-	-	-	4.1	5.8%
Over Water Walkways	-	-	0.4	0.2	0.2	0.1	0.1	-	-	-	-	1.0	1.5%
Parking	-	-	-	-	-	0.8	-	-	-	-	-	0.8	1.1%
Passive Recreation Lawns	1.4	-	-	1.4	-	2.4	2.7	0.7	1.9	1.0	0.4	11.8	16.8%
Pebble Beach	-	-	0.6	-	-	-	-	-	-	-	-	0.6	0.9%
Picnic Area	-	-	-	0.2	-	-	-	-	-	-	-	0.2	0.3%
Picnic Peninsula	-	1.3	-	-	-	-	-	-	-	-	-	1.3	1.9%
Pier 1 Water Garden	-	-	-	-	-	-	0.2	-	-	-	-	0.2	0.3%
Pier 5 Concession Building	-	0.0	-	-	-	-	-	-	-	-	-	0.0	0.0%
Pier 6 Native Marsh Garden	0.7	-	-	-	-	-	-	-	-	-	-	0.7	1.0%
Pier 6 Warming Hut	0.1	-	-		-	-	-	-	-	-	-	0.1	0.1%
Planted Area	1.0	-	-	1.3	-	4.3	1.8	0.4	0.2	0.3	0.3	9.5	13.5%
Play Area	-	0.1	-	0.2	-	-		-	-	0.2	-	0.4	0.6%
Playground	1.5	-	-	-	-	-	0.1	-	-	-	-	1.6	2.3%
Salt Marsh	-	-	-	-	-	0.1	1.3	-	-	-	-	1.3	1.9%
Sand Volleyball Courts	0.3	-	-	-	-	-	-	-	-	-	-	0.3	0.4%
Sound Dam	-	-	-	-	-	0.1	-	-	-	-	-	0.1	0.1%
Swings	-	-	-	-	0.2	-	-	-	-	-	-	0.2	0.3%
Tennis Courts	-	-	-	-	-	0.1	-	-	-	-	-	0.1	0.1%
Tetherball	-	-	-	-	0.0	-	-	-	-	-	-	0.0	0.0%
Tidal Pool	-	-	-	-	-	-	-	-	-	-	0.3	0.3	0.4%
Tidal Pool and Boat Ramp	-	-	-	-	-	1.3	-	-	-	-	-	1.3	1.9%
Tobacco Warehouse	-	-	-	-	-	-	-	-	0.6	-	-	0.6	0.9%
Water's Edge Restoration	-	-	-	-	-	-	-	-	0.4	0.6	-	1.0	1.4%
Wood Viewing Platform	0.0	-	-	-	-	-	-	-	-	-	-	0.0	0.1%
Area Subtotals	**7.8**	**6.5**	**3.5**	**8.4**	**7.8**	**14.3**	**10.0**	**3.1**	**4.4**	**3.5**	**1.3**	**70.6**	**100.0%**

Sources: BBP; BAE, 2011.

Table G-2: Chelsea Piers Features by Venue

Venue	Features	
The Field House	**80,000 square feet**	
	2	indoor soccer fields
	2	basketball courts
	4	batting cages
	23,000 sq ft	gymnastics facility
	14,000 sq ft	dance studio
	1	toddler gym
	1	child care center
	1	beginner rock climbing wall
	1,750 sq ft	Mezzanine
	3,500 sq ft	Double Mezzanine
The Sports Center	**150,000 Plus**	
	6 lanes x 25 yard	swimming pool
	1/4 mile	indoor running track
	200 meter	banked competition track
	30 bike	cycle studio
	20,000 sq ft	cardiovascular and weightlifting equipment
	10,000 sq ft	rock climbing wall
	1	indoor sand volleyball court
	1	boxing ring and training circuit
	3	basketball courts
	2	sundecks
	8 room	spa
	1	Sports Center Café
The Golf Club	**gross square footage unknown**	
	52 stalls x 200 yard	driving range
	2,000 sq ft	training Facility
	600 sq ft	Players Room
	1,400 sq ft	Ryder Cup Room
Sky Rink	**gross square footage unknown**	
	2	ice rinks
	3,400 sq ft	Sunset Terrace
	1,150 sq ft	lobby and food court
	2	sky boxes
	1	Club Lounge
300 New York	**50,000 square feet**	
	32 lane	bowling alley
	8 lane	Club 300 (private lanes)
	1	video arcade
	1	The Loft elevated lounge
	1	300 Grill
Pier 60	**31,200 square feet**	
	20,560 sq ft	event space (7 in total)
	1	kitchen
The Lighthouse	**16,200 square feet**	
	10,000 sq ft	event space (5 in total)
	1	kitchen
Additional Features	**Embedded throughout**	
	200,000 sq ft	Silver Screen Studios production space
	1	Chelsea Brewing Company
	1	Jason's Riverside Grill
	1	Maritime Center w/ river cruises
	1	Bluestreak sports training facility

