



**OPEN**  
IMPACT REAL ESTATE

 Nonprofit  
Resource Hub

# POST-PANDEMIC REAL ESTATE FINANCING & PEOPLE STRATEGIES FOR NONPROFITS

15 NOVEMBER 2022

# PRESENTERS



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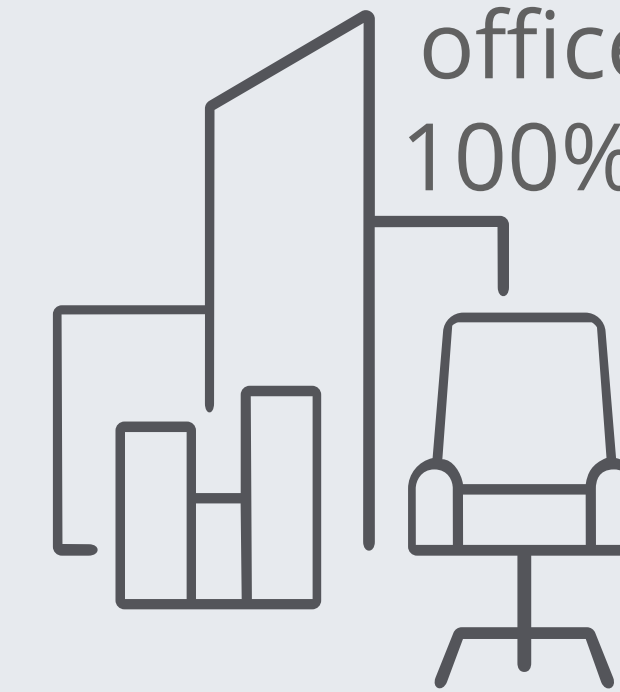
# Q3 2022 MANHATTAN LEASING MARKET UPDATE

Leasing activity reached 8 MSF in Q3 2022,  
 **14.6%**  
below the 5-year pre-pandemic average

Asking rents for Class A & Class B buildings are  
**11.8% & 6.7%**  
below their respective pre-pandemic levels



Presuming pre-pandemic office utilization was at 100%, current NYC is at  
**46.5%**



Pre-pandemic sublease space availability was 2.6% and has recently increased back to its early 2021 peak of

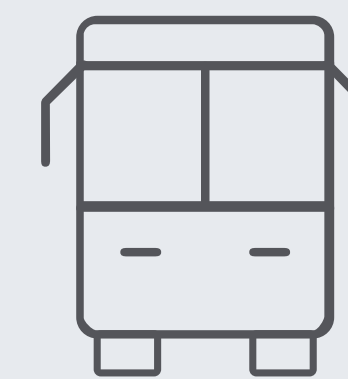
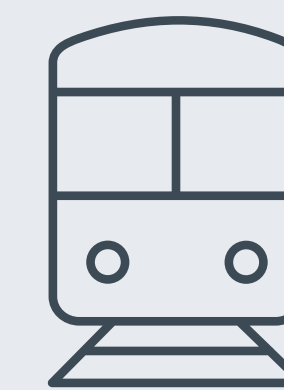
**4.7%**



NYC unemployment has returned to  
**5.6%**  
as of September 2022 after peaking at 21.0% in Q2 2020



Daily subway & bus ridership averaged 6.5M pre-pandemic, currently 4.5M people a day,



**69.6%**  
of the pre-pandemic level



1.

