

Real Estate Project Readiness: Key Terminology

**At Denham Wolf,
we are committed
to serving New York
City's nonprofit
and mission-first
organizations, and
we are tenacious
in our efforts to
gain competitive
advantage for these
organizations.**

SEPTEMBER 2016

1ST EDITION

EXECUTIVE SUMMARY



Since 1998, Denham Wolf has offered several integrated and complementary services that support New York City's nonprofits throughout the lifecycle of their real estate projects. In providing our expertise in transactions, development, and project management, we have noticed a growing eagerness among our clients to better "speak the language" of real estate, specifically as it applies to New York City's nonprofit community.

This document contains words and phrases that are frequently heard throughout the course of a real estate project—including several that are commonly misused or misunderstood. In some cases, the definitions are specific to Denham Wolf's approach to real estate, rather than reflective of the industry at large. We have also added some insights and anecdotes pulled from our own experiences across the five boroughs.

We welcome the opportunity to discuss these terms and their nuances with you at any time.

Jonathan Denham, Co-President

jdenham@denhamwolf.com
212 736 6777 x223

Paul G. Wolf, Co-President

pwolf@denhamwolf.com
212 736 6777 x222

A

▶ ACTIVE DESIGN

A set of strategies in space planning, architecture, and urban design that promote physical activity and healthy behaviors, in support of healthier communities. A manual of evidence-based Active Design Guidelines, authored in part by New York City's Department of Design and Construction and New York City's Department of Health and Mental Hygiene, is available through the Center for Active Design at centerforactivedesign.org.



▶ ADA COMPLIANCE

The Americans with Disabilities Act prohibits discrimination against individuals with disabilities—whether mobility-based, communication-based, or otherwise—in all areas of public life, including public and commercial facilities. Compliance with this law requires that such facilities meet several minimum standards, the majority of which are complex in nature. In the event of new construction or a major alteration to such facilities, substantial upgrades beyond the initial scope of work may be required, in order to ensure ADA compliance.

▶ ADDITIONAL RENT

Expenses that are passed through to the tenant by the landlord, and that go above and beyond a tenant's Base Rent. These expenses are often cumulative and can grow quickly; they are sometimes the most volatile elements of a tenant's monthly rent. Before signing a lease, it is critical to have clarity about the expenses included in the passthroughs.

FOR EXAMPLE

A landlord may shift responsibility for the annual increases in operating expenses for commercial buildings, including real estate taxes, onto tenants. The specific amount for which a tenant is responsible is typically based on the percentage of the building occupied by the tenant.

The term "Initial Alterations" refers specifically to the work that the tenant can do when they first take possession of the space. Ideally, initial alterations are approved at lease signing.

EXTRA
INSIGHT

If a tenant needs to grow or contract but has several years left on their lease, an Assignment or Sublet could support the tenant's early relocation, in addition to potentially providing a source of income.

FOR
EXAMPLE

▶ **AIR RIGHTS** (see also: *Development Rights*)

When a Zoning Lot is occupied by an existing building, but the built floor area is less than the maximum permissible floor area as calculated through FAR (Floor Area Ratio), the remaining amount is often called "unused development rights" or "air rights." In certain circumstances, air rights can be transferred from one zoning lot to another; when transferred, air rights may increase in value.

▶ **ALTERATIONS**

In a commercial lease, an Alterations clause specifies how and when a tenant must alert the landlord if the tenant is planning any renovations to the space. It also details the steps that a tenant must take in order to ensure that all design and construction work is done to acceptable standards.

▶ **AS-OF-RIGHT DEVELOPMENT**

A development project reimagines the future of a building, parcel, or block. A development project is considered As-of-Right when it complies with all existing zoning regulations and does not require any discretionary action by the City Planning Commission or Board of Standards and Appeals.

▶ **ASSIGNMENT** (see also: *Sublet*)

The transfer of one party's entire interest in and obligations under a lease to another party. The original party can either be a tenant, whose lease is effectively taken over by a new tenant, or a landlord who has sold property to a new landlord. In an Assignment, a direct relationship is created between the assignee and the landlord. By contrast, in a Sublet, the tenant stays in a relationship with the landlord, remains in the role of tenant, and collects rent from a subtenant. The inclusion of strong, tenant-friendly language related to assignments and subletting within a lease is key to ensuring flexibility for a tenant.



