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Ms. Syraun Palvetsian
Executive Director
Diocese of the Armenian Church of America
630 Second Avenue
New York, NY 10016

Dear Syraun:

I offer the enclosed "report" with no claim of unchallenged expertise but have simply attempted to compile problems and conditions which are based on my own observations. Definitve analyses and conclusions can hopefully result with the input of other competent professionals.

Since most problems stem from lack of adequate income immediate solutions are not readily available. On the other hand I have attempted to identify areas in which there are possible alternatives that might alleviate a worse situation, or even improve the immediate functioning of the Diocesan mission.

The only fact I can assert with certainty is that some of these matters must be attended to immediately. I trust that my thoughts will be of some assistance in presenting the issues for deliberation.

Sincerely,


Herbert Kashian

enc.:

I. Long Term Alternatives

A. High-Rise

The creators of the Cathedral could not have foreseen the rapid growth of Diocesan programs and needs which the very existence of the Complex has helped engender. By the same token the original financial structure did not provide adequate resources for on-going income. The High-Rise Committee has acted with appropriate deliberation in persuing this income alternative.

1. In this regard, the interest of the reputable Zeckendorf organization is most welcome and I see no reason not to persue discussion with this group. They are among the most successful in the city largely due to avoidance of development sites involving multiple ownership and preference to build "as-of-right", i.e., not seek too many unusual variances and consequent approvals which delay or derail the development process.

Unfortunately, some of the issues posed in the letter of Jerome Becker, as well as matters raised in my discussion with their architect's representative create problems for the Diocese. While some of the negative positions could well be a method of opening negotiations, it is more than likely that these matters brought forward by them now would develop sooner or later in discussion with any competant and scrupulous developer.

Briefly enumerated are some of the unattractive consequences indicated in their statements, as well as some general concerns with this alternative:

a. The present depressed market not only impacts negatively on immediate development but leaves the Diocese in a poor position to exact the best possible terms in any deal at present. On the other hand, recent "boom" conditions will not necessarily be duplicated in the near future and there may be no better time to begin serious negotiations;

b. This group does not desire a mixed-use development whereby the Diocese occupies a large block of space. They have suggested that space be leased or purchased elsewhere, simply retaining the Cathedral, providing some minimal ancillary facilities and perhaps reconstructing the below grade auditorium. For obvious reasons this would be wholly unacceptable financially, functionally and perceptually. It is likewise obvious that assuming a large block of space would reduce the Church's share of income and profitability;

c. They feel strongly that any successful residential development on this site necessitates provision for several levels of parking below grade. Due to various site constraints this would be accomplished by means of an elevator entry beneath the Cathedral off 35th Street. This not only removes additional space and could create noise problems but is totally undesirable aesthetically;

d. Their proposal to provide legal windows on the tunnel(east) side requires bringing a good deal of bulk forward on the site, with considerable impact on the presence of the Cathedral;

e. Goodwill is an issue and community opposition cannot be discounted. Churches and institutions have been plagued by this problem in cases where they have an unchallenged right to build but propose a tower to replace existing open space and low-rise construction. While not necessarily blocking development such opposition can cause considerable delay and leave the Church with a negative image as well;

f. In many cases protracted negotiation with the community has been avoided by provision that a number of low income units be included in any development. By regulation, occupancy of such units must be open to "community " residents and not limited to members of the sponsoring group. This would negate any favorable impact on our parishioners.

2. Any avenue of negotiation will involve some consideration of the cost of temporary relocation of facilities and might include the following possibilities:

a. Arrange a ground and air-rights lease directly to the developer and lease back space for Diocesan use within the development.

This would be desirable to a developer since the church would not be a direct partner and a lease arrangement would not require massive upfront cost for land. Unfortunately, any arrangement whereby the church does not get all its profit upfront entails risk if development is unsuccessful;

b. Join the developer as partner sharing in the venture by contribution of land in exchange for acquiring rent-free space and a portion of income.

This is attractive to the developer since it requires no money for land, but not so desirable in having the church as a partner occupying prime space. Again, the church does not receive income upfront and is also open to the added risks and problems of ownership. -- The church is not organized to operate a business. In addition, partners can go bankrupt, out of business or lose key personnel which can negatively affect relationships;

c. Vacate everything but the Cathedral, relocate all other facilities elsewhere --sell the remaining land and all air-rights outright!

The developer must pay for land and can probably be held to compensate for the permanent relocation of facilities, but does not have to deal with the church as a partner. The church gets its money up front but must deal with the serious issue of permanent relocation of facilities.

B. Air-Rights Transfer

Presumably a study of this has been done but I have not seen it. If feasible this would be the most desirable alternative for the Diocese, since it would not necessitate removal or alteration of the present complex.

1. Feasibility depends on the following:

- a. To what areas and how far from the site rights can be transferred (presumably directly east or west)?
- b. How much area is available for transfer, assuming the church retains an amount for some expansion?
- c. Which method of marketing? Since we are unaware of any potential development we must assume the incentive of our air-rights would interest a potential developer to seriously consider the appropriate areas.

2. If the idea is feasible and a potential buyer found, it is unlikely that development would take place for a number of years. This need not be an impediment to consummating a deal. An air-rights transfer sale could be structured as an option existing over a period of years. In this manner the church could receive an initial sum and annual payments for the life of the option. When rights are actually exercised the balance would be paid, not less than an established amount (perhaps current market value) but not to preclude any increased value if market conditions are improved at the time. Should the option lapse, the church would at least have derived some income from the latent value of the land.

C. Addition to the Present Structure.

In any case (but particularly if air-rights transfer becomes feasible) the possibility of adding to the present structure must be explored, considering additional income producing space as well as providing for the needs of the church.

