

Public Space: Value Creation and Revenue Generation



Creating value through Privatization at the Grace Building, NYC

Increase in effective rents through
privatization of Bryant Park (per owners):___\$10 / sq. ft.

Total rentable space in building:_____ 1.3 million sq. ft.

Increase in Annual Rent Roll:_____ \$13 million

Increase in Building Value @ 6% Cap rate:___\$217 million

THE WALL STREET JOURNAL.

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REVIEW & OUTLOOK

WEDNESDAY, MAY 20, 1998

The Private Sector Shows How to Run a City

By JULIA VITULLO-MARTIN
NEW YORK—Mayor Rudolph W. Giuliani has become a poster boy for better city government. But the revolution that revitalized New York started well before Mr. Giuliani became mayor—and was initiated by the private sector.

The most striking symbol of this turnaround is Bryant Park—a seven-acre jewel that now glitters behind the New York Public Library on West 42nd Street. GQ magazine calls it “the most urbane setting in America.” Yet in the early '80s, when I had an office overlooking the park, it was a mess—a haven for drug dealers that was the site of 150 reported robberies and 10 rapes a year, countless auto break-ins on the periphery and a murder every other year. As a public park it was so mismanaged that it held down the property values of the surrounding neighborhood.

Now the park, under private management, is virtually crime-free. On an average day it draws 10,000 New Yorkers who sunbathe, picnic, hang out and attend musical, dance and film events. Neighboring businesses are prospering and surrounding property values have soared.

The turnaround effort began in 1980, when a group of property owners and neighbors formed the Bryant Park Restoration Corp. It took seven years of negotiation for the BPRC to persuade the city's Parks Department to give it a 13-year lease, which runs through 2002. In 1987 the BPRC closed the park for five years of rebuilding.

The BPRC's president, Daniel Biederman, embarked on an ambitious reconstruction project. “Since what you have to do is make it safe, the first step in a turnaround is to redesign the place dramatically,” Mr. Biederman says. “You alert everybody that you've taken control while fixing any design flaws that contributed to the problems in the first place.”

The old design—a formal French garden—dated from 1934, when the legendary Parks Commissioner Robert Moses decided to raise and isolate the park above the sidewalk. This isolationist design

made it easy for criminals to take over. The BPRC aimed to make the park more attractive for ordinary city dwellers, while collecting revenues to pay for the expected maintenance of \$2 million annually—far more than the city had spent. The designers cut new entrances, tore down iron fencing, ripped out high hedges, restored fixtures and added neoclassical kiosks for concessions.

Bryant Park reopened in April 1992, and its new management embodied many of the qualities that have made the park a success. Mr. Kelly is a senior vice president of Mountain Development Corporation, which owns the Beaux Arts, the landmarked office building at the southeast corner of 40th Street and Avenue of the Americas. Until a year or so ago, four of the building's 10 floors were empty and, at asking prices of about \$19 a foot, tenants were barely nibbling.

Then, last year, the refurbished Bryant Park opened up across the street. Mountain Development has written seven leases since then and the rent has inched up with each. “I started asking for \$24, I pushed it up to \$25, and I've got a deal going at \$27,” said Mr. Kelly, adding that he's got only a third of a floor left to go.

The new tenants tell the same tale. “We could have gotten comparable space, even better space, for \$3 a foot less elsewhere in the area, but I really love the park,” said E. Kenneth Seiff, the president of Pivot Sportswear, which took the third floor of the Beaux Arts last November.

Julie J. Bartholmey, associate director of Nautilus International, which took the eighth floor, is pretty sure she could have struck a better deal before the park's renovation. “Sure, if this were still a druggy, unsafe area, I could have argued for a lot lower rent,” she said. “Who's going to pay the same for a drug-infested area as for one with birds and trees and lunchtime concerts?”

It took 12 years and some \$8.9 million, but Bryant Park, once a weedy and seedy haven for drug dealers and their customers, has turned into a midtown oasis.

Stretching from 40th Street to 42d Street and from Avenue of the Americas to the back of the New York Public Library on Fifth, its lush lawns, food and book kiosks and lunchtime performances draw as many as 10,000 people on sunny days.

And for the landlords who own the 7 million square feet of office and retail space that borders the park, it is drawing an even more important crowd: tenants.

“You can't find anyplace in midtown where real estate was so affected by a neighborhood change in so short a period of time,” said Daniel Biederman, executive director of

the Bryant Park Restoration Corporation. “People want to be here now. They're not all talking about moving to New Jersey.” It is hard to quantify the park's impact, since more goes into picking a new office than the proximity of greenery. Moreover, unlike Mr. Kelly, most landlords in the area do not give out rent figures.