Sources: Chelsea Piers; BAE, 2011.

Table G-3: New York City Parks by Special Event Permit Level

Level A	Level B	Level C	Level D
Father Duffy Square	Battery Park	Bowling Green	All parks not in A, B, or C or explicitly excluded from concessions
	Central Park	Carl Schurz Park	
	City Hall Park	Dag Hammarskjold Park	
	Madison Square Park	Damrosch Park	
	Prospect Park	Dewitt Clinton Park	
	Randall's Island	Inwood Hill Park	
	Union Square	East River Park	
		Foley Square Park	
		Fort Tryon Park	
		Marcus Garvey	
		Morningside Park	
		Passannante Ballfield	
		Riverside Park	
		Holcombe Rucker Playground	
		Washington Square Park	
		West 4th Street	
		Harris Field	
		Van Cortlandt Park	
		Pelham Bay Park	
		Coney Island	
		Marine Park	
		Cunningham Park	
		Flushing Meadows Corona Park	
		Forest Park	
		Rockaway Beach	
		South Beach	

Sources: NYC Dept. of Parks and Recreation; BAE, 2010.

Table G-4: Basic Event Fees for New York City Parks

	Level A	Level B	Level C	Level D
Promotional- Commercial/Private				
Under 25% of Designated Area	N/A	$12,000	$7,200	$2,400
25%-50% of Designated Area	N/A	$20,000	$12,000	$4,000
Over 50% of Designated Area	$35,000	$22,000	$13,200	$4,400
Athletic Non-Charitable Event				
Under 25% of Designated Area	N/A	$8,000	$4,800	$1,600
25%-50% of Designated Area	N/A	$16,000	$9,600	$3,200
Over 50% of Designated Area	N/A	$18,000	$10,800	$3,600
Athletic Charitable Event				
Under 25% of Designated Area	N/A	$1,000	$600	$200
25%-50% of Designated Area	N/A	$2,000	$1,200	$400
Over 50% of Designated Area	N/A	$3,000	$1,800	$600
General Events				
Under 25% of Designated Area	N/A	$3,000	$1,800	$600
25%-50% of Designated Area	N/A	$11,000	$6,600	$2,200
Over 50% of Designated Area	$18,200	$13,000	$7,800	$2,600

Sources: NYC Dept. of Parks and Recreation; BAE, 2010.

Table G-5: Fixed-Rate Charges for Events Held in New York City Parks

	Level A	Level B	Level C	Level D
Amplified Sound	$2,100	$1,500	$900	$300
Sampling Tent				
801 - 6,400 sf	$4,200	$3,000	$1,800	$600
6,401 - 10,000 sf	N/A	$6,400	$3,840	$1,280
10,001 sf and above	N/A	$10,000	$6,000	$2,000
Stage				
1,000 - 2,500 cu. ft.	$2,100	$1,500	$900	$300
2,501 - 10,000 cu. ft.	$7,000	$5,000	$3,000	$1,000
10,001 cu. ft. and above	$14,000	$10,000	$6,000	$2,000
Back Drop				
6 - 20 ft.	$7,000	$5,000	$3,000	$1,000
21 ft. and over	$14,000	$10,000	$6,000	$2,000
Inflatables [b]				
15 - 50 cu. ft.	$7,000	$5,000	$3,000	$1,000
51 - 100 cu. ft.	$14,000	$10,000	$6,000	$2,000
Display Vehicles [c]				
Mid-size	$10,000	$7,500	$3,000	$1,000
Oversize/trailers/buses	$12,500	$10,000	$7,500	$3,000
Event Time				
18 Hours - 48 Hours	$7,000	$5,000	$3,000	$1,000
49 Hours - 96 Hours	$14,000	$10,000	$6,000	$2,000
97 Hours - 168 Hours	$28,000	$20,000	$12,000	$4,000
169 Hours and More		Priced by Negotiation		

Notes:
(a) Schedule does not apply to blimps, sites covered by an agreement with a third, party, department facilities, demonstrations, and concerts with more than 8,000 attendees.
(b) Charge is per inflatable.
(c) Charge is per display vehicle.
Sources: NYC Dept. of Parks and Recreation; BAE, 2010.