▶ **ATTORNEY GENERAL APPROVAL**

Per Section 510 of New York State’s Non-Profit Revitalization Act of 2013, the sale, lease, exchange, or other disposition of all or substantially all of the assets of a charitable corporation is to be approved by the Attorney General. For some nonprofit organizations, a single transaction involving real property may be substantial enough in size to require Attorney General Approval. To approve the transaction, the Attorney General must find that the terms of the transaction are “fair and reasonable and that the purposes of the corporation or the interests of its members will be promoted.” Securing this approval can take a significant amount of time, and any project involving such a transaction should include an approval period.



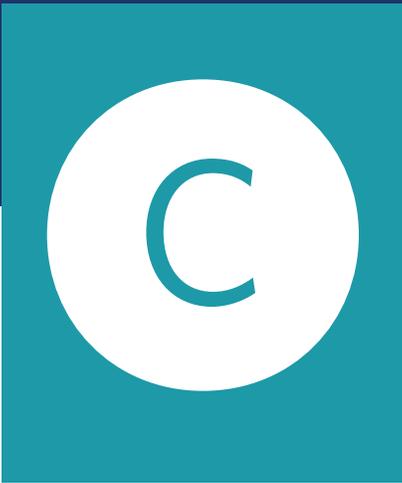
▶ **BASE RENT**

The initial amount of rent to be paid by a commercial tenant to a landlord, at the commencement of a lease. Typically, Base Rent is expressed in dollars per square foot on an annual basis (eg. \$40/sf per year). Rentable Square Feet is used as the sizing metric for base rent. For commercial tenants, base rent usually increases from year to year; this increase is referred to as an Escalation.

▶ **BENCHMARKING**

In the context of a real estate project, Benchmarking is the process of collecting and assessing the details of the facilities, capital and operating costs, or other specific metrics of peer organizations, in order to define current trends and best practices.

Depending on the project at hand, the specific metrics collected during the benchmarking process vary. Most metrics are very quantitative, such as the average number of square feet per patient or the average annual occupancy cost per pupil. Occasionally, metrics are qualitative, such as staff preferences about the adjacency of box offices to performance spaces.



► **CERTIFICATE OF OCCUPANCY** *(see also: Temporary Certificate of Occupancy)*

A Certificate of Occupancy (CO or “C of O”) states the legal use and/or type of permitted occupancies for a building, on a floor-by-floor basis. An important facet of occupancy is maximum number of occupants allowed. When an existing building, or a space within a building, undergoes construction that changes its use, egress, or type of occupancy, an amended CO must be obtained for the building. With some rare and specific exceptions, it is illegal to occupy a building until the New York City Department of Buildings has issued a CO or a Temporary Certificate of Occupancy for the building.

► **CHANGE ORDER**

When a construction project’s schedule or scope of work changes from the original agreements of a construction contract, a Change Order is issued. The change order must be agreed upon by the owner, architect, and contractor in order for a construction contract to be formally amended. Change orders may significantly alter the project’s initial contract value and/or its completion date. Change orders are caused by a wide range of factors, some of which are in the owner’s control and some of which are not.

► **CONSTRUCTION DOCUMENTS**

Construction Documents (CDs) are the drawings, specifications, and other relevant documents that establish all of the details related to the construction of a project. The various elements that are necessary for the contractor to implement the project, including the contributions of all project consultants, are outlined in these documents. CDs are prepared during the final phase of the design process.

EXTRA
INSIGHT

Three significant categories of Change Orders are “unforeseen” or field conditions; errors and omissions in the design team’s plans and specifications; and owner-directed changes, including additions, deletions, and reversed decisions.

► **CONSTRUCTION MANAGER** (see also: *General Contractor and Project Manager*)

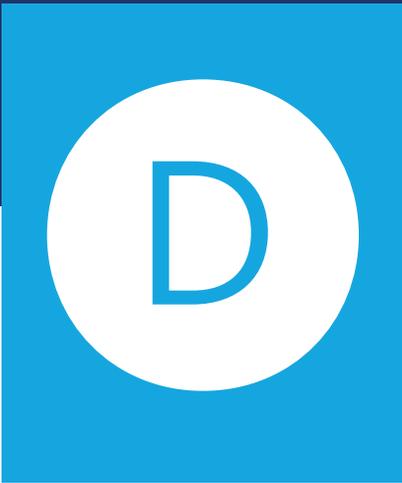
One of many approaches to engaging a contractor for construction services. As opposed to a General Contractor approach, the Construction Manager (CM) approach often involves engaging the contractor during pre-construction, potentially as early as the Schematic Design phase, so that the contractor can perform an advisory role during the project's design phases. Within the Construction Manager approach, there are multiple forms of Owner-Contractor Agreements; an owner should always seek counsel to determine the form of agreement most suitable for the project.