# **NONPROFIT RESEARCH, BUILDINGS + MARKET**

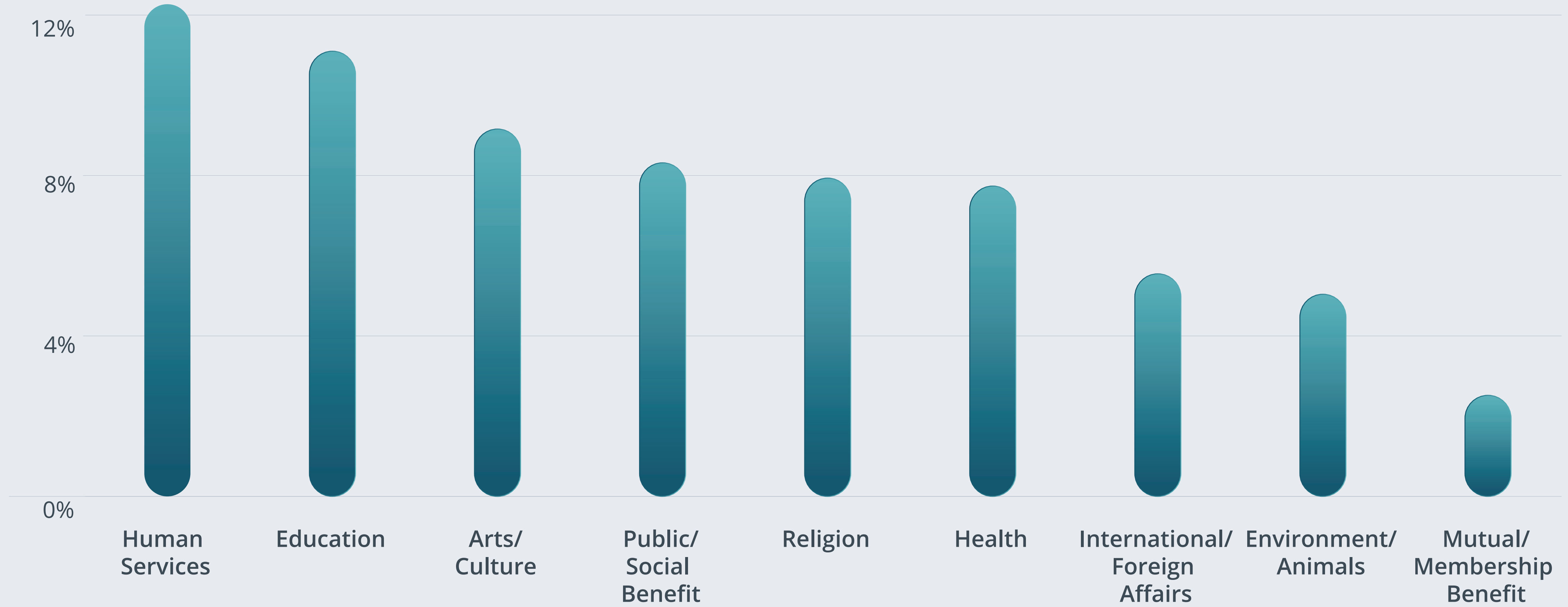


NYC NONPROFIT OCCUPANCY EXPENSE

**AVG % OF TOTAL EXPENSES BY ORGANIZATION SIZE**