Table G-6: Outdoors and Special Events Revenue and Supporting Assumptions, 2011-2017

Event Revenues	2011	2012	2013	2014	2015	2016	2017
Special Events - Athletic	$57,800	$86,700	$115,600	$115,600	$115,600	$115,600	$115,600
Special Events - General	$93,000	$139,500	$186,000	$186,000	$186,000	$186,000	$186,000
Park Usage/Commercial - Small Scale	$30,000	$36,000	$42,000	$48,000	$54,000	$60,000	$75,000
Permits - Small Groups (a)	$1,875	$2,500	$3,125	$3,750	$4,375	$5,000	$5,000
Permits - Films Shoots	$1,500	$2,100	$2,700	$3,300	$3,900	$4,500	$3,000
Total Revenue	**$184,175**	**$266,800**	**$349,425**	**$356,650**	**$363,875**	**$371,100**	**$384,600**
Event Expenses							
Special Events and Permits (b)	**($46,044)**	**($66,700)**	**($87,356)**	**($89,163)**	**($90,969)**	**($92,775)**	**($96,150)**
Total Expenses	**($46,044)**	**($66,700)**	**($87,356)**	**($89,163)**	**($90,969)**	**($92,775)**	**($96,150)**
Net Operating Income	**$138,131**	**$200,100**	**$262,069**	**$267,488**	**$272,906**	**$278,325**	**$288,450**
Assumptions							
Pricing							
Avg. Revenue per Athletic Event	$28,900	$28,900	$28,900	$28,900	$28,900	$28,900	$28,900
Avg. Revenue per Commercial Event	$46,500	$46,500	$46,500	$46,500	$46,500	$46,500	$46,500
Park Usage/Commercial	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000
Gross Rental Revenue per Day (c)	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000
Permit Fees (a)	$25	$25	$25	$25	$25	$25	$25
Film Shoot Permit Fees (d)	$300	$300	$300	$300	$300	$300	$300
Units							
Special Athletic Events per Year	2	3	4	4	4	4	4
Special General Events per Year	2	3	4	4	4	4	4
Park Usage/Commercial per Year	10	12	14	16	18	20	25
Film Shoot Permits per Year	5	7	9	11	13	15	10
Small Group Permits per Year	75	100	125	150	175	200	200

Notes:
(a) Less than 20 people.
(b) Calculated as 25% of revenues.
(c) Based on comparable local one-day event rentals.
(d) Based on NYC Dept. of Parks & Recreation policy.
Source: BAE, 2011.

Table G-7: Indoor Recreation Facilities Pro Forma

PROJECT DETAILS	
Site Area (Acres)	5.7
Assumptions	
Indoor Multi-Use Fields (sq. ft.)	100,000
Hard Courts/Basketball (sq. ft.)	25,000
Fitness Center (sq. ft.)	75,000
Built Square Feet	200,000
Circulation/Passive Features	50,000
Parking Ratio (spaces/1,000 sq. ft.)	1.0
Number of Parking Spaces	200
Fitness Center Lease Rate (Monthly/Sq. Ft.)	$2.00
Multi-Use Field/$/Month	$29,250
Hard Court/$Month	$21,667
Cap Rate	9.0%

DEVELOPMENT COSTS	
Hard and Soft Costs	
Construction Costs	$33,000,000
Parking Costs	$5,000,000
Soft Costs	$9,500,000
Financing Costs	
Interest on Construction Loan	$1,330,000
Points on Construction Loan	$76,000
Developer Profit	$4,890,600
Total Development Cost	$53,796,600
TDC per Sq. Ft.	$268.98

COST ASSUMPTIONS	
Hard and Soft Costs	
Construction Costs (per sq. ft.)	$165
Cost/Parking Space (structured)	$25,000
Soft Costs (as % of hard & site costs)	25%
Developer Profit (as % of Total Dev. Cost)	10%
Financing Costs	
Interest Rate	8.00%
Period of Initial Loan (Months)	12
Initial Construction Loan Fee (Points)	0.02
Average Outstanding Balance	70%
Loan to Cost Ratio	50%

Source: BAE, 2011.

