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November 3, 2015

Members of the Board
The Brooklyn Bridge Park Corporation
334 Furman Street
Brooklyn, NY 11201

Dear Members of the Board:

The Brooklyn Bridge Park Corporation (BBPC) paid consultant Barbara Denham to review its financial model and used the resulting report¹ to justify the construction of Pier 6 in its testimony² in the ongoing public process to modify the General Project Plan (GPP).

People for Green Space Foundation Inc. (PFGSF) urges the BBPC to redact the Denham report and revise its testimony accordingly in order to reflect the following:

- **Major Errors Affecting the Analytical Conclusions.** Ms. Denham uses bizarrely incorrect tax data to validate BBPC's revenue assumptions. To cite one example, Ms. Denham claims that 360 Furman ST (aka One Brooklyn Bridge Park or OBBP), the first development in the park, has a Department of Finance (DOF) market value of ~\$35.6 million (page 16), which is less than half of the verifiably correct value.³ The result is that she dramatically understates park revenue. She also calculates on page 16 that revenues have decreased from last year rather than the actual increase of 6.7%, which is notably well above the BBPC's stated revenue growth assumption.

¹ Report by Barbara Denham data July 2015 and available on the BBPC website:
<https://brooklynbridgepark.s3.amazonaws.com/p/3008/BBD%20Final%20Report%20withcoverletter730.pdf>

² See July 30 testimony from Regina Myer (page 40) that is available online at:
http://esd.ny.gov/PublicMeetings_Notices/2015/07302015_BBPC_PublicHearingTranscript.pdf

³ Ms. Denham claims that 360 Furman ST has a market value of ~\$35.6 million on page 16. But, the residential units (only) have a market value \$84.5 million according to the tax bills that I compiled (compilation available upon request). This figure corresponds to the \$84.5 million figure in the following DOF spreadsheet (line 32, column O):
http://www1.nyc.gov/assets/finance/downloads/excel/condo_coop_comps/b3_condo_comp020315.xlsx

- **Misleading selection of comparables undermines the credibility of the analysis.** Ms. Denham claimed to assess a “sample of high-end residential buildings” (page 14). Yet, she selected buildings like 25 Joralemon ST (pictured below), which is a small building that was built in 1907 and has a Department of Finance (DOF) market value of (only) \$1.5 million.



- **Outdated rent data.** Ms. Denham does not provide data to validate BBPC’s revenue numbers for Empire Stores, leaving the assumed revenue potential as unexamined as it was previously when we raised questions about the revenue potential based on BBP’s continued use of outdated rent estimates and understated square footage of this vastly enlarged commercial development.
- **Profit sharing arrangements are unaddressed.** It is inconceivable that the profit-sharing arrangements on Pierhouse and Empire Stores are not in-the-money given the dramatic increase in area real estate and rents.
- **Premature, Uninformed Decision-Making.** Ms. Denham’s reference to still-to-be-prepared (non-existent!) DOF assessments provides inadvertent, ironic support for the notion that Pier 6 decisions are being made prematurely. The actual DOF assessments for not-yet-occupied sites (John St, Pierhouse and Empire Stores) will soon be available (as soon as this January if construction is completed this fall as expected⁴). Instead of basing the Pier 6 decision on Ms. Denham’s (dubious) estimates, the decision could be made based on the actual DOF assessments and the corresponding cash tax payments.

⁴ See page 2 of the BBPC’s November Technical Memorandum:
[https://brooklynbridgepark.s3.amazonaws.com/p/2017/BBP%20Pier%206%20Uplands%20Tech%20Memo_20141120%20\(3\).pdf](https://brooklynbridgepark.s3.amazonaws.com/p/2017/BBP%20Pier%206%20Uplands%20Tech%20Memo_20141120%20(3).pdf)

Disturbing Pattern of Discrepancies in Tax Data

In the Denham report, the methodology for testing the model includes “re-calculating the PILOT [tax] payments for each development site” and “comparing PILOT revenues with current property tax data assessed at neighboring properties.”

