2026 NAIOP UNIVERSITY CHALLENGE – REAL ESTATE COMPETITION

ADAPTIVE REUSE (OR REDEVELOPMENT) PROPOSALS FOR 550 WEST 25TH STREET, NEW YORK, NEW YORK (BLOCK: 696, LOT 58)

MISSION STATEMENT.

The NAIOP University Challenge is a unique opportunity for graduate real estate students to work with local industry professionals to present an adaptive reuse (or redevelopment) proposal for a real site in New York City.

In a city grappling with office vacancies, aging infrastructure, housing shortages, and climate resilience imperatives, adaptive reuse offers a powerful path to renewal. Student teams are tasked with designing an adaptive reuse (or redevelopment) vision that weaves together community needs, financial feasibility, urban infrastructure, sustainability, and policy constraints. By framing the challenge on adaptive reuse, students engage with one of the most urgent issues in New York's real estate landscape: how to revitalize what already exists rather than always building new structures.

CLIENT BACKGROUND / THE ASSIGNMENT.

Your assignment is to assume the role of advisor to **PRIME GROUP HOLDINGS, LLC** ("Prime"). Prime is a vertically integrated private equity real estate firm that specializes in acquiring, managing, and operating self-storage facilities and other alternative real estate assets across the United States and Canada.

In July 2025, Prime acquired an existing 2-story parking garage located at 550 West 25th Street, New York, New York (the "Site"). Prime has engaged your firm to analyze the Site's development options for the purpose of determining which option – adaptive reuse or redevelopment – would produce the highest value for the Site.

ZONING GUIDELINES.

The property is zoned "M1-5" Light Manufacturing District (High Performance), "WCh" Special West Chelsea District, and also located within a Flood Zone, Manhattan Core Parking Area, and Manhattan Community District 4.

"M1-5" Light Manufacturing District (High Performance)

M1 districts typically include light industrial uses, such as woodworking shops, repair shops, and wholesale service and storage facilities. Nearly all industrial uses are allowed in M1 districts if they meet the stringent M1 performance standards. Offices, hotels and most retail uses are also permitted. Certain community facilities, such as hospitals, are allowed in M1 districts only by special permit, but houses of worship are allowed as-of-right. In M1-5M districts, mapped in parts of Chelsea, space in an industrial building may be converted to residential use, provided a specified amount of floor area is preserved for particular industrial and commercial uses.

"WCh" Special West Chelsea District

The Special West Chelsea District (WCh) provides a regulatory framework for the continued development of a dynamic mixed residential and commercial area centered around the public open space created by reuse of the High Line, a former elevated rail line running north-south through the length of the district. Bounded generally by Tenth and Eleventh Avenues between West 16th and West 30th Streets, the district contains regulations to facilitate enjoyment of the High Line including a floor area transfer mechanism to preserve light, air and views as well as floor area bonuses related to access and open space development.

Further information can be gathered from public sources and websites, such as ACRIS (Automated City Register Information System) and ZoLa (New York City's Zoning & Land Use Map). Where assumptions provided in this document differ from standard NYC Zoning Resolution text, the Challenge assumptions shall prevail for the purpose of this competition.

For purposes of the University Challenge, assume the below M1-5 and WCh Permitted Uses:

1. Public/private parks and playgrounds, permitted as-of-right.
2. Residences in (i) M1-5D in accordance with Section 42-311, (ii) M1-5M in accordance with Section 42-313; and (iii) M1-5 in accordance with Section 42-314.
3. Warehouses or wholesale establishments, subject to additional conditions.
4. Houses of Worship, permitted as-of-right, provided the use does not exceed 25% of the total floor area of the building.
5. Transient Accommodations (hotels or motels), subject to additional conditions.
6. Computing infrastructure providers, data processing, web hosting and related services, permitted as-of-right, provided the use does not exceed 25% of the total floor area of the building.
7. Office and Laboratories, permitted as-of-right.
8. Art galleries and studios, including production or entertainment studios, permitted as-of-right.
9. Parking garage, subject to additional conditions and open use allowances.
10. Any other use, provided that any use not supported by the current zoning restrictions is properly supported, for example, by DOB change-of-use filing, special use permit or authorization if bulk/use relief is required.

For purposes of the University Challenge, assume the below M1-5 and WCh Supplementary Standards:

1. The property size is 0.3967 Acres or 17,281 square feet.
2. The maximum Floor Area Ratio (FAR) is 5.00 (this is a ratio of gross building area to lot area). The existing building is approximately 34,562 square feet, which is a FAR of 2.00.
3. The maximum building height is 135 feet.

4. No minimum parking is required for most commercial or residential uses in Manhattan Core.
5. Development envelope further subject to sky exposure plan requirements and setback provisions tied to street wall continuity.
6. Typical West Chelsea conditions apply, for example: zero-lot-line construction, party wall interfaces, limited side yard access, and gallery/institutional neighbors with sensitive vibration thresholds.

GUIDELINES AND ASSUMPTIONS.

Utilize the following assumptions and guidelines:

1. The site is subject to the aforementioned zoning districts. In particular, consider the special regulations for developments and enlargements above, beneath or adjacent to the High Line. In your analysis of the M1-5 District Options, review the character of the neighborhood, particularly the existing uses around the High Line. Support your selection of a permitted use under the M1-5 District standards. Research construction costs (building and site improvements), operating expenses, real estate taxes and market rents for your selected uses.