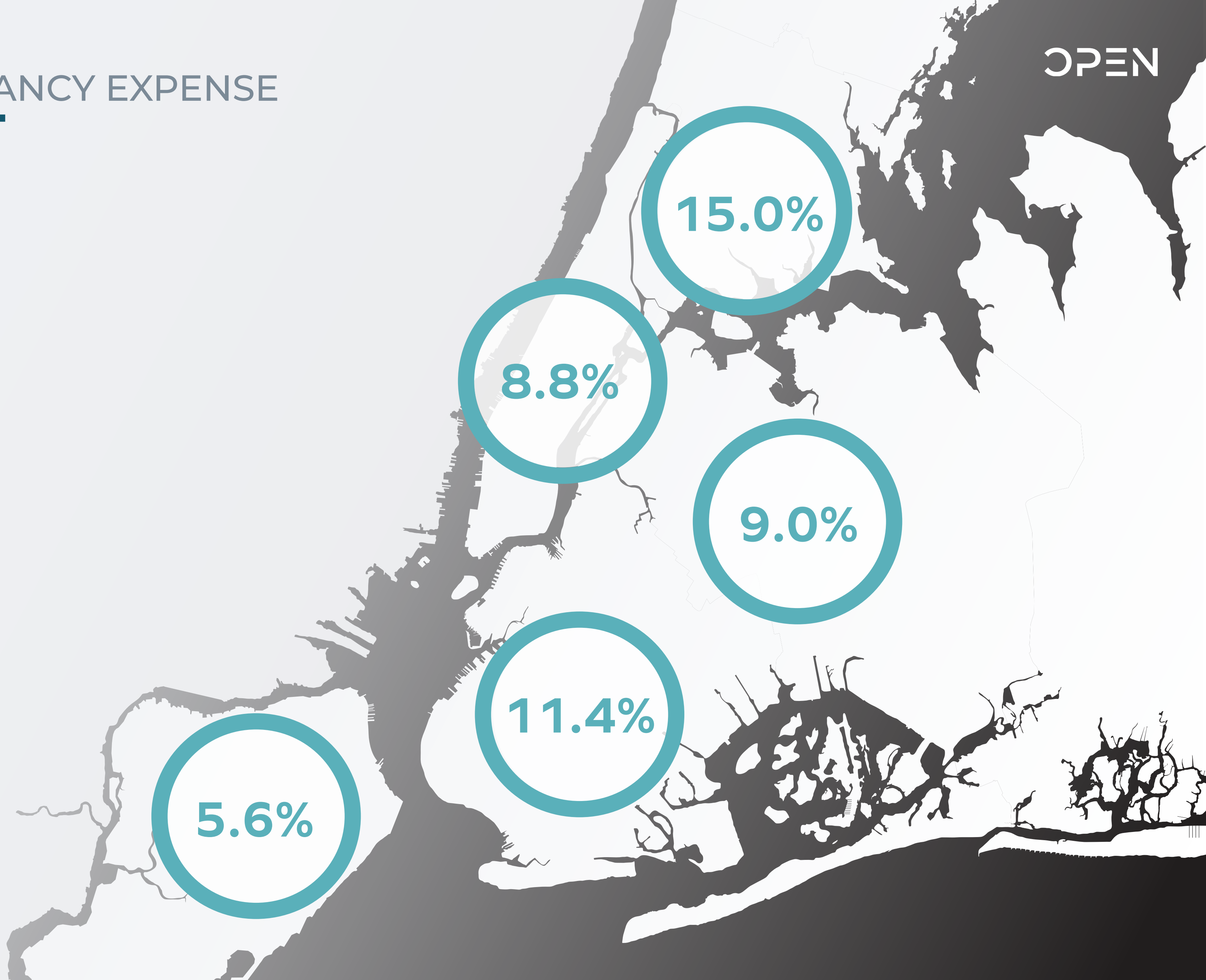


# NYC NONPROFIT OCCUPANCY EXPENSE AVG % OF TOTAL BUDGET BY SECTOR



NYC NONPROFIT OCCUPANCY EXPENSE  
**AVG % OF BUDGET**  
(BY BOROUGH)