But brokers and other industry insiders say that since the park was renovated, office leasing activity has increased significantly at Swig Weiler's two buildings, 1114 Avenue of the Americas (the old W.R. Grace building) and 111 West 40th Street, as well as at 11 West 42d Street, which is managed by Silverstein Properties.

Smaller buildings, too, are seeing a resurgence of activity. In mid-1991 Joseph J. Sarno, a Cushman & Wakefield associate director, was retained by Fieldcrest Cannon to find sublet tenants for some 45,000 feet at 58 and 70 West 40th Street, two connected buildings. He has found tenants for all but 11,000 square feet.

“If this were three years ago, we'd be nowhere this far along,” he said. He certainly wouldn't have gotten American Pacific Enterprises, the home furnishings company that had half a floor at 70 West 40th Street, to expand into three floors and turn the storefront into a showroom.

“If they hadn't redone Bryant Park we would never have renewed, let alone expanded,” said Steven J. Block, the company's executive vice president. “We don't want people who walk past our windows to associate our name with a war zone.”

Retailers, whose businesses depend heavily on drop-in traffic, are perhaps the most willing converts to the streets around the park. And new stores are opening apace. “I'd say the park is at least half the reason I came here,” said Kayvan Amirsoimani, who just opened the Library Gourmet, a food store, at 28 West 40th Street.

“I've spent more than \$300,000 in building this store, and I simply wouldn't have done it to open a business surrounded by drug activities.”

Devon & Blakey, another food store, opened at 40th and Fifth Avenue last summer, in good part to attract traffic from the park. It is open to 8 P.M. seven days a week.

“If the park hadn't been redone, it would not have made sense to stay open so late, or even to open on weekends,” said Patrick Burke, the owner.

The new interest in the area did not happen by serendipity. Local landlords and leasing agents, who used to play down the park's proximity, are now promoting it to the hilt.

Abrams Benisch & Riker, which has been retained by W.R. Grace to find a sublease tenant for the 40,000-square-foot fifth floor of

The New York Times

THE NEW YORK TIMES, SUNDAY, JUNE 6, 1993

Commercial Property: Bryant Park

Once Anathema, Now a Midtown Marketing Tool

Brokers Promote Proximity of Green, Refurbished Area

By CLAUDIA H. DEUTSCH

CONVENTIONAL wisdom says nobody is getting higher rents for commercial space today than they did five years ago. But don't tell that to Tom Kelly.

Mr. Kelly is a senior vice president of Mountain Development Corporation, which owns the Beaux Arts, the landmarked office building at the southeast corner of 40th Street and Avenue of the Americas. Until a year or so ago, four of the building's 10 floors were empty and, at asking prices of about \$19 a foot, tenants were barely nibbling.

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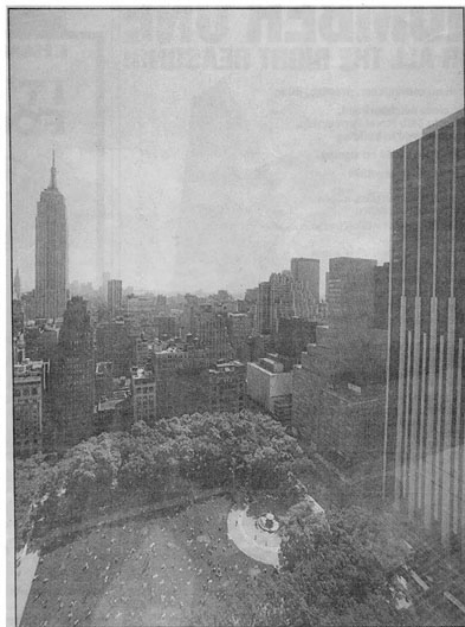
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Bryant Park's revival has raised rents in surrounding office buildings.

1114, recently advertised the space in newspapers. The ad included “Across from the new Bryant Park” on the list of assets.

“The first question I ask a potential tenant is, ‘Have you gone through the park?’” said Stephen J. Riker. “If they say ‘no,’ I take

NEW YORK REAL ESTATE JOURNAL

Tuesday, June 30, 1997

COVERING THE ENTIRE STATE OF NEW YORK

By Jeffrey Grob, Vollmer Associates Capital Improvements In BIDs Enhance Property Values

Property values in two showcase neighborhoods in midtown Manhattan have been enhanced as a result of some \$5.4 million in

escalated, merchants have attested to an increase in shopping traffic and there has been more repeat business. All of these improvements represent a

signs; unobtrusive newspaper boxes holding from six to 13 different papers; trees and planters along the av-

Even as work proceeds, large commercial enterprises have begun moving into the 34th St. area. A huge K-mart at One Penn Plaza connected to the Long Island Rail Road concourse, the nation's largest HMV music store, along with a mega-size Woolworth's and Gap, have opened on 34th St. and Sixth Ave., as well as a 17,000 sq ft

