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Perspectives - Jonathan Denham and Paul Wolf of Denham Wolf Real Estate Services

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Denham Wolf in the office – Courtesy of Denham Wolf



Perspectives

Jonathan Denham and Paul Wolf of Denham Wolf Real Estate Services

In a conversation with Kelly Padden and Professor James Hagy of The Rooftops Project, **Jon Denham** and **Paul Wolf** reflect on their experiences with not-for-profit projects across mission types to draw lessons about creativity in locating and securing permanent space in one of the world's most expensive real estate markets.

RTP: What led you to found Denham Wolf?

Paul: I have lived in the city since college. I went to Columbia undergrad, went back for business school. First, I had a startup pharmaceutical company. We sold that company, and then I got a job with the city, working for the Economic Development Corporation [EDC]. I met Jon there, and we had the idea to start the business.

Jon: I was a structural engineer and also arrived here in the big city right after college. I never expected to be anywhere like New York City. I went to work for a consulting engineering company here, and I thought briefly that I was going to design the next world record-setting bridge or something amazing like that. I took a position as an entry-level project manager at the New York City Economic Development Corporation and discovered that I actually loved working on buildings rather than bridges. That got me very involved also in the larger urban built environment. That led me to go back to grad school at NYU [New York University] for a Master's in Public Administration: public policy, urban planning, and so on. That's almost 30 years ago. I worked my way up through the project management ranks. On one hand, it got me further and further away from hands-on designing and building. But it let me touch and be involved with many more—and bigger—projects at a time, all over the map from planning studies to every type of building that you see around the city. Paul and I spent an interesting year or two as colleagues in the EDC.

Paul: We were friends before we were business partners. It started at EDC.

Jon: I started at EDC in the Koch administration. And then Paul joined in the Dinkins administration. We were both there for half of the Giuliani administration.

RTP: One of your recent projects, adapting a performing arts space for a client, involved ripping out the existing balcony and installing a floating balcony instead. Do you think that your structural engineering background makes you think more out of the box than somebody else might?

Jon: I think what my engineering background has done is made me think constantly about systems, and take an engineering approach to problem-solving. "Should we remove some columns from this building for this theater company? Yeah, we could do that."

Paul: What's interesting is that Jon is an engineer who actually writes well and cares about the written word. I, although an English major in college, really love math and am good with numbers. Each sort of complements the other. But in the beginning we used to really struggle over letting any proposals or anything go out because we wanted the language to be perfect.

RTP: So give me the elevator speech on your range of services. What do you guys do?

Jon: We don't have a one-stop elevator speech. We have to go about 20 flights to get in the elevator speech. We can't simply say, "We're owner's reps, we're brokers." We provide real estate services focusing on the entire trajectory of a project for not-for-profits, from the earliest thought through to completion and occupancy.



Paul: It is a major differentiator for us. We used to use a tag line: “Plan, acquire, build,” which was an attempt to capture all the things that we do. But everything that we do includes planning. Sometimes the planning process stands alone. Sometimes it is baked into subsequent phases of the project. On acquisitions and dispositions, we’re brokers. We primarily represent groups to acquire property, although we have represented not-for-profits to dispose of property as well. On the build side, we do project management, or owner’s representation work, where we oversee design and construction. We also do essentially fee-for-service development, or development services, which specifically focus on organizations that own a lot of property, or aspire to own property. We help them figure out how to develop it, either by themselves or with a partner.

RTP: With that said, do you always get involved as early as you would like?

Jon: Great question and, in reality, the answer is not nearly as much as we’d like. There are healthy debates about who is the first person the client should bring on with their first 10 dollars to spend. Should it be architects, should it be the attorney, should it be us? But the real issue is what you put your finger on, which is the notion that you need to bring in outside expertise, multiple kinds, to get your venture properly afloat. We are absolutely brought in at every stage. Sometimes too early, too. We will have a conversation with folks and say, “Look, doing something real estate-wise is two years off for you guys.”

RTP: We hear lots of examples of when professionals wish they had become involved earlier, whether on a paid or even a pro bono basis. But do you regret when people come to you too early?

Jon: It’s not a regret. It’s more of an opportunity. For example, if the organization needs to get some basic organizational stuff done first, it’s just, “I hope we reconnect in a year,” and we try to stay in touch.

