

**RESPONSE TO RFEI**

**FOR THE**

**KIRKBRIDE BUILDING**

**AT THE**

**GREYSTONE PSYCHIATRIC HOSPITAL**

*Submitted by:*

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## **EXECUTIVE SUMMARY**

The authors of the extensive reports previously prepared for the State of New Jersey have concluded that there is no feasible way to restore the Kirkbride Building without substantial financial subsidy. Although there are several possible governmental sources to fund the minimum \$11,000,000+ gap, the implementation of a project of this complexity will require a very experienced and financially qualified developer. Building & Land Technology ("BLT") has a proven track record of undertaking projects which are larger, and more complex, than the Greystone. For example, each of the buildings which comprise the 2,000,000 s.f. Beacon development in Jersey City, required extensive asbestos and lead paint removal, as well as dealing with an onsite Brownfield which required the remediation of #6 oil.

The BLT proposal is to list the property in the National Register of Historic Places, obtain Master Plan approval for a minimum of 550 market rate rental residential units within the Kirkbride Building, restore the salvageable existing structures, construct 100± new townhouses and 5,000± s.f. of commercial / office, while maintaining approximately 70% of the property in its natural state. The financial sources to fund such a proposal would be a commercial first mortgage(s), Federal Historic Tax Credits, an economic incentive grant from NJ EDA, State Historic Tax Credits, plus sponsor's equity.

The only alternative for this property is to demolish the Kirkbride Building with the resultant loss to the citizens of New Jersey.

## **BACKGROUND**

The firm of Building & Land Technology is headquartered in Stamford, Connecticut, where we are undertaking one of the largest urban redevelopment projects in the United States – Harbor Point. This exciting redevelopment will contain 4,000 residential units and in excess of 1,000,000 s.f. of commercial development. (For more information on BLT and Harbor Point, please visit [www.bltoffice.com](http://www.bltoffice.com) and [www.harborpt.com](http://www.harborpt.com) and view attached photo.)

However, what is perhaps of even greater relevance is that, as of December 29, 2011, we acquired a majority interest in the joint venture which is aggressively converting the 2,000,000 s.f. former Jersey City Medical Center into a residential community known as The Beacon (please visit [www.thebeaconjc.com](http://www.thebeaconjc.com) and view attached photo). In addition, BLT has completed in excess of 1,000,000 s.f. of historic adaptive reuse projects in Connecticut over the past 30 years. All of the above is evidence that we have the financial capacity and experience necessary to undertake a large, complex project such as Greystone.

## **KIRKBRIDE BUILDING**

Although a magnificent building when constructed, it has been allowed to substantially deteriorate over time. This fact, combined with the extensive presence of hazardous materials, makes its redevelopment a daunting challenge. To quote from the very well drafted report, "Greystone Park Hospital Main Building Redevelopment Feasibility Assessment":

"...Based on current market conditions and on the assumptions detailed above, none of these alternatives appears to be financially feasible. The financing gap ranges from \$11.075 million to \$25.75 million, depending on the alternative."

Therefore, the only real question is what subsidies are available to bridge this \$11+ million gap? Since the financial benefit of Federal Historic Tax Credits is already factored into the calculation of the above gap, the most realistic alternatives to fund this deficit are:

- the award of a State Economic Incentive Tax Credit – The Beacon was recently awarded a \$33,000,000 HUB Tax Credit grant; and
- the adoption by the State of New Jersey of State Historic Tax Credit legislation, the provisions of which could yield sufficient funds to cover at least the \$11,000,000 shortfall.

## **REDEVELOPMENT PROGRAM**

Our program for redevelopment of the Kirkbride Building would be the same as we are currently implementing at The Beacon – market rate residential rentals. The reasons for this approach include:

- the existing building does not readily lend itself to any use other than residential; and
- financing in today's marketplace is readily available for the development of such rentals, but not for condominium or hotel developments.