Yet, there are discrepancies of more than 50% in the residential tax data presented by Ms. Denham:

- Consider 360 Furman ST (the first development site in the park). Ms. Denham claims that 360 Furman ST “as per the model” generates tax before abatements or exemptions of just over \$4 per square foot. In reality, the residential units generate \$7.78 per square foot in unabated residential taxes,⁵ **which is almost double the figure presented by Ms. Denham on page 15.** Not surprisingly, compiling the actual residential tax bills from the DOF website tells the same story.⁶
- Consider 65 Washington ST. Ms. Denham claims that the “tax w/ no abatements or exemptions” of 65 Washington ST is over \$14 per square foot on page 15. **Yet, DOF data from its website shows that in reality, the figure is about half the figure claimed by Ms. Denham.**⁷ Again, not surprisingly, the building’s actual tax bill tells the same story.⁸

⁵ In footnote of page 14 of the Denham report, Ms. Denham indicates that the unabated tax numbers were determined by multiplying the market value (as determined by the NYC DOF) x .45 assessment ratio x .12855 current tax rate. The DOF market value per square foot is \$134.42 for 360 Furman ST, implying \$7.78 per square foot in unabated residential taxes. The \$134.42 DOF figure can be found in row 32 and column O of the following DOF spreadsheet:

http://www1.nyc.gov/assets/finance/downloads/excel/condo_coop_comps/b3_condo_comp020315.xlsx

⁶ OBBP apartments generate “tax before exemptions and abatements” of \$4.6 million based on the most recent tax bills from DOF (compilation of individual tax bills available upon request), which implies \$7.3 in residential tax payments per square foot (using the 628.7 thousand square foot figure found in the attached DOF spreadsheet and on page 62 of the OBBP offering plan).

⁷ In footnote of page 14 of the Denham report, Ms. Denham indicates that the unabated tax numbers were determined by multiplying the market value (as determined by the NYC DOF) x .45 assessment ratio x .12855 current tax rate. The DOF market value per square foot is \$116.33 for 65 Washington, implying \$6.7 per square foot in unabated residential taxes. The \$116.33 DOF figure can be found in row 29 and column AC of the following DOF spreadsheet:

http://www1.nyc.gov/assets/finance/downloads/excel/condo_coop_comps/b3_condo_comp020315.xlsx

⁸ 65 Washington ST pays “tax before abatements” of \$704,397 according to its 6/5/15 tax bill from the DOF website. Given the 123,700 gross square feet in the DOF spreadsheet referenced previously, this implies \$5.7 per square foot in taxes.

Misleading Selection of Comparable Buildings

The universe of comparable buildings that Ms. Denham chose on page 15 is unusual to say the least:

- For example, why exclude DOF data from 360 Furman ST (aka One Brooklyn Bridge Park)? The building is in the park, and the park staff want to use the same developer for Pier 6.
- And, why include a tiny building (25 Joralemon) that was built in 1907 and has a DOF estimated market value of only \$1.5 million?

Look at it another way. Type the addresses into google. It takes seconds to see that the selected buildings are not “high-end residential buildings” as claimed by Ms. Denham. For the lazy, here are photos of three of Ms. Denham’s comps (clockwise: 25 Joralemon, 2 Grace CT and 10 Columbia Place):



Masks True Earnings Power

The comparable universe selected by Ms. Denham is clearly inappropriate, and it serves to mask the true earnings power of the BBPC. Consider all of the Brooklyn condos in the DOF condo spreadsheet⁹ that were built after 2000 and have assessed value over \$20 million. Here is the DOF data (with the rightmost column added to show residential taxes per square foot calculated using Ms. Denham’s methodology):