Paul: The scary part is, people will come to us and say, “We think we’re ready.” And we say, “You’re not ready, and you need to do these things to get ready.” Other consultants won’t say that. What may end up happening is you see them go out and assemble a team and go chase a project. And oftentimes those projects fail because they weren’t ready. Those organizations may come back to us and say, “So, we did part of the project, and now we’re in trouble, help us.” Or, “We just burned away three years, and now my board is exhausted with consultants. But help us now.” That’s frustrating.

Jon: The range and the scale of our clients is such that there are some that have portfolios and are repeat project consumers. They tend to be more sophisticated. And then we have some that are confronting a project for the first time ever. So it really depends on where they are on the spectrum.

RTP: How do you find working with a not-for-profit to be different from working with a for-profit business client?

Paul: The biggest difference really is governance. In many ways, we can equate a not-for-profit with a small business. It *is* a business. It has to get run; they have to earn money. But it has a stated governing structure. We deal with this all the time. An executive director will say, “Everything *has to be a process*. I can’t just make a decision. I’m here at the pleasure of the board.”

Understanding the governance structure and helping the organization itself understand is, I think, the biggest difference. There are a lot of other little pieces, but governance is the biggest one.

Another difference is the inability to just throw money at a problem. We were facilitating a planning process for a large not-for-profit, and it became clear that there was a staff position that just had to get filled. One board member said, “Just hire somebody” for that role and suggested a substantial six-figure salary. And the executive director said, “Do you realize that that’s twice my salary?” Expectations about money can vary quite a bit.

Fundamentally, though, the approach is the same. Our stated mantra for the past 15 years has been, “Mission leads, real estate follows.” An organization has a mission. A mission has a program. A program requires real estate. Real estate is the third-order issue. And it should be treated that way. Real estate has to be in service to the goals of the organization, to the mission, which I don’t find is necessarily so different from the for-profit world.

RTP: Few not-for-profits have dedicated staff with regular real estate project experience. Maybe in healthcare some do, maybe in the university settings. But most don’t. So, how should a not-for-profit anticipate the time demands that a capital project will make on their staff? Who should be involved? When they start a project with you, how should they think about organizing themselves, recognizing they have a day job, too?

Jon: That’s probably the largest, most significant challenge and core topic that we deal with for all of our clients, very frankly. There isn’t a short answer to that. Many of our clients look at real estate and think that the challenges are all going to be external. You know, it’s a greedy contractor or a bad landlord or a crazy market that they’ve got to worry about, so they need advisors to help navigate externally and fight those demons. Understanding the internal challenges, organizing themselves and carving out the time, the human resources, is actually where we target a lot of our counsel.

Some of that again is literally down on a nitty-gritty level, helping them draw organizational charts of a good way to structure a real estate committee, or a building committee, and the finance committee. The hardest thing to articulate may be simply that you need to set aside time and you need to set aside people, perhaps for several years. We can do some rough approximating depending on the project—we’re going to have weekly meetings or we’re going to have monthly meetings—this, that, and the other thing. But it is challenging to quantify, and, frankly, quantifying it often terrifies folks because it is so significant.

Paul: It’s best to have a point person empowered to make a certain level of decision so they’re not constantly running back to get approval for the next step. We try to help people set it up so that there is the right level of information exchange and clarity about when approval must be sought so that the project can keep moving. It makes all the difference. Otherwise, people get caught up in these crazy cycles.

RTP: What else makes for effective teamwork with a not-for-profit?

Paul: Trust is critical. Every project needs trust. If there’s not trust, there is an enormous penalty put on the project. It is time and cost. Establishing trust is different for different organizations. Often it is a lot of communication, in the



way it needs to be delivered for that particular client. So, we spend a lot of time building trust—often before we get hired. We put a lot of effort into our proposal process and talking about what the scope will be, because we need them to trust us. I think that helps. It depends on the client. Some people just want a lot of data. Others want a lot of face time. Others want a phone call. We had a client years ago who wanted that 8 a.m. phone call every single day to check on a project. So, that's what you do.

Jon: Repeat clients are just wonderful, both in terms of the relationships and the dependability and the trust factor. Having a diverse professional range on your board is a good thing, too. Sure, a real estate person can be helpful, though not always. It can be really valuable in the interpretation and synthesis of the usual onslaught of information that comes with the projects: Here is a stack of drawings. There is a complex zoning or building department issue that has a thick report. There is a lease, and even the abstract is 12 pages. The client is drowning in complex information. As an "internal" advisor, someone can say, "I get it. Not to worry. Here's the gist of it." This helps them distill down what they really need to focus on. That said, people with real estate development experience in particular can be either most beneficial or most detrimental.