► **CORE AND SHELL**

Generally refers to the major structural elements, exterior enclosure, utility infrastructure, and vertical circulation systems of a building. Examples of a building's Core and Shell include the foundation, floor systems, external walls and windows, roof, boilers, sprinkler system infrastructure, egress stairs, and elevators. When negotiating a lease, tenants should ensure that the items comprising Core and Shell are clearly defined and that responsibility for the design, permitting/approvals, and construction of these items clearly assigned, as part of the overall effort to clarify the specifics of the space's Fit-Out.

Because the elements comprising Core and Shell are numerous and vary somewhat by building type, there is significant divergence of definition from project to project and across the building industry.





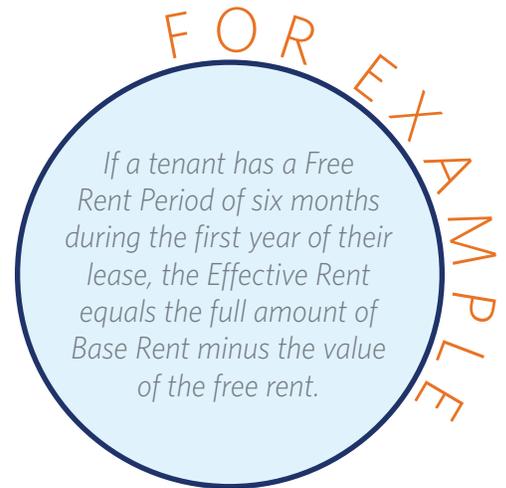
► **DEVELOPMENT RIGHTS** (see also: *Air Rights*)

The maximum amount of floor area that is permissible on a specific zoning lot is referred to as the lot's Development Rights. When a lot is occupied by an existing building, but the built floor area is less than the maximum permissible floor area, the remaining amount is often called "unused development rights" or "air rights."



► **EFFECTIVE RENT**

Effective Rent refers to the actual rent obligation borne by the tenant. In a lease in which the Base Rent increases each year due to Escalations, the increased amount of real estate taxes that are passed through to the tenant by the landlord plus the otherwise escalated base rent equal the effective rent.



► **ENVIRONMENTAL SITE ASSESSMENT (ESA)**

If a site is suspected of having pollution or contaminants in its soil, groundwater, or building materials, an Environmental Site Assessment (ESA) will need to be conducted. Characteristics of the site, such as its historical use and the nature of any materials produced on site, will guide the assessment process. A Phase I ESA is generally considered the first step in the process of environmental due diligence. Phase I rarely includes the actual sampling of soil, groundwater, building materials, or other aspects of a site. Based on its findings, a Phase I ESA may lead to further investigations. A Phase I ESA is typically required when acquiring a property, seeking financing for a construction project, or undertaking a major development of a property.

► **ESCALATION**

When referenced in regard to commercial rent, an Escalation is an increase of a tenant’s Base Rent. The increase is typically calculated as a percentage of the base rent (eg. 3% per year).

When referenced in regard to the cost of construction, Escalation most frequently applies to increases in the cost of labor and cost of material between two specific points in time. For example, a mid-project cost estimate may reveal that costs have increased since the creation of an initial project budget, due to external market forces.



► **FAR (FLOOR AREA RATIO)**

The standard unit for regulating the size of buildings in New York City. Each of the City’s Zoning Districts has a predetermined FAR (Floor Area Ratio). When the FAR is multiplied by the area of a Zoning Lot, the result is the maximum amount of floor area allowable on that zoning lot.

For example, on a 10,000 square foot zoning lot in a zoning district with a maximum FAR of 2.0, the floor area on the zoning lot cannot exceed 20,000 square feet. Those 20,000 square feet can be applied in many different ways, allowing for flexibility in the building’s height and specific configuration.

The City will occasionally grant rights to additional floor area, thereby allowing for a building with an FAR (Floor Area Ratio) that exceeds the FAR of its zoning district. These incentive bonuses are sometimes granted in exchange for the provision of a public amenity.

While rarely given, there are incentive bonuses available for the provision of community facilities; these bonuses may be in the form of additional floor area. Bonuses vary based on the Use Group of the amenity provided.