Central Partnership also a service outreach pro-

homeless. It set up a h St., between Lexington Ave., that provides and job-training pro-

gradually lead to residents in apartments of their

major project planned for creation of a “Library the New York Public

block of 41st St. off the block's current retail

dom mix of occupants a natural location for

ailers, in the same way politan Museum of Art art galleries and print

erent Approach t. Partnership required

ore basic nature, not the was the removal of cano-

ive signs from in front the sides of buildings, e area the look of an

market. Also included on of private sanitation

nces, increased lighting rces, increased lighting rces, increased lighting

retail streetscaping. The litation of Greeley and s, which had earned an

ation as a hangout for have a profound effect

All work on the Grand Central BID and the 34th St. district is expected to be completed by Labor Day 1997. The early returns on this urban experience

are in, however, and the approval rating is high. Street crime in the area is down by over 50 percent, the streets

and sidewalks are among the most litter- and graffiti-free in Manhattan, the

retail business is improving, and property owners and merchants are sanguine about the prospects for the fu-

ture.

Jeffrey Grob is the principal landscape architect for Vollmer Assoc., New York, N.Y.

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The New York Times

THE NEW YORK TIMES, SUNDAY APRIL 27, 2003

BRYANT PARK

You're a Hot Park When Everyone Wants Your Name

If it had a name, it was nowhere to be found. New Yorkers simply knew it as Needle Park. Or that brown patch behind the New York Public Library.

Street. And most recently, the subway station at 42nd Street and the Avenue of the Americas, which serves the B, D, F and V trains, has been renamed, "42 Street-Bryant Park."

Metal signs bearing the new name recently appeared on the station platform and also reflected on New York City's water. It has become a beautiful park, a place where people can relax and enjoy the city. The park is known for its beautiful landscaping, including trees and flowers. It is a great place to walk, jog, or simply sit and enjoy the view of the city. The park is also a popular spot for children to play. The park is a great addition to the city and will be a valuable asset for many years to come.

Organization is planning a 50-story office tower, catercorner from the park on 42nd Street, to be called 1 Bryant Park — not 42 Street-Bryant Park. And more is to come. G. Heileman, which is moving to 11 West 42nd Street, will depend its name with "at Bryant Park." "We're hoping that's just the beginning," said Michael A. Biederman, executive director of the Bryant Park Restoration Corporation. "We're planning to add more buildings, more stores, more restaurants, more functions like the fashion address." "That would be nice," Mr. Biederman said. "What is it called now?"

REAL ESTATE WEEKLY

Bryant Park gets new \$150M hotel

Real Estate Weekly, April 14, 2004

Two major hotel developments are bringing new buzz to the Times Square redevelopment.

On Monday, it was announced that the Hard Rock Hotel chain had paid \$125 million to buy the Paramount Hotel in Times Square from impresario, Ian Schrager.

And yesterday Mayor Michael Bloomberg joined G. Heileman, Holdings Corporation Chairman and CEO Harry Gross, John W. Marriott, III, Executive Vice President for Lodging of Marriott International, Inc., and NYC & Company President Cristy Nichols announced the start of construction of Bryant Park Tower, a 45-story building which will house New York City's first Marriott Residence Inn suites, drawing Artist's impression.

"These are two more examples of how the Times Square redevelopment is continuing to evolve into something positive for New York City. It's positive growth," said Nicholas.

Gross added, "With great partners such as M a y o r Bloomberg and Marriott International, our family will continue to invest in New York City, the Capital of the World."

The Marriott Residence Inn suites, drawing Artist's impression.

project complete by the end of 2005.

Residence Inn by Marriott, North America's leading extended-stay brand, allows guests on long-term trips to maintain a balance between work and life while away from home. Spacious suites with full kitchens and separate areas for sleeping, working, relaxing and eating offer homelike comfort and functionality.

The Residence Inn entrance will be at the corner of Avenue of the Americas and West 39th Street. The second floor will house a public garage, with the hotel's restaurant, bar, meeting rooms and ballroom on the third floor. The hotel will occupy 30 floors, topped by 10 floors of rental units.

The residential apartments will have a doorman as part of a separate residential staff and a separate lobby with entrance on West 39th Street serviced by its own elevator bank. The high end finishes of the apartments will include wood floors, marble countertops and stainless steel appliances.

G. Holdings has developed and owns three additional Marriott hotels. In Manhattan, the New York City Marriott — Times Square South, located on Avenue of the Americas and West 39th Street; in Queens, the Marriott Courtyard by Marriott — JFK Airport; and in Philadelphia, the Marriott Residence Inn — Philadelphia.

Shihara Associates is the architect for the project. The project is being performed by the engineering work, with mechanical engineering by Cosentino Associates and Interior Design by Chandra Chandalmaud & Associates, Inc. The project will be constructed by Bovis Lend Lease, a general contractor and the Owner's Representative. The hotel will be managed by InterContinental Hotels & Resorts of Arlington, Virginia. Prior to the project is provided by Corus Bank Financial Inc.

