



Industry City Associates at Bush Terminal

Scenario and Sensitivity Analysis Commercial/Industrial Redevelopment Project



Project Profile

MKI assisted Industry City Associates at Bush Terminal, a private property owner/developer, in its effort to redevelop and revitalize a large commercial/industrial complex with more than six million square feet in gross floor area.



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In 2008, Industry City Associates engaged Metropolitan Knowledge International (MKI) to provide financial analysis assistance to assess the impact of the redevelopment project being contemplated. Bush Terminal, located in the southwest part of Brooklyn, NY, consists of over six million square feet of gross floor area. At the time, the fifteen buildings that make up the entire complex were primarily leased to light industrial and commercial tenants.

The redevelopment project was designed to take advantage of the overall urban change experienced in Brooklyn and to create a destination for shoppers and tourists as well as artists and office workers. The extensive revitalization effort was intended to upgrade the property's revenue potential.

MKI's role on this project was to analyze the current business model of the complex to gain an understanding of the revenue potential and maintenance costs of different buildings. The "as is" analysis was based on a projected cashflow over 20 years on a building by building basis and for the overall complex. This understanding of the current business model was essential in determining an appropriate phasing and extent of renovation/rehabilitation required for different buildings. Based on the "as is" analysis, MKI created a development base case model to assess the overall viability of the redevelopment project. The development base case model then became the basis of further scenario and sensitivity analysis.

The scenarios analyzed included different timeframe (e.g., over ten years versus fifteen years), phasing (e.g., which buildings to be completed first), scope of work (e.g., which buildings to be completed and how much work), financing options (e.g., by cashflow, separate financing facility for the redevelopment portion), and configuration (e.g., retail versus office). The sensitivity analysis included different inflation rates, rent escalation rates, capital costs and costs of capital.

References:

Ron Soskolne, Development Advisor to Industry City Associates

Dovy Fruchthandler, FBE Limited (a partner of Industry City Associates)

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About MKI

MKI - Metropolitan Knowledge International - is a specialized consulting firm focused on strategic policy work, project finance and the delivery of strategies for public and private infrastructure and economic development. Integrating land use, finance, economics, environmental, and transportation planning, MKI is a powerful resource to large organizations at any stage of the planning and procurement of built infrastructure - from setting policy at the senior government level to the negotiation of real property transactions.

Incorporated in 2000, MKI was created with an aim to combine the experience of senior professionals from large consulting firms and eliminate the conflict of interest and bureaucracy that would inhibit successful execution of projects of this nature. The MKI team consists of experienced professionals with a focus on public and private infrastructure critical to metropolitan and regional growth, adaptation, renewal and development.

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