EXTRA
INSIGHT

▶ **FIT-OUT**

The process of preparing an interior space for a tenant so that it is suitable for occupancy. The extent of a Fit-Out can vary greatly and depends on several factors, such as the initial condition of the space. All fit-outs should ensure the distribution of mechanical, electrical, and plumbing services throughout a tenant's space. As a note, even when the building's landlord is fully responsible for the fit-out, it is rare for the landlord to have responsibility for the procurement and installation of FF&E (Furniture, Fixtures, and Equipment).

▶ **FREE RENT PERIOD**

Depending on the specifics of a commercial lease, there may be an opportunity for a tenant to benefit from a Free Rent Period. Free rent may be applied to the full extent of the rent amount for a specific number of months, or it may be applied as a portion of the rent for a greater number of months.

If a landlord is reluctant to reduce the Base Rent or is resistant to providing a Tenant Improvement (TI) Allowance that is sufficient for the tenant, the landlord may be receptive to a Free Rent Period. Like the former two options, the latter is a concession that helps to reduce a tenant's Effective Rent.



▶ **FF&E (FURNITURE, FIXTURES, AND EQUIPMENT)**

The furniture, fixtures, and equipment within a space that support occupants and visitors in their use of the space. These elements are typically grouped together and referred to as FF&E (Furniture, Fixtures, and Equipment). There are many FF&E items that do not have a permanent connection to a space's major structural or infrastructural elements, such as chairs. There are also some items that are more permanently integrated into a space, such as security cameras.



▶ **GENERAL CONTRACTOR** *(see also: Construction Manager)*

One of many approaches to engaging a contractor for construction services. As opposed to a Construction Manager approach, the General Contractor (GC) approach often involves engaging the contractor at the end of the pre-construction phase. The selection of a GC is typically done through a competitive bidding process.

▶ **“GOOD GUY” GUARANTY**

If a tenant’s financial capacity is questionable or if a landlord is providing a generous Tenant Improvement (TI) Allowance or free rent package, the landlord may seek additional security in the form of a “Good Guy” Guaranty. In this arrangement, the “Good Guy” provides a limited personal guaranty of the performance of the tenant under the lease, until the tenant returns the premises to the landlord.

The guarantee usually supplements a cash security deposit or Letter of Credit.

▶ **GOVERNANCE**

While there is great value in engaging outside experts to guide a real estate project, their value is substantially augmented by the presence of an internal real estate committee and a clear process for project governance. Such committees are often organized for a specific project, in order to provide project-specific advice, build institutional memory, and expedite decision making. Internal real estate committees typically comprise both board and staff members.

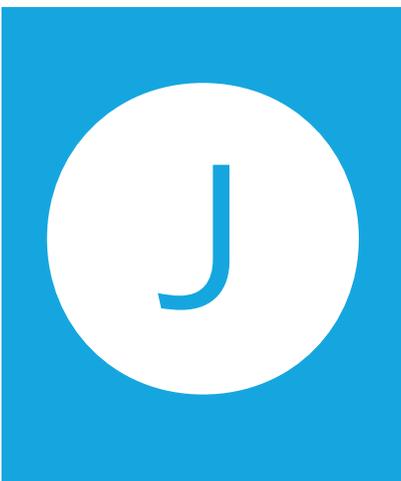
▶ **GROSS SQUARE FEET**

The amount of square feet required for a tenant's dedicated premises, for the areas dedicated to circulation throughout those premises, and for the areas comprising the major structural elements of a building. Major structural elements are those that enclose the space and/or are found within the space, such as interior and exterior walls. Gross square footage does not include shared building amenities, such as lobbies.



▶ **HVAC (HEATING, VENTILATING, AND AIR CONDITIONING)**

Heating, Ventilating, and Air Conditioning are grouped together in design and construction projects, under the umbrella of mechanical systems, as they comprise the technology of indoor environmental comfort. These technologies are usually linked and referred to collectively as an HVAC system.



▶ **JOINT VENTURE**

In the event that an organization seeks to participate in a real estate development project, for example by making use of Air Rights, the organization may seek to partner with a development firm. Development partners can be for-profit or nonprofit in nature. They are often selected through a competitive request for proposal (RFP) process, in which development firms propose approaches to the development project. This process typically results in a Joint Venture agreement between the organization and the selected development firm, outlining the roles and responsibilities of each party.



▶ **LANDMARK**

New York City’s architecturally, historically, and culturally significant buildings and sites have the opportunity to be granted Landmark status. Individual buildings are eligible for individual landmark status, while several buildings that collectively hold significance are eligible as a group for historic district status. The Landmarks Preservation Commission (LPC) establishes and regulates these statuses. When alterations are proposed to any structure or site designated as a Landmark, the alterations are subject review and approval by the LPC.