Address	Neighborhood	Total Units	Year Built	Gross SqFt	Estimated Gross Income	Gross Income per SqFt	Estimated Expense	Expense per SqFt	Net Operating Income	Full Market Value	Market Value per SqFt	Unabated Tax Per Square Foot
360 FURMAN STREET	BROOKLYN HEIGHTS	438	2008	628,669	16,163,080	25.71	5,249,386	8.35	10,913,694	84,504,019	134.42	7.78
74 DEKALB AVENUE	FORT GREENE	374	2007	335,187	11,419,821	34.07	4,568,599	13.63	6,851,222	54,339,000	162.12	9.38
306 GOLD STREET	DOWNTOWN-METROTECH	302	2005	342,807	9,334,635	27.23	2,800,733	8.17	6,533,902	50,891,014	148.45	8.59
236 LIVINGSTON STREET	DOWNTOWN-FULTON MALL	231	2009	186,668	7,505,920	40.21	1,999,214	10.71	5,506,706	43,967,000	235.54	13.63
205 STATE STREET	DOWNTOWN-FULTON MALL	364	2003	242,752	5,895,304	24.29	1,889,664	7.78	4,005,640	35,229,000	145.12	8.39
125 COURT STREET	BOERUM HILL	321	2005	248,762	5,214,052	20.96	1,325,901	5.33	3,888,151	29,258,000	117.61	6.80
150 MYRTLE AVENUE	DOWNTOWN-METROTECH	240	2007	202,727	5,098,584	25.15	1,323,807	6.53	3,774,777	29,142,024	143.75	8.32
29 FLATBUSH AVENUE	FORT GREENE	326	2012	288,587	5,841,001	20.24	2,040,310	7.07	3,800,691	28,421,000	98.48	5.70
53 NORTH 3 STREET	WILLIAMSBURG-NORTH	113	2009	142,836	5,694,871	39.87	2,406,787	16.85	3,288,084	26,242,000	183.72	10.63
65 HOYT STREET	DOWNTOWN-FULTON MALL	158	2005	195,296	5,138,238	26.31	1,300,671	6.66	3,837,567	25,618,000	131.18	7.59
34 BERRY STREET	WILLIAMSBURG-NORTH	142	2008	135,575	5,429,779	40.05	2,025,491	14.94	3,404,288	25,527,000	188.29	10.89
440 KENT AVENUE	WILLIAMSBURG-SOUTH	135	2003	191,889	4,256,098	22.18	1,107,200	5.77	3,148,898	23,892,006	124.51	7.20
189 SCHERMERHORN STRI	DOWNTOWN-FULTON MALL	246	2007	188,153	4,641,735	24.67	1,665,154	8.85	2,976,581	22,933,019	121.88	7.05
277 GOLD STREET	DOWNTOWN-METROTECH	268	2009	150,580	4,100,293	27.23	1,230,239	8.17	2,870,054	22,367,000	148.54	8.59
											Median	8.36
											Average	8.61

Based on this analysis, it is reasonable to assume that residential appraisals in the park next year will yield north of \$8 in unabated tax per square foot. **Notably, this analysis implies that the park model dramatically understates residential tax revenue each year.**

⁹ Source: http://www1.nyc.gov/assets/finance/downloads/excel/condo_coop_comps/b3_condo_comp020315.xlsx

Additional Issues

The issues discussed so far are just the tip of the iceberg with this deeply flawed report.

The various community groups surrounding the park have exposed a long list of other issues, including but not limited to:

- Apparent basic factual issues (for instance, the areas of the development sites on page 5)
- Basic misunderstanding of local residential real estate (for instance, the analysis of Brooklyn employment-- given Brooklyn's median household income of less than \$50,000 according to census data-- provides little insight into purchasers of a \$5 million brownstone in say Brooklyn Heights or a multi-million dollar apartment in Brooklyn Bridge Park, especially as many residents commute across the river to Manhattan)
- Basic misunderstanding of local commercial real estate (for instance, the hotel on Pier 1 will not compete with the "53 new hotels recently opened and/or planned in Brooklyn" as there is a very limited number of high end hotels in this part of Brooklyn) and failure to present a local analysis of the relevant commercial markets
- Superficial analysis of large increase in maritime (including the decision to accelerate repairs) and other expenses
- Failure to consider reduced density alternatives to show compliance with the commitment to build only as much development as necessary to fund the park
- Failure to consider that the park itself is a driver or area real estate. The creation from scratch of a world-class park (like the High Line Park in Manhattan or the Brooklyn Bridge Park) clearly increases local real estate value. Daniel Biederman of the Bryant Park Corporation gave an example of the type of value that can be created by just improving parks in testimony to the City Council Committee on Parks and Recreation on 4/23/14:

A CBRE Group study of park space and property values published in 2012 reports that office buildings located on Bryant Park demand rents 63% higher than other comparable Midtown properties. And as these buildings' property values increase dramatically, so do the City's tax rolls. From 2008/09 to 2013/14 alone, **the property taxes collected on buildings within the Bryant Park BID increase 28%**, \$16,555,173. [emphasis added]

- Failure to consider that the BBPC has the luxury of time to just wait to see what additional development-- if any-- is needed

Conclusion

With the release of the Denham report, the park corporation has once again publicly presented misleading financial information to justify the development of Pier 6. The Denham report is yet another example in a long line, starting with the cursory¹⁰ and misleading¹¹ analysis presented almost a year ago to the BBPC Board and the public to justify the Pier 6 RFP.

The Denham report was released with much fanfare. The BBPC staff called a July 30 press conference to announce the findings of the Denham report and based its testimony¹² on this report in the critical state hearing to modify the General Project Plan that followed.

Given the magnitude of the errors described herein, the BBPC should immediately withdraw the erroneous Denham report and revise its testimony accordingly. In addition, the unexplained assumptions, data sources, and outright errors in the report demonstrate the need for BBPC to release its full financial model and all of the data that was given to Ms. Denham to prepare her report.

Correcting for the large tax data discrepancies and inappropriate comparison group in the Denham report, the analysis in this letter demonstrates that BBPC financial model dramatically understates residential tax revenue each year (before considering profit sharing, the understatement of commercial revenue from Empire Stores and other issues).

It would be a tragedy to sign a developer lease on Pier 6 based on the Denham report only to find out months later that the estimates underlying the park model are too low and that the additional condos planned within the park are not needed. And, there is no reason to rush to build today as the park corporation is flush with cash for many years in everyone's projections.¹³

¹⁰ See BBPC Financial Presentation dated 8/6/14:

<https://brooklynbridgepark.s3.amazonaws.com/p/1738/BBP%20Financial%20model%20for%20Aug%20%20BOD%20meeting%20-%2008.06.14.pdf>

¹¹ “Regina Myer, president of the Brooklyn Bridge Park Corporation, a city-controlled entity that operates the park, said it reported only one year of ‘recurring revenue’ because that is what the corporation’s board asked the staff to do. **She said that the staff’s longer-term financial planning showed that revenue would rise a few years later, as the critics noted.** But even so, she said, the park would run out of cash by 2027 because of the future cost of refurbishing rotting piers at the park. **She declined to provide a copy of the longer-term financial plan.**” [emphasis added] Source: Josh Barbanel, Wall Street Journal, 9/16/14.

¹² See July 30 testimony from Regina Myer (page 40) that is available online at:

http://esd.ny.gov/PublicMeetings_Notices/2015/07302015_BBPC_PublicHearingTranscript.pdf

¹³ Even with all of the issues in the BBP financial model, the park staff doesn't see financial issues until FY2029. See page 23 of the BBPC presentation dated 7/9/15 and available online at:

<https://brooklynbridgepark.s3.amazonaws.com/p/2925/BBP%20Financial%20model%20for%20July%20Public%20Presentation%2007%2009%2015b.pdf>

Further, given the recent letter from the NYC Comptroller Scott Stringer, the park corporation should embrace this opportunity and study borrowing to fund the one-time repair of its waterfront piers should it become necessary. Including the proposed development of Pier 6, the park corporation projects almost \$400 million¹⁴ in excess cash over 50 years (which is set to be returned to the City General Fund). The park staff and PFGSF clearly disagree over whether any development of Pier 6 is needed; however, it is indisputable that the BBPC could borrow some amount of money against its large projected future profits and, in the process, reduce the size of the Pier 6 development needed today. Here, it is worth noting that the BBPC board has a fiduciary responsibility to the park corporation. There is no duty or justification to plan to return almost \$400 million to the City from building excess development in a flood zone in a park!

In fact, the BBPC and its landlord, Brooklyn Bridge Park Development Corporation (BBPDC), have a long-standing commitment to minimize development¹⁵ in this park and have made a public promise to reduce development if market conditions allow. This commitment to minimize park development was explicitly¹⁶ included in the Modified General Project Plan (MGPP) attached to the 2010 master lease with the BBPC.