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5.6%

11.4%

8.8%

9.0%

15.0%

# WHAT IS A NONPROFIT BUILDING?



Professional



Affordable



Program/High  
Traffic Friendly



Accessible to Public  
Transportation



Accommodating to  
Branding Needs



Sensitive to  
Security Needs

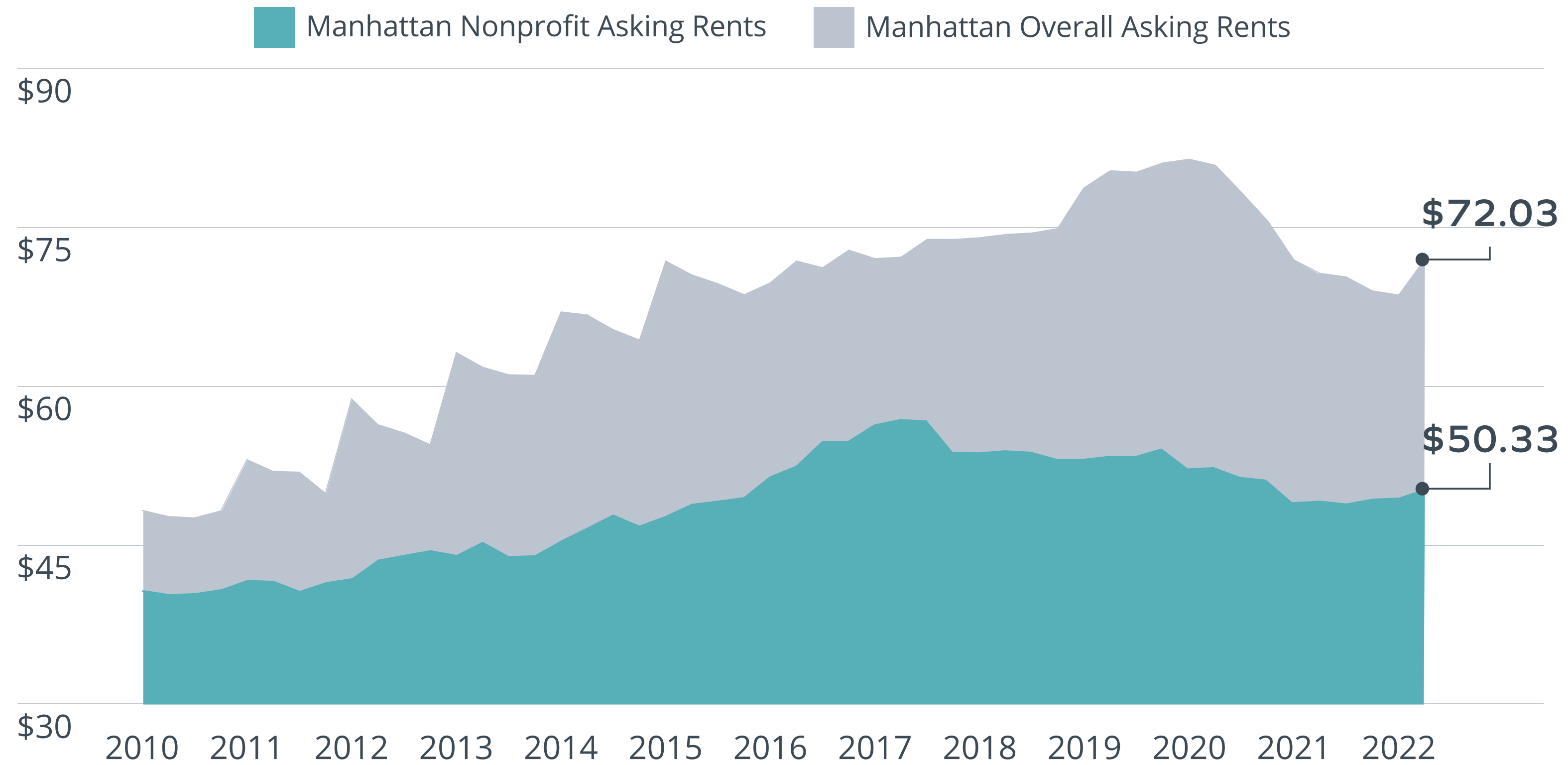


**LANDLORDS OF NONPROFIT BUILDINGS UNDERSTAND  
THE VALUE OF HAVING NONPROFIT TENANTS**



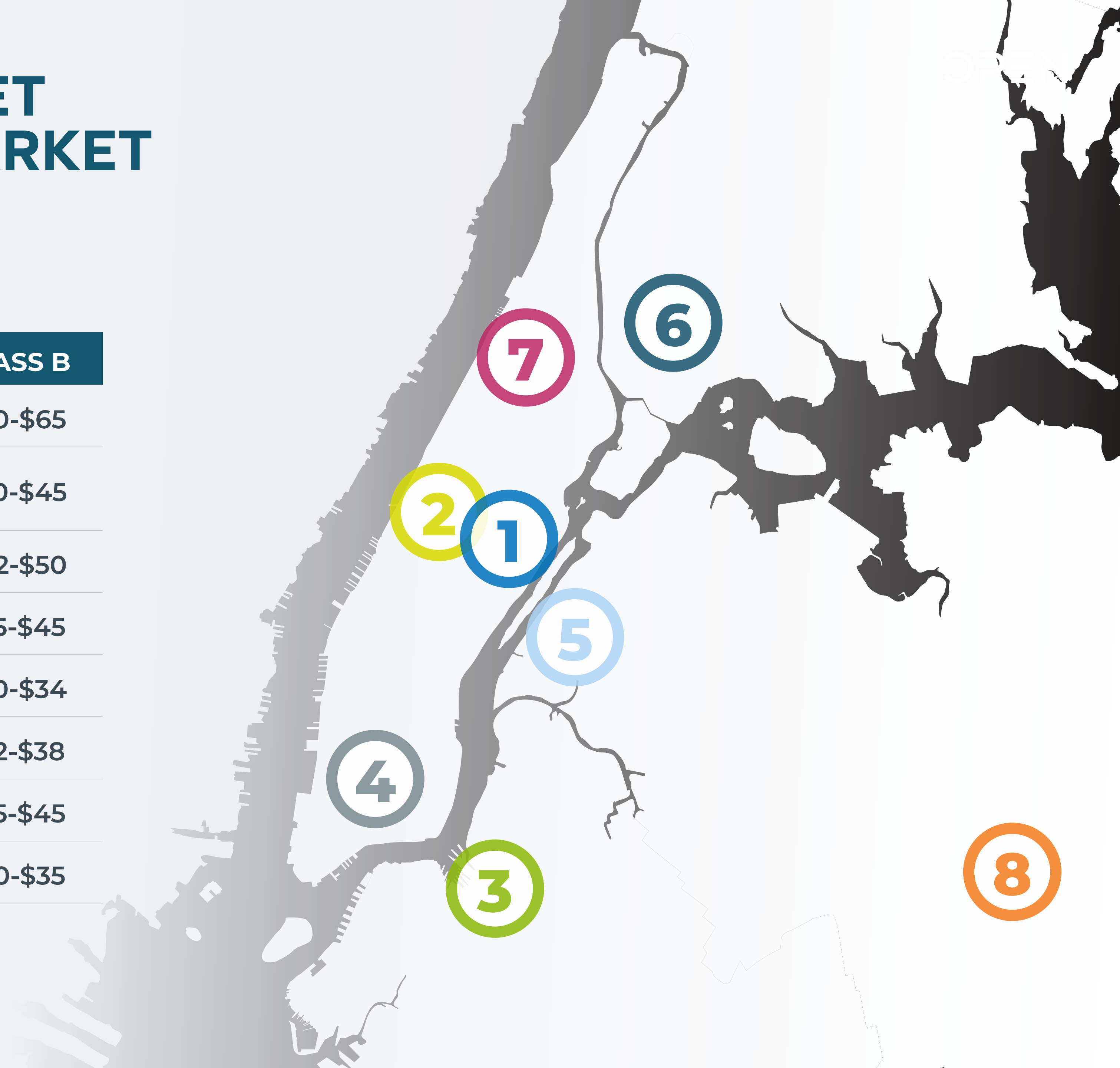