▶ **LEED CERTIFICATION**

LEED, which stands for Leadership in Energy and Environmental Design, is a popular green building certification program developed by the U.S. Green Building Council. A wide variety of design and construction projects are eligible for review and LEED Certification. Depending on the quantity and quality of the project’s approved green building features, a project will earn points; a project’s certification level is dependent upon the number of points earned. Notably, some sources of project funding require the achievement of a specific certification level. Additional information about LEED is available at www.usgbc.org/leed.

▶ **LETTER OF CREDIT**

Instead of providing a security deposit in cash, a tenant may secure the obligations of a lease with a Letter of Credit. A letter of credit represents a commitment made by a bank or other party to pay a defined amount to the landlord, if certain predefined circumstances arise, which the tenant would later reimburse.

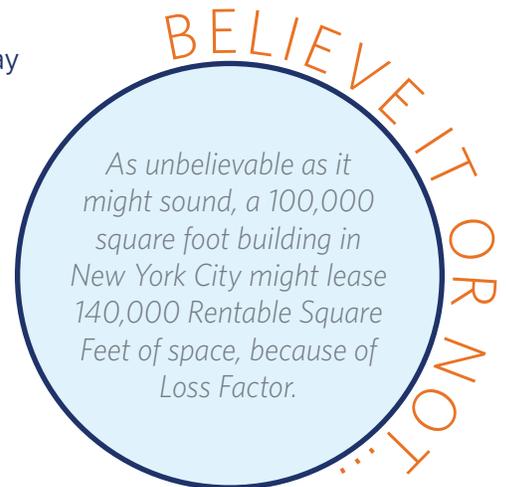
While a Letter of Credit allows a tenant to keep its cash in its own bank, the bank will typically charge a fee for providing the letter of credit. A fee of 1% per year is typical.

EXTRA
INSIGHT

► **LOSS FACTOR**

Loss Factor represents the amount of square feet, outside of a tenant’s dedicated premises, for which the tenant pays. A space’s loss factor is determined by a building’s landlord, and it is unregulated in New York City. In Manhattan, 30% of a tenant’s Net Square Feet is a reasonable rule of thumb for loss factor. Since the specific amount varies by building, it is important for tenants to conduct a Test Fit to determine if a space contains a sufficient amount of net square feet to accommodate the tenant’s Space Program.

As a lease’s expiration date approaches, some tenants may consider trying to renew their lease. During the renewal process, a landlord may take the opportunity to remeasure the tenant’s space and/or the entire building. Remeasurement typically results in the tenant being responsible for a larger amount of Rentable Square Feet, despite staying in the same space.



► **MEP (MECHANICAL, ELECTRICAL, AND PLUMBING) SYSTEMS**

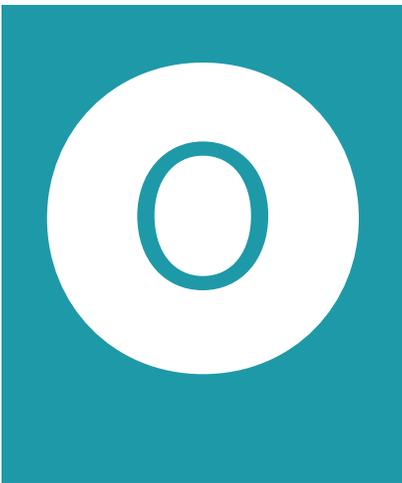
Mechanical, Electrical, and Plumbing are often grouped together in design and construction projects, as they comprise three essential systems that make a space operable beyond the architectural work. Examples of these systems include HVAC (Heating, Ventilating, and Air Conditioning) systems, drainage systems for pantries and bathrooms, telephone line infrastructure, security systems, and fire alarm systems.

Despite the MEP grouping, projects may involve separate engineering consultants for each area of expertise.



▶ **NET SQUARE FEET**

The amount of square feet required for a tenant’s unique administration, program, and support needs. Net square footage does not include major structural elements of a building (such as walls), shared building amenities (such as lobbies), or the areas dedicated to circulation throughout the space.



▶ **OWNER’S REPRESENTATIVE** *(see also: Project Manager)*

A third party consultant, experienced in design and construction of real estate, that acts on behalf of a project’s owner or client. An Owner’s Representative helps to guide a project from conception to occupancy and ensures that the best interests of the owner or client are at the center of every project decision. The consultant’s primary roles include supporting the client in defining project goals and scope of work, monitoring the project’s budget and schedule, and recording and reporting on the project’s progress.