REAL ESTATE WEEKLY

May 12, 2004

SPRING HAS SPRUNG



From Left: Doug Winshall, David Kaufman, Adam Weisleder, Robert Tansman, C. Viverto - Murray Hill Properties; David Kaufman



From Left: Doug Winshall, David Kaufman, Adam Weisleder

AT 1065 AVENUE OF THE AMERICAS OVERLOOKING BRYANT PARK

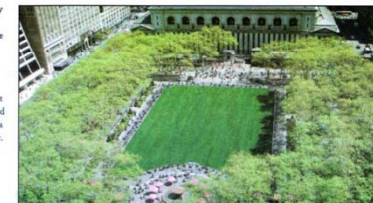
were an architectural design presentation by The Phillips Group -- demonstrating how companies are working with Trizec to create some of the area's finest quality pre-built offices -- and an exciting raffle for a new metallic gold Vespa!

Trizec Properties is one of the nation's largest owners and operators of office properties, and is one of New York's leading landlords with a local portfolio of nearly 8 million square feet.

For information about available space, contact David Kaufman at 212-382-9349.



TRIZEC



THE DURST ORGANIZATION

IS PLEASED TO ANNOUNCE A JOINT VENTURE PARTNERSHIP AND A LEASE OF 1,100,000 SQUARE FEET WITH

BANK OF AMERICA

IN THE DEVELOPMENT OF THE BANK OF AMERICA TOWER AT ONE BRYANT PARK.

We thank
JOHN RYAN, III,
JOHN KRUSH
and **PETER RIGUARDI** of
JONES LANG LASALLE,
who represented
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The Durst Organization Inc.
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Owner/Builder/Manager



REBNY



How Smart Parks Investment Pays Its Way

Bryant Park Case Study



Bryant Park

MANHATTAN

Summary

Bryant Park Findings To Date

- An organization and management structure was formed to implement both capital expenditure and on-going maintenance programs to maximize strategic investments
- A large portion of revenue sources for park funding is now coming from concession and usage fees, and restaurant and rental income, reducing the required funds from assessments on abutting property owners
- Park renovation and management structure has created a strong amenity to the local office market while eliminating the park's former negative impact on the local real estate market
- Office buildings that were previously underperforming within the submarket surrounding the park are now outperforming the same submarket
- **Subsequent to the renovation of the park, asking rents in buildings surrounding the park increased at a higher rate than the surrounding submarkets**
- Improved tenant quality increases credit profile, thereby increasing market value for real estate surrounding the park

Bryant Park

MANHATTAN

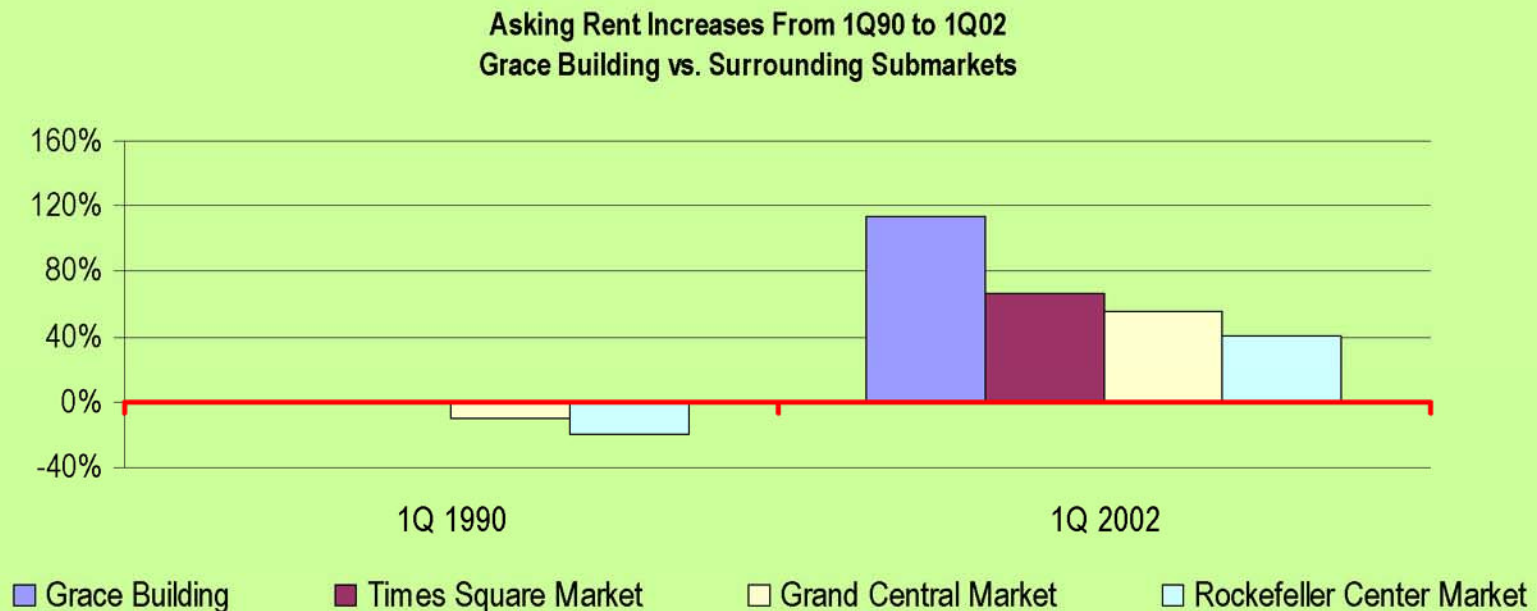
Analysis of Four Office Buildings Near Park