Land Value Analysis		
NOI		
Revenue		$2,152,000
Less Operating Expenses	20%	$430,400
Net Operating Income		$1,721,600
Capitalized Value		$19,128,889
Less Development Costs		($53,796,600)
Residual Land Value		($34,667,711)
Land Value/Sq. Ft.		($139)

RS Means
Gymnasium (without pool)

Base Cost	$129.80
Less Architect Fees	-$10.38
	$119.42
Plus Locational Factor (.4)	$47.77
Adjusted Cost	$167.18
Rounded Cost (nearest $5)	**$165.00**

Property Tax/Pilot Calculations
(ICAP exemptions aplly)

Market Value/Hard Costs	$19,128,889	
Assessment Factor	0.45	NYC Finance
Tax Rate	10.312%	NYC Finance
Annual Pilot	$887,657	

Ground Lease Calculations

8 Percent	($2,773,417)	NYC Finance
10 Percent	($3,466,771)	NYC Finance

PILOST/PILOMRT Calcs

PILOST	$1,798,253
Sales Tax Rate	8.875%
Taxable % Of Hard Costs	61%
PILOMRT (2.8%)	$753,152

Revenue Assumptions

Multi-Use Fields	2.00	50,000 Sq. Ft.
Multi Use Field Hourly Rate	$150	Aviator Sports
Hours Week	45	Sport Turf Mngrs Assoc.
Hard Courts	5	5,000
Hard Court Hourly Rate	$125	Aviator Sports
Hours Week	40	BAE Assumption
Fitness Center $/Sq. Ft.	$2.00	CBRE

Table G-8: Indoor Event Center Pro Forma

PROJECT DETAILS	
Assumptions	
Square Feet	25,000
Leasable Percentage	90%
Leasable Area	22,500
Parking Ratio (spaces/1,000 sq. ft.)	1.0
Number of Parking Spaces	25
Facility Rental/$/Day	$5,000
Cap Rate	9.0%
Full Leasable Days/Year	176

DEVELOPMENT COSTS	
Hard and Soft Costs	
Construction Costs	$5,250,000
On & Off-Site Improvements	$100,000
Parking Costs	$625,000
Soft Costs	$1,468,750
Financing Costs	
Interest on Construction Loan	$234,478
Points on Construction Loan	$13,399
Developer Profit	$769,163
Total Development Cost	$8,460,790
TDC per Sq. Ft.	$376

Land Value Analysis		
NOI		
Revenue		$880,000
Less Operating Expenses	20%	$176,000
Net Operating Income		$704,000
Capitalized Value		$7,822,222
Less Development Costs		($8,460,790)
Residual Land Value		($638,567)
Land Value/Sq. Ft.		($26)

COST ASSUMPTIONS	
Hard and Soft Costs	
Construction Costs (per sq. ft.)	$210
On & Off-Site Improvements (per acre)	$100,000
Cost/Parking Space (structured)	$25,000
Soft Costs (as % of hard & site costs)	25%
Developer Profit (as % of Total Dev. Cost)	10%
Financing Costs	
Interest Rate	9.00%
Period of Initial Loan (Months)	12
Initial Construction Loan Fee (Points)	0.02
Average Outstanding Balance	70%
Loan to Cost Ratio	50%

Source: BAE, 2011.