▶ **PREVAILING WAGE**

Set annually by the New York City Comptroller, prevailing wage refers to the wage and benefit rate for the covered employees of any contractor performing a public works project for New York City’s government agencies or performing a City-funded, privately-managed project. Prevailing wages are specific to each trade or occupation.

Federal rates, as defined in the Davis-Bacon Act, may also apply to such projects.

FOR MORE INFO

The rates for construction, replacement, maintenance, or repair work on New York City public works projects are contained in the Comptroller’s Labor Law 220 schedules.

▶ **PRO FORMA**

A Pro Forma is a financial model used to project cash flow over a specific period of time. They are used in modeling a real estate development's profitability, projecting total occupancy expenses, and mapping the feasibility of a design and construction project, among other financial projections.

When used to support a real estate project, the most comprehensive pro formas incorporate specific details about the project's timeline, hard and soft costs, and financing, as well as supplemental information about the organization's cash flow throughout the full lifecycle of the project.

▶ **PROJECT MANAGER** *(see also: Owner's Representative)*

A third party consultant, experienced in design and construction of real estate, that acts on behalf of a project's owner or client. A Project Manager leads a project from conception to occupancy and ensures that the best interests of the owner or client are at the center of every project decision. The consultant's primary roles include supporting the client in defining project goals and scope of work, monitoring the project's budget and schedule, recording and reporting on the project's progress, and actively managing any necessary course corrections.

▶ **PUNCH LIST**

Typically developed by a construction project's design team after the contractor achieves substantial completion, a Punch List is a descriptive listing of a project's uncompleted contract items and completed items that are of unacceptable quality. The contractor and subcontractors remain active on a project until all items on the punch list are resolved.



R

▶ REAL ESTATE TAX EXEMPTION

Real estate taxes, also known as property taxes, apply to immovable property, such as houses, buildings, or land. While New York City property owners can qualify for a full Real Estate Tax Exemption or a partial exemption if they use a property for nonprofit purposes, eligibility for such reductions is complicated in the event that a nonprofit organization is a tenant in a commercial building. In most cases, nonprofits that rent their space will need to contribute to the building's real estate taxes, in the form of Additional Rent.

▶ RECAPTURE

The process by which a property owner reclaims control and/or occupancy of a property. Recapture clauses cover a wide range of transactions, triggered by an equally diverse array of circumstances.

For example, if a tenant wishes to Sublet a portion of its space, the landlord may have the right to reject the proposed sublet, depending on the specifics of the lease. Instead, the landlord may have the right to recapture the space that the tenant wished to sublet, and then relet it at any terms desired by the landlord. When landlords have the right to recapture, they will typically exercise this right if it is possible to relet the portion of the space to a new tenant at a higher rent.

▶ RENTABLE SQUARE FEET

The standard sizing metric used by tenants, landlords, and brokers in lease-based real estate transactions. A space's Rentable Square Feet equals the amount of square feet required for a tenant's dedicated premises, for the areas dedicated to circulation throughout the space, and for a portion of the building's major structural elements (such as walls) and shared building amenities (such as lobbies).

The amount of square feet to which the tenant contributes financially—beyond the square feet required for the tenant's unique administration, program, and support areas—is most commonly quantified as a percentage of the tenant's Net Square Footage. This percentage is referred to as a space's Loss Factor.

EXTRA
INSIGHT



► **SCHEMATIC DESIGN**

Typically the first phase of the design process. During the Schematic Design phase, an architect works with a client and other members of the project team to clearly define the project’s interrelated values, goals, and other qualities. Deliverables of this phase often include basic architectural drawings that illustrate the core concepts of the design, such as key spatial relationships, overall scale, and form. This phase also involves research into zoning requirements, jurisdictional restrictions, and other potential obstacles for the project.

Preliminary Space Program (SAMPLE)

Head Count: 60
This sheet is meant to serve as a quick calculator of preliminary space requirements. Actual space requirements subject to further refinement based on specific client needs.