The Grace Building
Beaux Arts Building
London Fog Building
1065 Avenue of the Americas



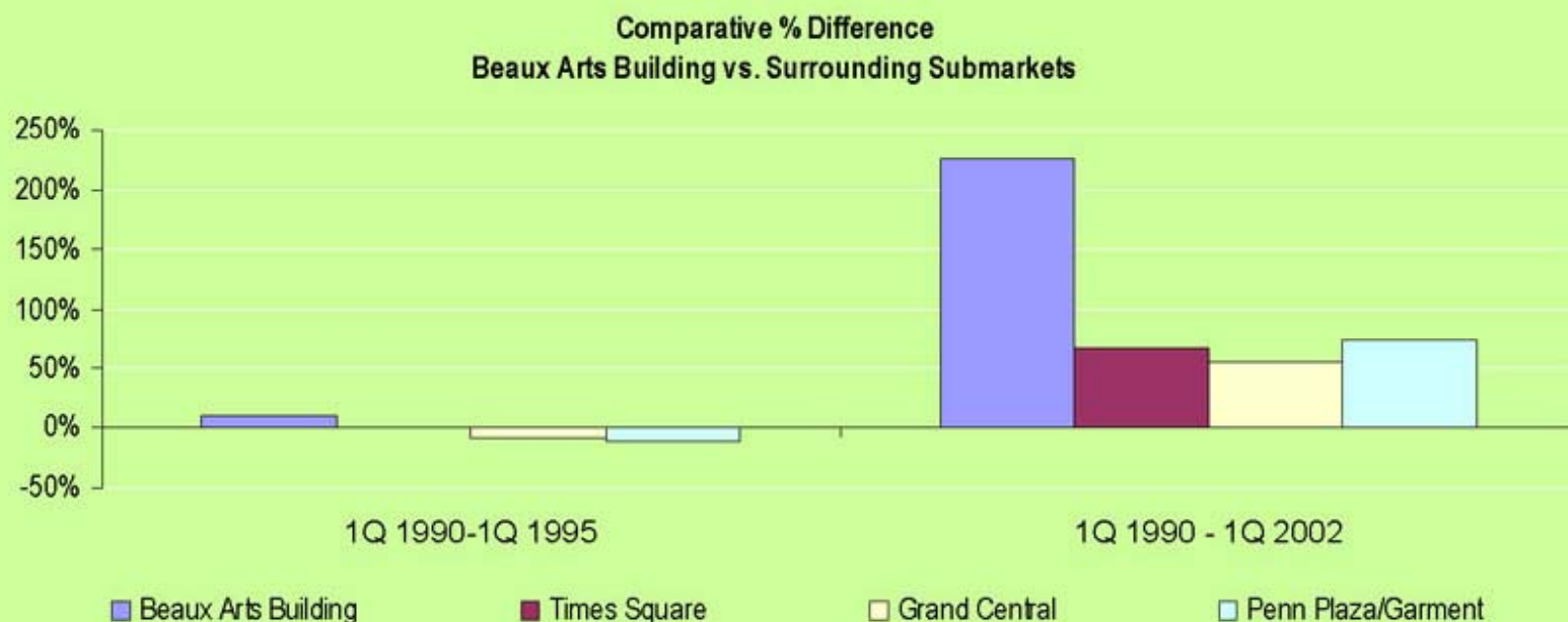
Grace Building Market Rent Comparison

From 1Q90 to 1Q02, asking rents in the Grace Building increased by over 114% compared to increases of 67%, 55%, and 41% in the Times Square, Grand Central, and Rockefeller Center markets, respectively



Beaux Arts Building Market Rent Comparison

From 1Q90 to 1Q02, asking rents in the Beaux Arts Building increased by 225% compared to increases of 67%, 55%, and 73% in the Times Square, Grand Central, and Penn Plaza/Garment markets, respectively