In addition to the adaptive reuse of the main structure, we would propose to create "Greystone Village", which would incorporate the rehabilitation of certain of the existing structures and the addition of architecturally sympathetic new buildings, incorporating a variety of housing types and a modest amount of commercial use.

A possible breakdown could be:

- 550+ apartment units within the Kirkbride Building;
- restoration of the existing structures, where feasible;
- 100± new single family / townhome residences;
- amenities both within the Kirkbride Building, as well as onsite;
- 5,000± s.f. commercial / office space; and
- retention of approximately 70% of the property in its natural state.

## **TIMING**

The critical timing issues with this proposal are:

- the approval of a Master Plan by Parsippany Township and Morris County; and
- the issuance of a Part 1 certification for Greystone Village, and a Part 2 approval for the Kirkbride structure by the NJ SHPO and the NPS, neither of these approvals are under the control of a developer, once the requisite information has been submitted to the respective governmental authorities.

Below is an elapsed time event schedule:

### **TIME LINE**

(A number of events can occur simultaneously.)

<u>#</u>	<u>Event</u>	<u>Elapsed Time in Months</u>
1.	Selection of a Developer.	?
2.	Due diligence period.	1
3.	Submission of Master Plan and Part 1 application.	2
4.	Approval of Master Plan.	?
5.	Property acquisition.	1
6.	Demolition and abatement.	9
7.	Approval of Part 1 by NJ SHPO and the NPS.	7
8.	Preparation of architectural, structural and MEP drawings.	5
9.	Construction time from building permit to initial TCO in Kirkbride.	7

<u>#</u>	<u>Event</u>	<u>Elapsed Time in Months</u>
10.	Commencement of leasing.	5
11.	Completion of construction in Kirkbride, from date of initial building permit, including demo and abatement.	24
12.	Construction of townhomes and commercial (can be done in parallel with Kirkbride)	12
13.	From issuance of approvals to completion of all elements.	30

## **FINANCING**

BLT has very strong relationships with a number of lenders, including, but not limited to: PNC Bank, Bank of America, Sovereign Bank and Citibank. One, or more, of these financial institutions would provide the requisite construction and permanent financing. References can be provided upon request.

The financing challenge is not the first mortgage(s), it is the required subordinate debt and/or grants. Based upon the materials provided, it appears that the cost of the site work, demolition, abatement and remediation necessary to prepare the buildings to be adaptively reused is approximately \$20,000,000. Consequently, we would require the following financial incentives (subsidies) to undertake this endeavor:

1. Title to the 90 acres for a \$1.00 consideration.
2. The approval of a Part 1 for the entire property by the NJ SHPO and the NPS, as well as Part 2 and Part 3 applications for each building as they are renovated in accord with the Standards of the Secretary of the Interior.
3. An award of State Economic Incentive Tax Credits of a minimum of \$20,000,000, the sum necessary to cover the site work, demolition, abatement and remediation necessary to undertake the rehabilitation.
4. The adoption of State Historic Tax Credit legislation to provide a minimum of \$15,000,000 per annum of State Historic Credits for qualified commercial structures.

## **SUMMARY**

Suffice it to say that in its current state, the rehabilitation of the Kirkbride building presents significant physical and financial challenges. There are only a handful of developers who have both a proven track record and the financial capacity to successfully complete such a project. Based upon the success of BLT's Harbor Point development in Stamford, Connecticut, and The Beacon in Jersey City, BLT is perhaps the most qualified candidate to restore Greystone to the prominence it once enjoyed.

However, for any private developer to accomplish this goal, will require the full support of:

- Parsippany Township;
- Morris County;
- NJ EDA;
- NJ SHPO; and
- the National Park Service.

Without support from all of these organizations, no development can be successful, and there will remain only one alternative – the demolition of these historic structures, which would represent a substantial loss for Parsippany Township, Morris County and the State of New Jersey.