Paul: But among the most coveted by the organization, because they may have deep pockets.

Jon: They fall on a spectrum. There are lots of factors at play. Number one, do they accept that they have a day job themselves, so that their job is to be a board chair or a board member? And not to be a project manager, not to be a broker, not to be a doer. And can they objectively offer connections to service providers? And by that I mean not, of course, "You *must* use my favorite architect." Number two, do they recognize that real estate development for them, in their day job, is almost always a very different beast than real estate development for the organization that they're sitting on the board of? Can they make those translations where they're advising and guiding, which involves a lot of ego subordination? If so, then they can be very effective.

Paul: It can be good to have some expertise on the team to deepen organizational understanding and to add a level of trust-building. This often comes up when organizations say, "Well, we've raised all the money." And we say to them, "You've got pledges. You don't have any cash." Then the board member can chime in with, "When I build a big building, I know that I need to write a big check. The organization can't do that yet."

Sometimes, board members with that type of expertise will want to test us. We were at a board meeting once where someone basically barked a bunch of technical stuff at us. We had a dialogue. And eventually he said, "Oh, okay, they know what they're doing." So we got that stamp of approval and then moved forward more smoothly. That happens.

RTP: How do you interact with lawyers in your business? Do you find that it is a similar experience to dealing with other professionals?

Paul: Every project we do involves lawyers. Usually lots of lawyers.

Jon: In a good project, early and often. Frequently, the client has teamed up with a lawyer completely independently of us; lawyers are one of the only team members that we don't regularly engage on behalf of the client.

Oftentimes, we know each other from past projects. But, if we don't, then we try to be proactive and respectful. We try to have a conversation about roles and who is doing what in what sequence.

Paul: I think it is nuanced. Some lawyers are deeply trusted consultants to organizations. Usually there is no other external advisor who is as close to the organization, potentially, as the lawyer. But, candidly, some people are highly suspicious of them. Lack of trust is a penalty on the project. Not-for-profit clients sometimes want pro bono counsel, in which case we may have a conversation about why pro bono may or may not be suitable for them.

Jon: It's the best when there is solid trust, both within the organization and among the advisors. The best conversations start with someone saying, "We need to mitigate risk. I know that it cannot be 100 percent mitigated, but I'm concerned about landlord bankruptcy or contractor malfeasance or whatever it may be. What about you guys?" It rarely happens that way, but working together to achieve positive outcomes is always preferred.

Paul: Again, we are big believers in planning. It's a lot easier than going backwards. Essentially, people have to pay attention to three things: the physical, the financial, and the organizational. You have to make sure that all of these things are managed in parallel.

RTP: So how should a not-for-profit prepare for the first meeting with you?

Jon: Bring more than one person from your side. Our desire is to plan and to do a diagnostic assessment right from the first conversation with our perspective clients, to understand exactly what they need and in what sequence. That requires a big transfer of information. This is sometimes really hampered by a desire for efficiency. Or they don't want to share the full story with all of the people in the room. If only the executive director comes to a first meeting, he or she is somehow supposed to know everything and communicate it all, which is an unfair expectation. But having the full array of voices in that first meeting can be a key factor to the start. Again, that can be a board member or two, or middle management.

RTP: Can that also provide a better chance that the story you're telling gets filtered back properly to the organization?

Jon: Exactly. It is so valuable to have everybody in one room talking, having one conversation that gets heard and hopefully either accepted or challenged by everybody at once, instead of either not having those conversations or trying to have them in a round-robin fashion.

RTP: You were referring to efficiency for the client. But might it also make a difference in how efficiently your time, and so the client's money, may be used?

Jon: Yes. For us, like almost all professional service providers, the vast majority of the cost-basis of our business is our time. When time is wasted by repeated or unnecessary conversations, it is terrible.

Paul: In the initial meeting, one of the questions we ask is, "What are the drivers that brought you here? Why are we in this room?" Inevitably, there isn't a full or agreed upon understanding of why they're there. They *think* they



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know the reason why. But that's fine, because part of our job is to help them identify why. We challenge the basic assumptions: "I'm here because I need X." Great, and then we start talking about it: "Why do you need X?" And this is why having more people, more perspectives, in the room helps.