RS Means

Auditorium	
Base Cost	$163.05
Less Architect Fees	-$13.04
	$150.01
Plus Locational Factor (.4)	$60.00
Adjusted Cost	$210.01
Rounded Cost (nearest $5)	**$210.00**

Property Tax/Pilot Calculations		
(ICAP exemptions apply)		
Market Value/Hard Costs	$7,822,222	
Assessment Factor	0.45	NYC Finance
Tax Rate	10.312%	NYC Finance
Annual Pilot	$362,982	

Ground Lease Calculations	
8 Percent	($51,085)
10 Percent	($63,857)

PILOST/PILOMRT Calcs	
PILOST	$325,593
Sales Tax Rate	8.875%
Taxable % Of Hard Costs	61%
PILOMRT (2.8%)	$109,511

Revenue Assumptions		
Days Available	220	BAE
Usage Rate	80%	Comps
Days/Year	176	Comps
Average Facility Rental/Day	$5,000	Comps

Table G-9: Commercial Office Space Pro Forma

PROJECT DETAILS	
Site Size (Acres)	0.75
Commercial Assumptions	
Density (FAR)	2.5
Commercial Sq. Ft.	81,675
Leasable Percentage	90%
Leaseable Area	73,508
Parking Ratio (spaces/1,000 sq. ft.)	2
Number of Parking Spaces	147
Lease Rate (Yearly/Sq. Ft. Full Service)	$30.00
Cap Rate	8.0%

COST ASSUMPTIONS	
Hard and Soft Costs	
Construction Costs/Sq. Ft.	$205
On & Off-Site Improvements (per acre)	$200,000
Tenant Improvement Allowances (per sq. f	$5
Cost/Parking Space (structured)	$25,000
Other Soft Costs (as % of hard & site cost:	25%
Developer Profit (as % of Total Dev. Cost)	10%
Financing Costs	
Interest Rate	8.00%
Period of Initial Loan (Months)	12
Initial Construction Loan Fee (Points)	0.02
Average Outstanding Balance	70%
Loan to Cost Ratio	70%

DEVELOPMENT COSTS	
Hard and Soft Costs	
Construction Costs	$16,743,375
On & Off-Site Improvements	$150,000
Tenant Improvement Allowances	$367,538
Parking Costs	$3,675,375
Other Soft Costs	$5,234,072
Financing Costs	
Interest on Construction Loan	$1,025,878
Points on Construction Loan	$366,385
Developer Profit	$2,756,262
Total Development Cost	$30,318,885
TDC per Sq. Ft.	$371.21

Land Value Analysis		
NOI		
Lease Revenue		$2,205,225
Less Vacancy	10%	$220,523
Less Operating Expenses	20%	$441,045
Net Operating Income		$1,543,658
Capitalized Value		$19,295,719
Less Development Costs		($30,318,885)
Residual Land Value		($11,023,166)
Land Value/Sq. Ft.		($337.41)

Source: BAE, 2010.

RS Means
Office, 2-4 Story, Glass and Metal Curtain Wall w/ Steel Frame

Base Cost	$158.80
Less Architect Fees	-$11.12
	$147.68
Plus Locational Factor (.4)	$59.07
Adjusted Cost	$206.76
Rounded Cost (nearest $5)	**$205.00**

Property Tax/Pilot Calculations
(ICAP exemptions apply)

Market Value/(Improvements+Land)	$19,295,719	
Assessment Factor	0.45	NYC Finance
Tax Rate	10.312%	NYC Finance
Annual Pilot	$895,399	

Ground Lease Calculations

8 Percent	($881,853)
10 Percent	($1,102,317)

PILOST/PILOMRT Calcs

PILOST	$987,629
Sales Tax Rate	8.875%
Taxable % Of Hard Costs	55%
PILOMRT (2.8%)	$378,196

Table G-10: Commercial Retail Space Pro Forma

PROJECT DETAILS	
Site Size (Acres)	0.75
Retail Assumptions	
Density (FAR)	2
Retail Sq. Ft.	65,340
Leasable %	95%
Leasable Area	62,073
Parking Ratio (spaces/1,000 sq. ft.)	1.0
Number of Parking Spaces	62
Lease Rate (Yearly/Sq. Ft. NNN)	$36.00
Cap Rate	7.5%

COST ASSUMPTIONS	
Hard and Soft Costs	
Retail Construction Costs (per sq. ft.)	$175
On & Off-Site Improvements (per acre)	$200,000
Retail TI/Sq. Ft.	$25
Cost/Parking Space	$25,000
Other Soft Costs (as % of hard & site cos	25%
Developer Profit (as % of Total Dev. Cost)	10%
Financing Costs	
Interest Rate	8.00%
Period of Initial Loan (Months)	12
Initial Construction Loan Fee (Points)	0.02
Average Outstanding Balance	70%
Loan to Cost Ratio	70%

Source: BAE, 2010.