Space	Description
Reception	
Standard Reception	Reception desk with seating for 4
General Offices	
Private Office A++	Executive office with desk, 4 guest chairs, and sofa with couch, coffee table, chair, and end table.
Private Office A+	Executive office with desk, 2 guest chairs, and table with 4 guest chairs
Private Office A	Large-sized office with desk, 2 guest chairs, and small meeting table with 4 guest chairs
Private Office B	Medium-sized office with desk, 2 guest chairs, and storage
Private Office C	Small-sized office with desk, 1 guest chair, and storage
Private Office A	Shared office with two desks, 2 guest chairs, and lateral file storage

► **SPACE PROGRAM**

The space programming process establishes the approximate size, key adjacencies, and other critical qualities of a space, in the context of a specific set of uses. When synthesized in a document, this information is referred to as a Space Program. Space programs are frequently used to evaluate whether or not a space can successfully accommodate an organization’s desired uses for the space and, therefore, support the organization’s overall goals.

► **SQUARE FEET** (see also: *Gross Square Feet, Net Square Feet, Rentable Square Feet, Usable Square Feet, and Zoning Square Feet*)

Literally, a square foot is the area of a square in which each side is one foot in length. In a real estate project, Square Feet is the standard unit for measuring space. Over the course of a project, measurements are made using a few different frameworks, all of which involve square feet.



► **SOURCES & USES**

The availability and applicability of financial resources often vary over the course of a project, making it essential to map the Sources and Uses of all project-related funds. Sources may include foundations, individuals, the City of New York, and organizational debt. Uses include the specific hard and soft costs of a project. Since some funding sources are restricted to certain uses, it is critical to understand which funds are able to be applied to which expenses.

► **SUBLET** *(see also: Assignment)*

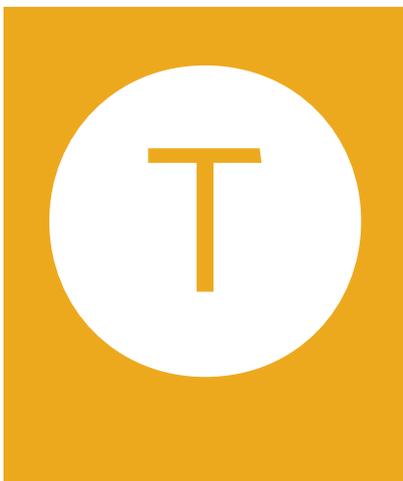
An arrangement through which a tenant rents part or all of a space to another tenant, known as a subtenant, typically for a limited term. Unlike an Assignment, in which the original tenant is released from most or all of its responsibilities to the landlord, a sublet preserves the original tenant's rights and obligations the landlord. In other words, the tenant continues to pay rent to the landlord while also receiving rent payments from the subtenant. The inclusion of strong, tenant-friendly language related to assignments and subletting within a lease is key to ensuring flexibility for a tenant.

► **SWING SPACE**

A temporary space that a tenant occupies during a renovation or new construction project, or during other times of transition.

► **TEMPORARY CERTIFICATE OF OCCUPANCY** *(see also: Certificate of Occupancy)*

In the event that the New York City Department of Buildings determines that a building or unit is safe to occupy, but that there are outstanding problems to resolve before a final Certificate of Occupancy is issued, the Department may issue a Temporary Certification of Occupancy (TCO). TCOs typically expire 90 days after they are issued, but can typically be renewed.





▶ **TENANT IMPROVEMENT (TI) ALLOWANCE**

When a new tenant leases a space, the space usually needs to be upgraded or otherwise customized to meet the needs of the new tenant. A landlord will commonly provide the tenant with a specific budget for these upgrades, known as a Tenant Improvement (TI) Allowance. In the event that a tenant has the opportunity to benefit from a tenant improvement allowance, it is critical to carefully detail the responsible parties for and the timing of design, construction, and payment in the lease. Notably, a tenant improvement allowance is usually provided as a reimbursement.

▶ **TERM SHEET**

A Term Sheet summarizes the main terms of a new or recently defined agreement. Depending on the way it is written, a term sheet can either be legally binding or nonbinding. In the process of negotiating a lease for a commercial space, a term sheet will often include information such as the length of the lease term, rent, security, and details about any concessions. Documents that are similar in nature but may vary in form include Letters of Intent (LOIs), Offers, and Proposals.

▶ **TEST FIT**

When a tenant is assessing whether a space will meet the organization's needs, the tenant may rely on a preliminary graphic representation of the space that includes major spatial elements such as walls, doors, and room sizes. Sometimes furniture is also included. These preliminary graphic representations are known as Test Fits and are typically prepared by an architect.