I will shortly meet with the original architect, Mr. Walker Cain, or a current member of his firm, to investigate the feasibility of additions to the present structure.

Financing of such an addition is obviously problematical, particularly if not in conjunction with successful air-rights transfer. However, studying feasibility seems in order since it may be the only solution available to address space and income needs in the foreseeable future.

II. Immediate Problems Requiring Solution

A. Income Producing Areas

1. Most serious is the loss of the Thai Mission, an ideal tenant. They leased the space largely "as-is" with no demand or requirements for extensive alterations, while the rent has been near the top of the market. Their business has been extremely "low-traffic" and without crowds or demonstrations. At this time of high vacancies it is not likely that a similarly appropriate tenant or the existing rental rate can be duplicated, or the space be continued for rental "as-is". In the likelihood this situation is a reality, several difficulties must be overcome to make the space as marketable as possible:

a. The shared entry off the plaza is undesirable. In my discussion with Mr. Cain I will explore the possible relocation of this entry to a separate lobby off 34th Street. This involves some alteration of the present fire stair and existing street level elevator lobby.

b. The fire exiting situation on the 2nd floor is illegal. On a multi-tenant floor each occupant must have direct unobstructed access to a second fire stair through an appropriately rated hallway. In the present arrangement neither the church nor the tenant has such access. A possible solution involves relocating church use of the 3rd floor to the remaining 2nd floor space, and leasing the entire 3rd floor as an entity. With re-entry bars on the fire doors and locking provisions on elevators, unwarranted intrusions would be avoided.

2. More aggressive marketing of halls and meeting rooms could conceivably increase income but the appropriateness of renters and conflicts of scheduling with church activities does not leave much room for improvement. Increased janitorial, management, and maintenance costs associated with more intensive use, are considerations.

3. Relocation of the bookstore operation could very likely increase income. At present, the isolated location of this facility does little to enhance likelihood of sales growth. It also poses a real threat to the safety of workers. A move to underutilized space adjacent to the entry lobby, with a discreet sign outside indicating its existence, would increase the possibility of walk-ins, browsing and sales, as well as restrict persons from wandering elsewhere on the premises. If this facility also included the presently moribund display and sale of religious articles, a very attractive presence could be established at little cost.

B. Diocesan activities

Misallocation and lack of space are hampering both the religious and cultural mission of the Diocese. Operations could not exist at their present level of vitality were it not for the extreme tolerance and dedication of staffers. Programs will likely suffer in the future if adequate planning is not undertaken.

1. Areas in which planning is needed

a. DRE, Language Lab and ACYOA are inadequately housed in improper facilities, have poor storage and difficult access to materials;

b. Public relations, fund raising and Social Service Outreach are vital functions now nonexistent due to lack of appropriate space;

c. Publicly accessible Library and Museum do not exist, though mandated in the original complex. Gifts and collections languish in ad-hoc conditions. Unless space is allocated for these functions, it can be assumed that support and donations will disappear;

d. Classroom space is totally preempted for other use with the result that Sunday School has disappeared and Armenian School has been only tenuously maintained. Both these activities should be the source of increased parental and community involvement in other activities of the church. Under present conditions this cannot be easily expected;

e. Administrative functions are hampered due to dispersion, an inflexible layout and difficulty of providing for increased computer use;

f. Unanticipated needs, such as the Earthquake Fund could be more appropriately housed if other reallocations are undertaken.

g. Required storage presently occupies prime space or is placed wherever any other underutilized space exists. A more rational overall plan must include more appropriate storage areas.

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2. Some immediate solutions are available requiring expenditure of funds. Despite the inflexible building layout there are some modest alterations and reallocations which can improve the functioning of operations and restore priority to the primary mission of the Diocese. Clearly, all groups feeling a legitimate claim for prime space cannot be accommodated:

a. Classroom spaces can be created within G and V Halls by means of movable partitions;

b. Vacating the underutilized 3rd floor and occupying all of the 2nd floor (as discussed in IIA above) could provide additional appropriate office space. The Primate's residence can also be relocated to this floor or to an off-site location;

c. The book store can be relocated by removal of infrequently used St. Gregory and Endowment Fund offices to another area. The extraneous hallway in this area can be incorporated in reconfiguring this entire area. (I realize it is delicate to suggest this change, but it must be brought to mind that these spaces were previously intended as classrooms -- altered needs and priorities require current flexibility as well);

3. By making these alterations, total reallocation of space could be achieved, with priority to the primary missions of the Diocese. I will study overall space alternatives in pursuit of the following goals:

a. Attempt to locate functions related to daily public use on the first floor level throughout, limiting the need for security and control spread throughout the complex;

b. Create as much flexibility in the planning of office space, utilizing as possible, partitioning systems found in most offices;

c. Confine needed storage, as much as possible to interior spaces;

d. Better utilize all windowed spaces by allocation to full time staffed functions.

III. Maintenance and Physical Plant.

1. Retaining a consultant appears to have been an excellent investment. To date, some of the most serious problems, such as water leakage, etc. have been temporarily mitigated by inventive and inexpensive solutions. Due to lack of adequate funds we are presently suffering from a gross amount of deferred maintenance. While Mr. Geffen assures me that the mechanical systems are well designed and of good quality, he has identified areas requiring priority attention.

2. I suggest that a standing committee of architects, engineers, and other competent professionals be formed to oversee all matters pertaining to the physical plant. Such a group would review and recommend on consultants reports, review bids, participate in appropriate discussions and negotiations, etc. The areas discussed in this report would clearly be within the oversight of such a group. Reports to the Primate and Concil as required, would minimize the likelihood that the best solutions have not been considered.

Robert Estlin