DEVELOPMENT COSTS	
Hard and Soft Costs	
Construction Costs	$11,434,500
On & Off-Site Improvements	$150,000
Tenant Improvement Allowances	$1,551,825
Commercial Impact Fees	$0
Parking Costs	$1,550,000
Other Soft Costs	$3,671,581
Financing Costs	
Interest on Construction Loan	$719,630
Points on Construction Loan	$257,011
Developer Profit	$1,933,455
Total Development Cost	$21,268,002
TDC per Sq. Ft.	$325.50

Land Value Analysis		
Retail NOI		
Lease Revenue		$2,234,628
Less Vacancy	10%	$223,463
Less Operating Expenses	10%	$223,463
Net Operating Income		$1,787,702
Capitalized Value		$23,836,032
Less Development Costs		($21,268,002)
Residual Land Value		$2,568,030
Land Value/Sq. Ft.		$79

RS Means
Store, Department, 3 Story

Base Cost	$131.40
Less Architect Fees	-$7.88
	$123.52
Plus Locational Factor (.4)	$49.41
Adjusted Cost	$172.92
Rounded Cost (nearest $5)	**$175.00**

Property Tax/Pilot Calcs
(ICAP exemptions apply)

Market Value (Improvements+Land)	$23,836,032	
Assessment Factor	0.45	NYC Finance
Tax Rate	10.312%	NYC Finance
Annual Pilot	$1,106,087	

Ground Lease Calculations

8 Percent	$205,442
10 Percent	$256,803

PILOST/PILOMRT Calcs

PILOST	$828,243
Sales Tax Rate	8.875%
Taxable % Of Hard Costs	64%
PILOMRT (2.8%)	$467,186

Table G-11: Parking Garage Pro Forma

PROJECT DETAILS	
Assumptions	
Square Feet	85,000
Circulation	20%
Parking Spaces (300 Sq. Ft.)	227
Revenues/Space/Week	$113
Cap Rate	8.0%

COST ASSUMPTIONS	
Hard and Soft Costs	
Construction Costs (per sq. ft.)	$90
On & Off-Site Improvements (per acre)	$0
Soft Costs (as % of hard & site costs)	25%
Developer Profit (as % of Total Dev. Cost)	10%
Financing Costs	
Interest Rate	8.00%
Period of Initial Loan (Months)	12
Initial Construction Loan Fee (Points)	0.02
Average Outstanding Balance	70%
Loan to Cost Ratio	70%

Source: BAE, 2011.

DEVELOPMENT COSTS	
Hard and Soft Costs	
Construction Costs	$7,650,000
On & Off-Site Improvements	$0
Soft Costs	$1,912,500
Financing Costs	
Interest on Construction Loan	$374,850
Points on Construction Loan	$15,300
Developer Profit	$995,265
Total Development Cost	$10,947,915
TDC per Sq. Ft.	$129

Land Value Analysis		
Retail NOI		
Revenue		$1,327,950
Less Operating Expenses	20%	$265,590
Net Operating Income		$1,062,360
Capitalized Value		$13,279,500
Less Development Costs		($10,947,915)
Residual Land Value		$2,331,585
Land Value/Sq. Ft.		$27

RS Means
Parking

Base Cost	$70.20
Less Architect Fees	-$5.62
	$64.58
Plus Locational Factor (.4)	$25.83
Adjusted Cost	$90.42
Rounded Cost (nearest $5)	**$90.00**

PILOST/PILOMRT Calcs

PILOST	$416,868
Sales Tax Rate	8.875%
Taxable % Of Hard Costs	61%
PILOMRT (2.8%)	$214,579

Property Tax/Pilot Calcs
(ICAP exemptions apply)

Market Value/Hard Costs	$13,279,500	
Assessment Factor	0.45	NYC Finance
Tax Rate	10.312%	NYC Finance
Annual Pilot	$616,222	

Ground Lease Calcs

8 Percent	$186,527
10 Percent	$233,159

Revenue Assumptions

Days Available	365	BAE
Usage Rate	75%	Comps
Hours Week	60	Comps
Average Fee/Hour	$2.5	Comps