You have the power to keep this public commitment. We trust you to do the right thing.

¹⁴ See page 30 of BBPC presentation dated 7/9/15 and available online:

<https://brooklynbridgepark.s3.amazonaws.com/p/2925/BBP%20Financial%20model%20for%20July%20Public%20Presentation%2007%2009%2015b.pdf>

¹⁵ For instance, in her June 2006 Affidavit in BBP Defense Fund case, then-President Wendy Leventer specifically promised the court that “as is explicitly stated in the GPP [General Project Plan], BBPDC has committed to building the minimum development necessary to cover the Park’s maintenance and operations needs... If, once requests for proposals are issued for the development components, it becomes clear that market conditions will allow for less development to support the Park’s needs, the development program will be reduced accordingly.”

¹⁶ See page 12 of the January 2006 GPP modification (which is attached to the 2010 master lease with the BBPC): “The building envelopes described below represent the maximum build-out within the Project, with the intention being to build only what is necessary to support annual maintenance and operations.” Source: <https://brooklynbridgepark.s3.amazonaws.com/p/2854/BBPDC%20Modified%20GPP.pdf>

Sincerely,



Henry "Ren" Richmond,

Director, PFGSF



"Save Pier 6"



Online grassroots petition: bit.ly/SavePier6



Twitter #SavePier6

Background

As lovers of the Brooklyn Bridge Park, we are grateful for the park that is taking shape today. We celebrate the park as a borough and citywide destination and as a national and international destination for visitors to our City. New York City has made a legendary investment in the development of this new park, and we recognize the hard work and vision from our elected leaders that has made this magical waterfront a reality (albeit only partially constructed today).

City parks similar to Brooklyn Bridge Park welcome tens of millions of visitors each year, and Brooklyn Bridge Park– with its unparalleled vistas and the historic nature of the site– ranks among these immensely popular parks; it is a city jewel.

However, because we wish to think not only of today, but of the future, the People for Green Space Foundation Inc. (PFGSF), a nonprofit entity, has deep concerns regarding the failure to abide by the original park plan by proposing unnecessary private residences within the park. The current plan for Pier 6 violates almost all of the 13 guiding principles on the park, including that the “site shall have only so much commercial development in a park-like setting as is necessary to enliven the area, to provide security and to finance ongoing operations.”

PFGSF brought legal action on behalf of the tens of millions of current and future visitors to the Brooklyn Bridge Park. We recently settled this legal action after the BBPC agreed to undergo the required state approval process including significant and important public input. The legal action to seek the important environmental analysis and mitigation measures required by law becomes ripe after the GPP modification.

The General Project Plan modification requested by the Brooklyn Bridge Park Corporation (BBPC) goes far beyond what was anticipated in our settlement. By seeking to build Pier 6 “without regard to Project finances”, the BBPC is seeking to remove the long-standing requirement to build only as much as necessary to fund the park.

A long list of elected officials and area neighborhood associations have expressed opposition to the BBPC’s plan to build more condos within the park at Pier 6:

- *Elected Officials:* State Senator Daniel Squadron, Congresswoman Nydia M. Velázquez, Public Advocate Letitia James, former Assemblymember Joan Millman, Councilmember Brad Lander, Councilmember Stephen Levin and Assemblymember Jo Anne Simon; and
- *Community Groups:* Community Advisory Committee of the Brooklyn Bridge Park, PS8 PTA, NYC Park Advocates, Atlantic Ave Betterment Association, Park Slope Civic Council, the Brooklyn Heights Association, the Brooklyn Bridge Park Defense Fund, People for Green Space Foundation, the Carroll Gardens Neighborhood Association, Park Slope Neighbors, the Cobble Hill Association, Project for Public Spaces, the DUMBO Neighborhood Alliance, NYC Sierra Club, the Ft. Greene Association, the Vinegar Hill

Association, Friends and Residents of Greater Gowanus, the Willowtown Association,
and the Fulton Ferry Landing Assoc.