# LOOKING AT THE DIFFERENTIAL

## AVERAGE ASKING RENTS Nonprofit vs. Overall Manhattan



# NONPROFIT BUILDING SET ASKING RENT BY SUBMARKET

	CLASS A	CLASS B
① Grand Central	\$55-\$75	\$50-\$65
② Pennsylvania Station/ Times Square	\$52-\$70	\$30-\$45
③ Downtown Brooklyn	\$45-\$65	\$42-\$50
④ Lower Manhattan	\$45-\$62	\$35-\$45
⑤ Long Island City	\$45-\$55	\$30-\$34
⑥ South Bronx	\$40-\$55	\$32-\$38
⑦ Harlem	\$42-\$48	\$35-\$45
⑧ Jamaica	\$35-\$45	\$30-\$35

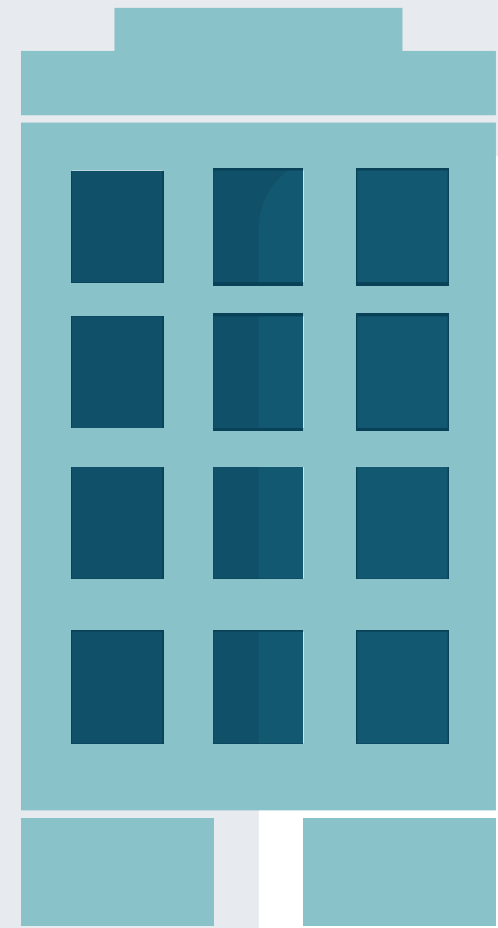




2.