RTP: Is that before getting hired? Or after getting hired?

Paul: Before getting hired. We absolutely love this job. That upfront conversation is part of the trust-building process, part of building a collaboration, and it shows that we are not here just to be an order-taker.

Jon: To expand, don't spend time preparing and come to the meeting to tell us the solution. Please trust us. Tell us where you're coming from, what the problem is. You don't have to demonstrate that you've solved it; that's why we are having the conversation.

RTP: Let's talk for a moment about a project where you developed a particularly creative solution for your client: the Baryshnikov Arts Center. This was an unexpected purchase opportunity? Give us a little of the background when you came on the scene.

Jon: The Baryshnikov originally occupied the top half of a newly-constructed building on the West Side. Baryshnikov bought the top part of the building.

RTP: So it was a commercial condo essentially? Baryshnikov owned its part of the site from the outset?

Jon: Yes. There were two condo units there. The vision for the lower part was basically a rental performance space, which folks would rent for medium-sized commercial productions of musicals. The Baryshnikov expected to have an array of commercial theatrical productions as its neighbor. Then the bottom half of the building became available.

Picture you're in the upper half of the building and your space is active, active, active. You are up there doing your thing. You've got rehearsal studios. You're doing performances. Meanwhile, every day you come in, you ride the elevators, and those theaters right there below you are quiet. Day after day.

RTP: The Baryshnikov Arts Center did not have in mind all along that it would end up having the opportunity and have to fund buying the second piece?

Paul: No. But then they figured, "Let's buy it." This was their one opportunity to buy the theater that was going to be adjacent to their space. So they were going to buy it. The asking price was very high. We had to get the price down for the purchase, which we did. Plus we went into the space and realized it would need to be reconfigured. I remember standing there, looking around. The volume of space was great, but there were balconies in the way.

Jon: Things moved pretty rapidly. They secured a commitment for city funding, and there was a substantial involvement by the contractor well before we had detailed design and cost estimates. It was clear that there was an adequate capacity of seats just because of the volume. The question really was, "How can we achieve the audience and performance experience the client wants? How much surgery are we going to have to do to get there?" As it turned out, we had to do a balcony-ectomy to do it. It was just remarkable that there was a fully cast-in-place concrete structure. The concrete was practically damp; it had been there for only a few years. We were literally chopping it out and putting back a balcony in an amenable configuration partly where the old balcony was.

RTP: Was that idea on the table before or after there was a commitment to buy?

Jon: The idea was certainly on the table before-hand. Based on the geometry of the space, we recognized that to get a decent seat count you would need two levels of seating and that there was that opportunity with the height of the space. It was really a question of how to do it effectively and with the best sight lines.

RTP: Let's talk about another owned situation for a minute, with a different mission type: Joseph Addabbo Family Health Center, in Queens. Let's see if

Baryshnikov Arts Center (mid-construction, specifically during removal of the prior balcony) — Courtesy of Denham Wolf



Baryshnikov Arts Center (completed) — Photo by Alexander Severin



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Joseph P. Addabbo Family Health Center (phase 1 completed) — John Bartelstone Photography



Joseph P. Addabbo Family Health Center (phase 1 completed, photo taken immediately after Sandy) — Courtesy of Denham Wolf

we've guessed the plot correctly. You did strategic planning, then the client acquired a City-owned site and completed new construction. So far, so good. Then, post Superstorm Sandy, New York City Economic Development Corporation puts the adjoining site up for development. Your client, which might not have thought of itself as a developer when you first met, submits to be the developer for the adjoining site, and wins?

Paul: You don't need us at all, you've got it! [laughter]

Jon: You have the trajectory of it exactly right. The original project and our involvement go back to 2001, with the strategic planning. You had an essentially vacant, abandoned, City-owned parcel in the middle of the

Rockaways, near a City-owned building that Addabbo previously leased. Right where they want to be. The local development corporation of the Rockaways was getting up a head of steam to increase development, but there was very, very little happening.

Paul: There was a real demand in the Rockaways for healthcare and education. So they were actively in pursuit of an education partner.

Jon: The first couple of years, phase one of the project was actually going to be developed 50 percent for education and 50 percent for healthcare. As things went along, there was a decision jointly with the City that we'll build Addabbo's healthcare phase on half the parcel and we'll leave the other half vacant and see what happens. Addabbo was thinking, "We'll bide our time and digest this big project, see how things go."