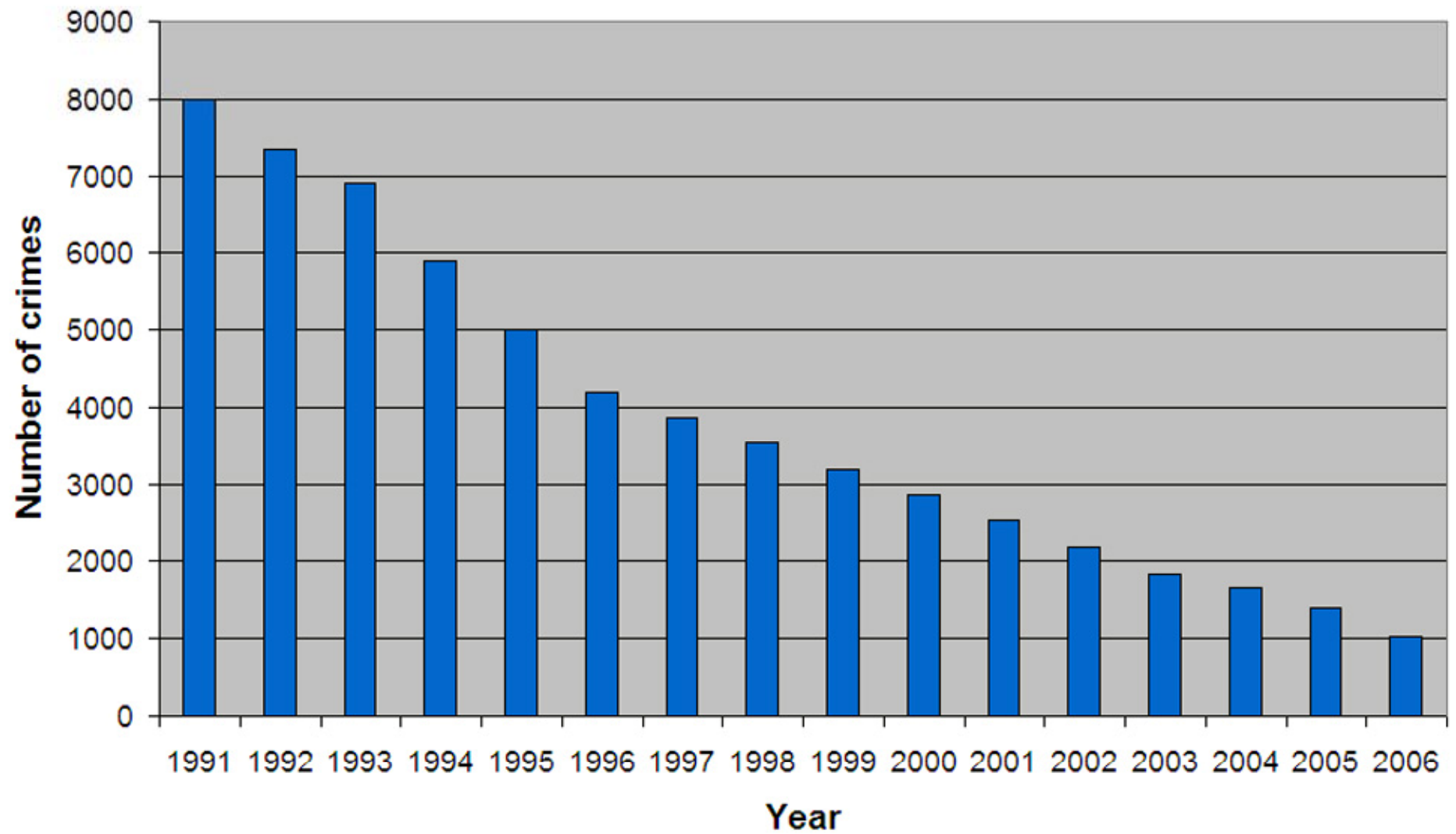
Typical Results - Common Management Clients 1

Asset/Condition	Existing Condition	Start-up Weeks	By Year Three
Street Sanitation	Littered curbs and sidewalks	Litter-free	Litter-free
Street Crime	Random felonies, especially at night, in crowded transit hubs, and near large stores	Presence of deterrent	60-100% reduction in crime rate.
Lighting	Inadequate, unsightly, yellow	Same	Attractive poles, strong white light creates crime deterrent
Parks/Public Plazas	Under-used at all hours	Greater use due to highly visible cues	Crowds of positive users at all hours in well-tended, programmed space