# **LEASEHOLD CONDOMINIUMS & YOUR REAL ESTATE STRATEGY**





**Nonprofits are tax exempt  
but traditional leases include  
real estate taxes**

# WHY NOW?



**THE LAW HAS EVOLVED**



**THE COSTS HAVE COME DOWN**

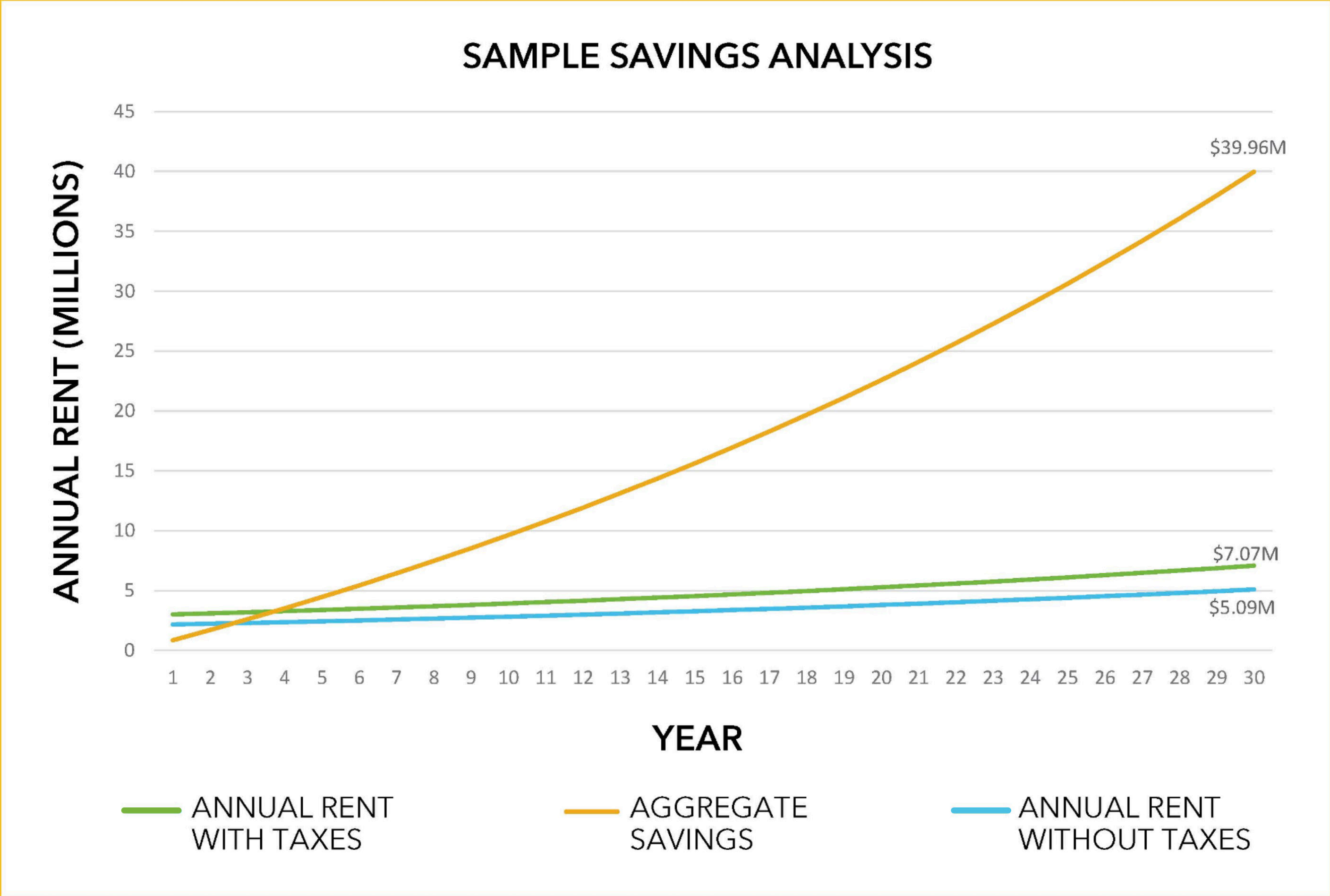


**MORE EXPERIENCE AMONG  
LANDLORDS, DEVELOPERS, AND  
ATTORNEYS**



**PANDEMIC ACCELERATED**

# LEASEHOLD CONDOMINIUM



# LEASEHOLD CONDOMINIUM

## BENEFITS

- ➔ Reduction in occupancy expenses by up to 25%
- ➔ Lower upfront cost than ownership
- ➔ Qualifies for public money
- ➔ Long-term certainty

## ALTERNATIVES

- ➔ ICAP tax exemption
- ➔ Nonprofit owned buildings
- ➔ Tax exempt buildings

## WHY WOULD A LEASE QUALIFY AS REAL PROPERTY?



- ⊕ The use of the space in question must be **exclusively** for non-residential purposes
- ⊕ The lease must be for a term of not less than **30 years** from the date you create the condominium



# HOW DO WE KNOW LEASEHOLD CONDOMINIUMS WILL QUALIFY FOR THE EXEMPTION?

- ⊕ Department of Finance Private Letter Rulings
- ⊕ Provided the nonprofit tenant is responsible under the lease for paying taxes

SINCE 2009, DOZENS OF NONPROFITS HAVE FORMED LEASEHOLD CONDOS, PRESUMABLY IN PART FOR PURPOSES OF THE EXEMPTION, INCLUDING:



# CONSIDERATIONS

LEASEHOLD CONDOMINIUM IMPLEMENTATION COSTS & STRATEGY