Addabbo got situated, opened in 2006. The healthcare needs in the Rockaways continued to increase, with hospital closings, clinics closing. They were left as the only game in town. There came a point where they needed to expand. And of course, there it is—obviously. "Let's take the parcel next door." Through a series of conversations that we helped them have with EDC, exactly as you said, they felt that they could develop it by themselves with their team, like they did in phase one.

EDC said, "Well, we have to go through the process, put the property on the market." We ended up in a competitive RFP [request for proposal] process, going against at least one or two affordable housing developers. As usual, we had to navigate the question, "How do you buy a site and commit to a project when you haven't raised all the money for the building?" But raising money without a guaranteed project is nearly impossible. It's a Catch-22. When the dust settled, Addabbo was the selected developer, but much of the last year-and-a-half or so has been putting together all of the usual alphabet soup of funding: federal funding, City funding, and private financing.

RTP: So you got the award, but it's contingent on funding? The client is the winner of the process, but subject to being able to put the funding package together?

Jon: Exactly.

RTP: The expected completion date is 2019? How does this phase interact with the first building, programmatically and architecturally?

Jon: Yes, we'll be breaking ground in the summer [of 2017], and the design is nearly complete. The two buildings will interact, in part because the second borrows lessons from the first. One of the things that we're really proud of, and one of my favorite pictures I've ever taken, is a picture I took out there in the Rockaways a couple of weeks after [Superstorm] Sandy, just helping with the clean-up. In all the Rockaways there was just destruction everywhere and almost everything shut down. I went by Addabbo's building, and, boy, was I a happy camper. There was a new sign, a banner, stuck to the building that said, "We are open," and it was true.

We had built the first phase high enough, higher than most of the other buildings in the area. So they got about 9 inches of water into the first floor, but that was it. The phase two project actually includes a little bit of



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Planned Parenthood of New York City's Diane L. Max Health Center (completed, exterior) – Photo by Michael Moran



renovating and retrofitting, even better storm-proofing of that first structure. But yes, the buildings will be connected, and their patients and staff can use the entire thing holistically.

RTP: Give us a few examples of your work in adapting and repurposing buildings for not-for-profit use.

Jon: Thanks to collaborations with some very talented architects, our work over the years has demonstrated that you can in fact do some remarkable adaptive reuses successfully. Our recent project with Planned Parenthood of New York City was effectively taking a 1960s cinderblock warehouse, gutting it to where there was practically nothing left of it, and building a new health center almost from scratch.

RTP: What drove selecting that? Location? Price? Structural integrity? What made the choice?

Jon: It was a beautifully located site, right in the heart of Long Island City, [Queens]; physical footprint, scale of the property, public transportation, everything worked, along with a very creative and receptive landlord. It is a leased building that had a landlord who said, "Number one, I'm happy to have Planned Parenthood as a tenant of my building." Second, he realized that the needs and expectations of the neighborhood were changing, that the future was not having a hardware store or a warehouse in the middle of Long Island City. The structure of the existing building was only a small factor. We basically started from scratch for the design. That decision was cost-effective with a long-term lease.

RTP: You have worked with the adaptive reuse of several former firehouses in New York City too.

Jon: Yes. We have worked with several of the handful of firehouses around the city that were put out to pasture by the fire department six or seven years ago. They have interesting history and configurations; there are some great possibilities. They are small buildings. They are narrow. They are deep. They are multi-floored.

For example, the Caribbean Cultural Center African Diaspora Institute (CCCADI) is now housed in one. It was the second of two former New York City firehouses that we've converted to cultural uses, specifically in East Harlem. The other one was for MNN [Manhattan Neighborhood Network].

RTP: Do they tend to be landmark-protected, too?

Jon: Most of them are landmarked. They're all from the same era. Many are from the same architect who produced nearly 50 beautiful buildings. The City's Economic Development Corporation recognized that it was not going to sell these for a billion dollars apiece. So it made a calculated decision



CCCADI (mid-construction, exterior) – Courtesy of Denham Wolf



Atlantic Stage 2 (completed, street-level entrance) – Photo by Catherine Tighe



Atlantic Stage 2 (completed, theater) – Photo by Catherine Tighe

to turn them all over to not-for-profit arts organizations for nominal sale prices. These buildings are not good for performing arts, but they work for visual arts. In the case of CCCAD’s exhibition needs, or in the case of MNN to produce film and video, they actually work out okay. You have all of the inherent challenges of working with 100-year-old buildings, bringing them up to code and so on. But, fundamentally, you can leave them largely as they are.