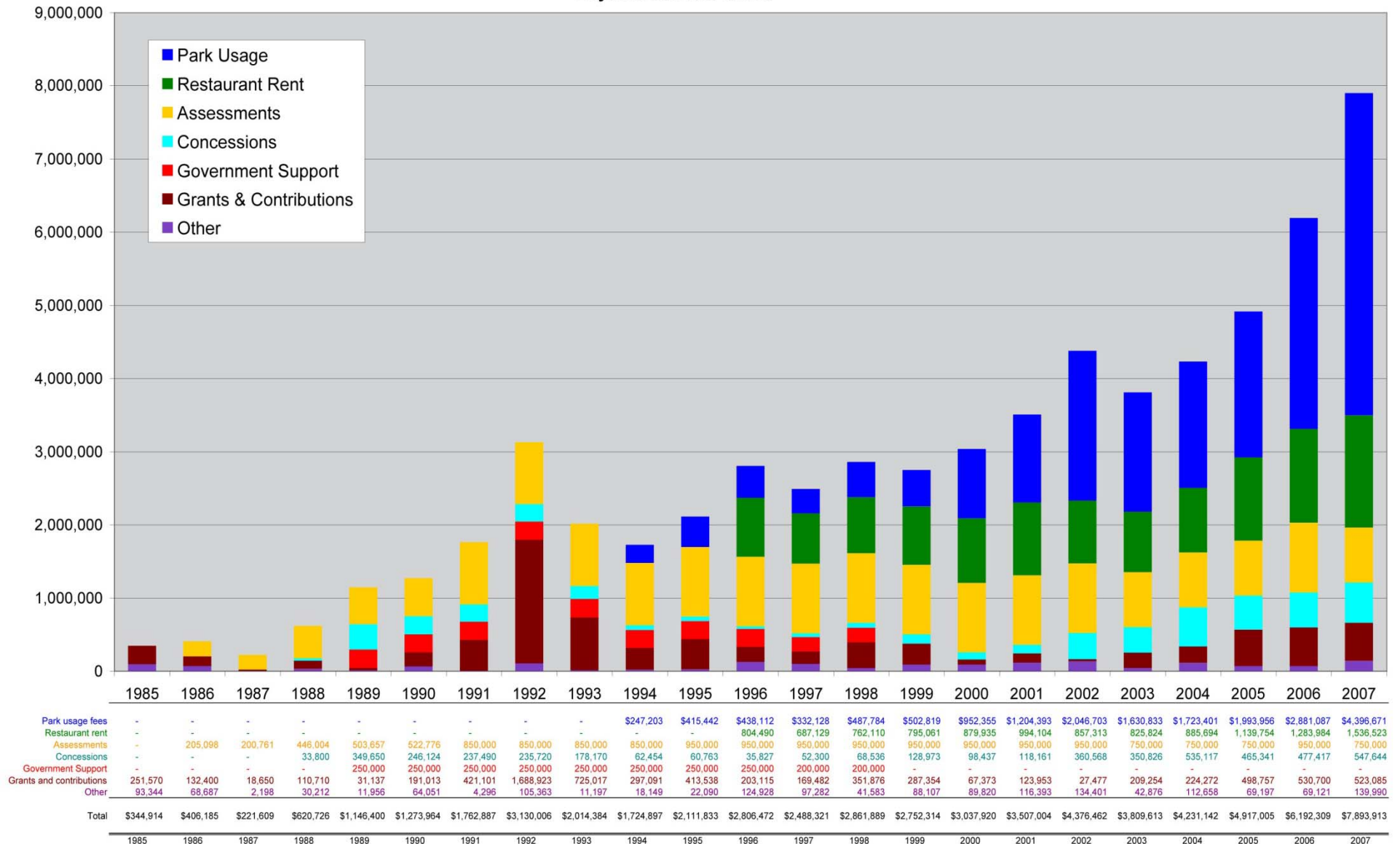
Typical Results - Common Management Clients 2

Asset/Condition	Existing Condition	Start-up Weeks	By Year Three
Horticulture	Poorly tended trees, few flower displays	Quick increase in visible displays	More trees within attractive beds, flowers in pots, planters, and on walls
Storefronts	Even in strong retail areas, isolated eyesores with poor window merchandising	Same	Strong upgrade of storefront appearance; market responds with tenant upgrades in years 3-5
Social Problems	Knots of alcoholics, drug users and mentally ill begging and sleeping on street, unaided	Same	Program subsidized by client to direct troubled people to nearby, off-street service center
Capital Plant	Old, poorly maintained, some elements broken	Quick touch-ups involving painting, repair, replacement	Replacement and addition of new elements appropriate to neighborhood architecture

34th Street Partnership



Bryant Park Revenues



Private Financing of a Public Amenity

Bryant Park, New York City

(numbers simplified, 2007 annual average)