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## WHAT ARE SOME COMMON ISSUES TO ANTICIPATE AND NEGOTIATE?



**HOW DOES THE  
LEASEHOLD CONDO  
TIMELINE MESH  
WITH YOUR NEEDS?**



**HOW TO  
ALLOCATE  
COSTS?**

- Legal fees
- Architect fees
- Taxes until the exemption is in place



**HOW TO  
ALLOCATE  
RISK?**

# LEASEHOLD CONDOMINIUM

## READINESS CHECKLIST



**SCALE  
COST-BENEFIT**



**30+ YEAR  
COMMITMENT**



**CAPACITY FOR  
LEGAL FEES  
\$80-250K**



3.

# PEOPLE SOLUTIONS



# TRENDS IN HIRING

- ⊕ What hiring strategies are working best for nonprofits?
- ⊕ What jobs can/cannot be remote and what are the challenges for organizations?
- ⊕ How does nonprofit funding impact hiring?
- ⊕ How is the demand for new skills impacting hiring?

# WORK ENVIRONMENT

- ⊕ What are the remote vs. onsite/local work trends for 2023 and beyond?
- ⊕ How has the role of the office changed?
- ⊕ How do organizations manage health and safety issues going forward?

# ORGANIZATIONAL CULTURE

- ⊕ What is the focus on culture and employee well-being
  - employee-first/employee-centric
  - meet the growing needs of employees
- ⊕ What is 'total rewards' and how does it impact organizational culture?  
Best practices? Costs to employers?
- ⊕ What is the impact of DEI&B practices on organizations?
- ⊕ How are nonprofit employers developing their employees?