RTP: Another unusual project was your adaptation of a former correctional facility.

Jon: There is a great backstory on that. The building was built in the Bronx roughly 100 years ago as an Episcopal church house: a parish hall and a gymnasium and some rooms next to the church. The neighborhood changed. The Episcopalians all moved away. It was then bought by the YMHA (Young Men’s Hebrew Association). They used it for a multiuse facility: recreational, theater. They adapted a little for that. That use ended. Then the City acquired it, probably in the 1950s. They converted it into a drug addiction services facility, mostly just program space. Come the 1960s, the State bought it and converted it for the fourth time into the Fulton Correctional Facility, a minimum security, work-release prison. That continued until about 2011. And meanwhile, the shell of the building was still the original Episcopal design.

The Osborne Association has been in the Bronx working on advocacy and services for formerly incarcerated folks for a hundred years, and providing re-entry programs, advocacy, and job training. Osborne got wind that the State was getting rid of these old correctional facilities that didn’t work anymore. Osborne won a competitive process among not-for-profits in the Bronx, so the building is going to go from a work-release prison to transitional housing and services in the same location.

RTP: Was the neighborhood invested in what happened?

Jon: The neighborhood response has been really positive. Having seen the space go through all of these hands over the years, they recognize that having a long-established, justice-reform and prison-reform not-for-profit that provides job training and housing is truly a plus.

RTP: New York City can be a very expensive place to find a suitable building. If a not-for-profit already owns a building, but they don’t view it as optimal for their use, what are the alternatives if the market for acquiring a new property may be prohibitive?

Jon: If you have an existing property that, for a whole bunch of reasons, you are loathe to give up, of course you’re going to look at adjacent or very nearby properties. But the obvious downside is that what is next to you is what is next to you. You don’t have the luxury of going and looking for exactly the type of building that you need.

RTP: You are helping a cultural arts organization that is deciding whether to extract value from a long-standing real estate asset. Can you tell us about the assignment and your approach?

Paul: Yes. The institution has been around for nearly a hundred years and owns a small handful of buildings on Museum Mile. The buildings are lovely. But the organization is dependent on donations, which can ebb and flow. So they own this spectacular real estate, but they need cash. They decided to explore a sale of their site with the plan of buying something else. We were hired to help define the “something else.”

RTP: And they believe that they need to be in Manhattan?

Paul: Yes. There were some initial questions about the outer boroughs, but a lot of the organization’s key stakeholders are highly committed to Manhattan. Every organization has biases and preferences about location. It’s about figuring out the main pivot points or limitations on decision-making



processes. For example, arts organizations are always concerned about being conveniently located to their audiences.

This particular institution's decision-making hinges in part on financial limitations. They can't buy anything until they sell. The timing is brutal. It's led us to consider some very creative deal structures, such as a swap with a developer who owns an attractive property and has an interest in acquiring our client's buildings. We'll see. This is very complicated. It takes time to figure out.

RTP: You also worked on a project for the Atlantic Theater Company, which was a tenant with two years remaining when the building was sold. Tell us about your unusual approach to that situation.

Paul: We had done a lot of work for the theater in the past, and they called us saying that the developer who just bought the building had offered a significant financial incentive to move out early. We took a look. It was an appealing offer but not if it left them without a home. The Atlantic had a requirement for a 35-foot column span and high ceilings. They were an affiliate of NYU [New York University], they had to be near NYU. We looked all over town, and the only things we found were not close enough or not affordable. There was just no way it would make sense to walk out of the existing space, because the theater had nowhere to go. It was a spectacular space with cheap rent, and there was no way they could just leave that behind.

Jon: The location was very important to this project. The developer was seeing the High Line starting to happen right down the block and was going, "Ah ha!" Now it's hot, hot, hot.

Paul: So we started negotiating. And the developer's offer kept rising. Ultimately it still didn't matter, because there was nowhere to go. We were looking around, and there was nowhere to put the theater. We countered by saying, "You've got to find us space somewhere. Otherwise we can't move out of the building." Someone on their team finally said, "Well, you know, there's that sub-cellar. Which, you know, nobody's ever been interested in."