Revenues

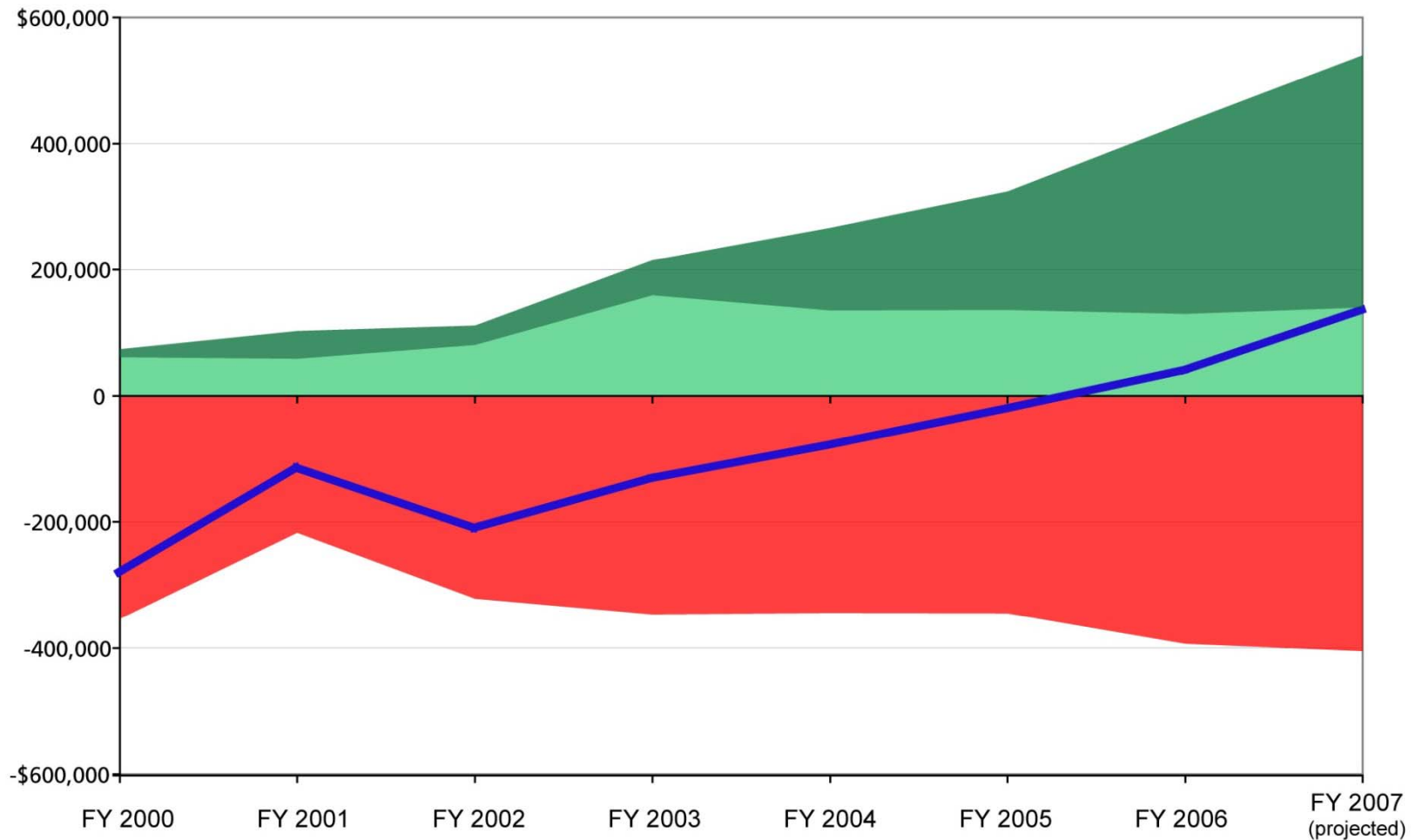
Event fees _____	\$ 4,397,000
Restaurant rent _____	1,536,000
Concessions _____	548,000
*Assessments _____	750,000
In-kind Contributions _____	277,000
Park element sponsorship _____	219,000
Other contributions _____	27,000
Other sources _____	140,000

Total: \$7,894,000

*Compulsory, based on establishment of
Business Improvement District

Herald & Greeley Square Parks Operations

■ Events
 ■ Concessions
 ■ Expenses
 — Net



Revenues								
Events	\$12,000	43,250	30,550	54,950	130,970	188,095	302,900	400,000
Concessions and Advertising	\$61,512	59,142	80,925	159,733	135,333	136,194	130,209	140,000
Total Revenue	\$73,512	102,392	111,475	214,683	266,303	324,289	433,109	540,000
Expenditures								
Security, Sanitation and Horticulture	\$353,799	217,338	321,355	346,252	344,516	344,848	393,080	405,000
Net surplus (deficit)	(\$280,287)	(114,946)	(209,880)	(131,569)	(78,213)	(20,559)	40,029	135,000