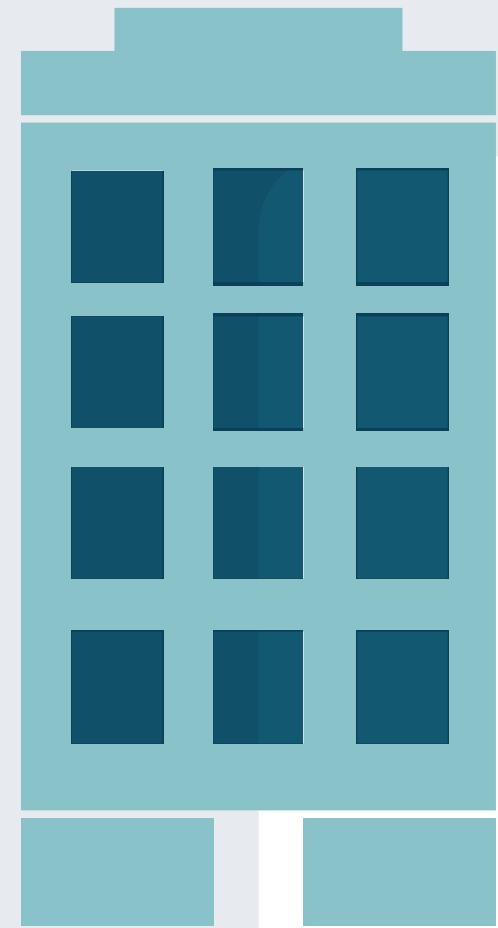


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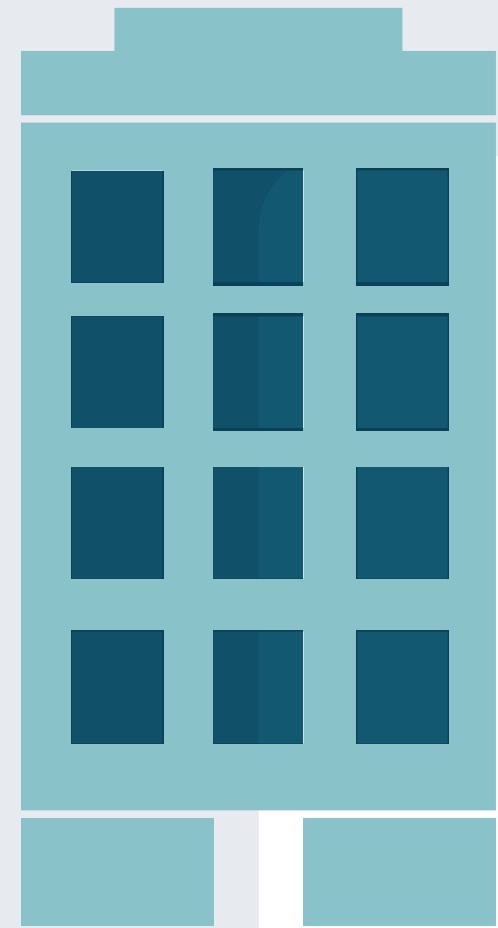
# FINANCING OPTIONS



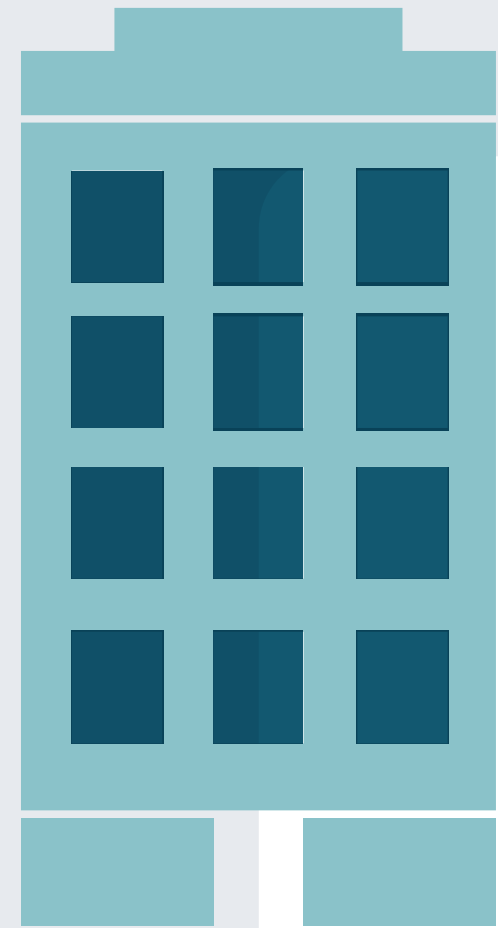




## Impact of pandemic on financing options



## Traditional Financing



## Tax-Exempt Financing



5.

# CASE STUDIES



# PURPOSE-BUILT SINGLE TENANT FACILITY



# FULL FLOOR WITHIN MULTI-TENANT BUILDING

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6.

**Q & A**



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