▶ **ULURP (UNIFORM LAND USE REVIEW PROCEDURE)**

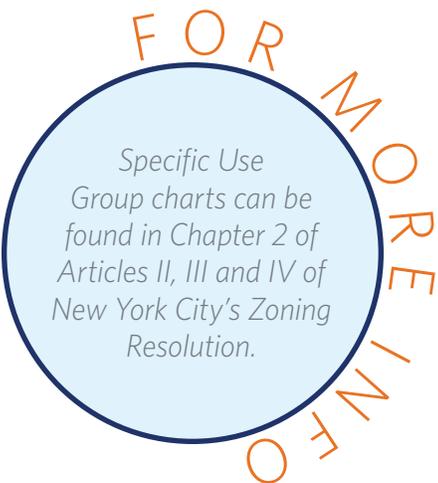
The public review process for all proposed zoning map amendments, special permits, and other actions, such as site selections and acquisitions for city capital projects and disposition of city property. ULURP sets forth a time frame and other requirements for public participation at the Community Board, Borough Board, and Borough President levels, and for the public sharing of determinations by the Community Boards, Borough Presidents, City Planning Commission (CPC) and City Council. Zoning text amendments follow a similar review process, but without a time limit for CPC review.

▶ **USABLE SQUARE FEET**

The amount of square feet required for a tenant’s unique administration, program, and support needs, as well as the areas dedicated to circulation throughout the space. Usable square footage does not include major structural elements of a building (such as walls) or shared building amenities (such as lobbies).

▶ **USE GROUP** *(see also: Zoning District)*

In New York City’s Zoning Resolution, activities that have similar functional characteristics and that are generally compatible with each other are grouped together under a Use Group. There are 18 use groups in total, and each falls under the larger categorization of Residential, Community Facility, Retail & Commercial, or Manufacturing. For example, a community facility use, listed in Groups 3 and 4, is a use that provides educational, health, recreational, religious or other essential services for the community it serves.





▶ **VALUE ENGINEERING**

A process for analyzing the design, structural features, systems, equipment, and materials of a design and construction project. The primary purpose of the Value Engineering process is to minimize costs while still maintaining standards of performance, quality, reliability, and safety.



▶ **ZONING DISTRICT** *(see also: Use Group)*

A subdivision of New York City within which specific land use and building bulk regulations apply. Special purpose zoning districts have distinctive qualities where regulations are tailored to the neighborhood.

For example, a manufacturing district, designated by the letter M, is a zoning district in which manufacturing uses, some commercial uses, and some community facility uses are permitted.

▶ **ZONING LOT**

A tract of land comprising either a single tax lot or a group of adjacent tax lots within a block. It is possible for two or more adjoining Zoning Lots on the same block to be merged into one, provided that the resulting zoning lot complies with all applicable regulations. A zoning lot is the basic unit for zoning regulations.

▶ **ZONING SQUARE FEET**

A zoning-specific unit of measurement that is roughly equivalent to Gross Square Feet, with some specific exceptions. For example, most below-grade (eg. cellar) space is not included when calculating Zoning Square Feet (ZSF). The term Zoning Floor Area (ZFA) is sometimes used interchangeably with ZSF.

ABOUT THIS DOCUMENT

In addition to drawing from Denham Wolf's standard project materials and on-site experiences, this document references several definitions put forth by New York City's Department of City Planning. The Department's full glossary, which includes some terms that are legally defined in the Zoning Resolution of the City of New York, can be accessed online at <http://www1.nyc.gov/site/planning/zoning/glossary.page>

All of the sources of information used in the creation of this document are believed to be accurate and reliable, but no guarantee of accuracy or completeness is given.

Cover photography, clockwise from upper left, by: Michael Moran, Alexander Severin, Zbig Jedrus, Naho Kubota, and Zbig Jedrus (center photograph).

Other photography, in the order that the images appear, by: Michael Moran, Zbig Jedrus, Jonathan Denham, Jonathan Denham, Alexander Severin, and Carl Bellavia.

ABOUT DENHAM WOLF

An essential resource for New York City's nonprofit community, Denham Wolf Real Estate Services provides expertise in transactions, development, and project management. Through these integrated services, the firm empowers organizations to take a thoughtful, mission-first approach to real estate. Denham Wolf has partnered with hundreds of diverse nonprofit organizations since its founding in 1998, shaping millions of square feet across New York City. For more information, visit www.denhamwolf.com

212 736 6777 | DENHAMWOLF.COM

Denham Wolf Real Estate Services
520 Eighth Avenue, 25th Floor
New York, NY 10018