We walked into this space with the artistic director of the Atlantic. The whole building is massive block wall. There is a cellar. And then there is this one little place where there is a sub-cellar. It looked terrible. We stood there. It had a drop ceiling. We heard water.

Jon: Running water.

Paul: We looked, and there was a moat that surrounded the entire space. It was so low that the water basically passed through this space, so they had trenched out a moat around the outside.

RTP: Basically drainage?

Jon: Exactly. The space was collecting the little bits of underground streams that seeped into the building. We were 70 or 80 feet below street level.

Paul: It's way down there. And it was this terrible, little, low-ceiling space. For theater, you need high ceilings. And then we said, "What's above the drop ceilings?" The facilities guy knocks out a panel and we look up and we can't

see the ceiling. So it turns out there is a 30-foot high ceiling. There is this spectacular volume of space. Even before he saw the ceiling, to his credit, the artistic director saw potential. He said, "It's perfect. I love it. It's great." The Atlantic was willing to try some out-of-the-box things to make it work. It didn't have to be in the playbook.

RTP: Ten minutes before, the landlord thought the space had no value.

Paul: They were getting zero revenue for it. Eventually we persuaded them to do a new, long-term lease.

Jon: They're thinking, "Yeah, if these guys will take this space, wow."

Paul: Many of our projects require uncovering leverage where there seems to be little or none.

RTP: What about curb appeal? You had to address that in your design.

Jon: That came next. The location on 16th Street was great. You're in Chelsea. You walk down 16th Street to go to a theater; so far, so good. And people going to an off-Broadway theater in New York rarely walk off of the street into a big lobby.

Paul: For off-Broadway, you're used to walking into a loading dock or something.

Jon: Exactly. You're used to a funky experience. So in this case, the "ah-ha" was to create just enough of a lobby off the street to get people in, with a nice dedicated elevator. They see signage, directions, concessions. They get on the elevator, and what do they care whether they're going one flight up, one flight down, or 80 feet down? The doors open downstairs 10 seconds later. They're in a theater. Envisioning the first part of the audience's experience, that was the breakthrough.

RTP: How important do arts organizations feel staying in the same location or neighborhood is to keeping their audiences?

Jon: Over and over again, initially at least, we encounter tremendous strong feelings about the importance and the immovability of audience. "Our audience members know us here. We can't possibly recreate our audience elsewhere." Many organizations will say that, but they may have no idea where their patrons are coming from. The same holds true for other types of not-for-profits as well. Folks get very geographically attached, even if the organization isn't inherently dependent on that specific location.

There are cases where we've really had to press. In-depth research and analysis can get people to move past long-held, untested perceptions.

Paul: Moving past those perceptions, being self-aware as an organization, it's difficult. For example, there are roughly 400 off-Broadway theater companies in New York City, and only 25 or so have their own spaces. Everybody else moves around and rents a space. But groups will come to us and say, "We want our own permanent home because we've always been jumping around."



We lose our identity in somebody else's space." They are convinced that that's the solution.

RTP: That ties back to your points about organizations coming to you with a programmatic dream. Do you find that it is the right choice for them, to find their own space?

Paul: That really depends. A lot of groups come forward, and they lack the capacity, either financially or organizationally or both.

Jon: And the other thing is the economic impact of usage, activity. Performing arts facilities are inherently lightly utilized. It's like a law of physics, a law of gravity for performing arts organizations. Very, very few performing arts organizations can produce their own work more than 25 or 30 weeks a year. Artistically and practically, they just can't do it. And so if they have their own home, the house ends up sitting empty three nights a week, for four or five months a year. Then many organizations start thinking that they should rent the space to their itinerant brothers and sisters that are still out there, to generate additional revenue. So then you're effectively going into the landlord business, and that's no bowl of cherries either.

Paul: I get myself in trouble sometimes by challenging our clients about their capacity to take on a project, its responsibilities, and more broadly about the value the organization provides. Not every not-for-profit is providing something incredibly valuable and unique. So part of our process is to ask, "Why do you exist? Programmatically-speaking, are you providing something that nobody else can?" The business of the organization has to make sense. The mission has to be compelling. As much as we believe in real estate's ability to amplify impact, real estate can't solve those underpinning problems. Mission has to lead.

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