2. Assume your pre-construction land basis is $25,150,000 plus carrying costs: (i) six (6) months of real estate tax at $193,000 (See attached Exhibit A for a tax search); and (ii) insurance premium of $10,000. Any alterations to the site's status, including, but not limited to: approvals, demolition, condition, ability to be financed, should be considered a project cost that should be added to your initial investment (both in terms of cost and timing).

    a. Hard Construction Costs are approximately $525 per gross square foot (GSF) for residential projects, and $475/GSF for commercial or industrial projects, which may be adjusted within the range of +/- $50/GSF. This includes: (i) adaptive reuse complexity, (ii) structural retrofits, (iii) new MEP systems, (iv) vertical transportation, (v) interior build-out, (vi) NYC logistics premiums, (vii) flood zone requirements, and (viii) prevailing wage impacts.
    b. Soft Costs are approximately 27% of Hard Costs. This includes: (i) architecture & engineering, (ii) expediting/DOB filings, (iii) legal and zoning counsel, (iv) owner's representative/construction management, (v) insurance and bonding, (vi) developer overhead, and (vii) professional fees.
    c. Plan for an 8% hard cost contingency and a 4% soft cost contingency. If construction is expected to extend beyond 24 months, consider increasing each contingency by 0.25% - 0.50% per additional six months of construction.
    d. All costs are expressed in 2025 dollars.

3. The development plan should have a development horizon that reasonably suggests (i) that the initial phase of the project could be constructed over the next two to four years, and (ii) an investment horizon of 10-years with potential earlier exits if financially desirable.

4. An in-depth market analysis should be considered prior to finalizing a development strategy. Consider the local demographics and needs of the community. Your presentation should acknowledge all sources used in support of your research.

5. Multi-family development proposals may include both condos and rentals strategies. Teams should determine both market rents and market condo sales, as applicable, based on their market research.

6. The Site is not located within a Historical Landmark District and has not been designated as a Landmark.

7. Existing garage is minimally conditioned with standard ConEd electrical service. Capacity upgrades required for any redevelopment scenario.

REQUIRED SUBMISSIONS.

1. By March 1: **Team Profile**.
   a. Information required for each team member:
      i. Name, email address and phone number.
      ii. Education: year of study, field of study, expected degree, and expected graduation date.
   b. Team or "Company" name.

2. By March 8: **Initial Project Summary**. One-page summary that helps the Academic Advisor/University Challenge Committee confirm that the project is on the right track, including, but not necessarily limited to:
   a. Approximate project description and proposed use;
   b. Approximate cost estimate; and
   c. Initial proposed capital stack.

3. By March 15: **Project Outline**. Five-page summary submitted by each team, with the purpose of soliciting final suggestions from Academic and Professional Advisors, including, but not necessarily limited to:
   a. Executive Summary: proposed use, total cost, capital structure and approximate return to investors.
   b. Project Site Plan or other conceptual drawing of the described project on site.
   c. Cost Budget with major categories defined.
   d. Market Analysis containing fundamental support for estimated rents.
   e. Proforma income statement at stabilization showing one year calculation of cash flow.
   f. Exit Strategy supporting the approximate return to investors.

4. By March 27: **Full Report**. Written report limited to 20-30 pages with a table of contents and all supporting documents.
   a. Each team must submit the written report electronically to your Academic Advisor with a copy to universitychallenge@naiopnycmetro.org. No changes to the report

will be accepted after submission. The first time-stamped e-mail submission will be the report judged by the Committee (See attached Exhibit B for judging criteria).

  b. Poster Submission – each team shall synthesize their full reports into a single large-format presentation board for public presentation at the live presentation finale event, and for online distribution and show-casing of the event.

5. Time and Location to be Supplemented: **Live Presentation to Judges**. Entire team must attend, and all members must participate in the presentation, and, to the extent reasonable, in the Q&A that follows.
   a. Three (3) teams will be selected as finalists and will participate in the live presentation.
   b. Teams are required to use PowerPoint slides and bring their final presentation on a flash drive. The committee will provide a computer and projector.
   c. **Formal business attire is required.**
   d. Each presentation will be limited to 15 minutes, followed by a 5-minute Q&A.

RIGHTS & USAGE NOTICE: By participating in the NAIOP NYC Metro University Challenge, all participating teams and their respective universities grant NAIOP NYC Metro, its chapters, and project sponsors (including Prime Group Holdings, LLC) a perpetual, non-exclusive, royalty-free license to use, reproduce, and display all submitted reports, designs, financial models, and presentation materials. Such materials may be used for marketing, promotional, and general commercial purposes, including but not limited to social media, website features, and industry publications.

EXHIBIT A

June 13, 2025

Title #:	[redacted]	**Assessed to:**	[redacted]
Premises:	550 West 25th Street	**Building Class:**	G1 Garage; Two or more Stories
County:	New York	**Property Size:**	175.00 x 98.75
Borough:	Manhattan	**Tax Class:**	4
Swis:	620100	**Tax Rate:**	10.762
Section:	03	**Adjusted Tax Rate:**	N/A
Volume:	01	**Assessed Value:**	Land: 1,166,400 - Total: 4,995,450
Block:	00696	**Tran Value:**	Land: 1,166,400 - Total: 3,584,630
Lot	0058	**Exemption(s):**	None
		Abatement(s):	None

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2025/2026 Taxes: 7/1-6/30 2025/2026

1st Inst:	$192,888.94	Due 7/1/25
2nd Inst:	$192,888.94	Due 1/1/26

Note: 2nd Installment is subject to the Tax Rate adjustment by NYC Department of Finance.

Water / Sewer: (CIS Account #9000113290001)
NYC DEP has removed detailed water & sewer usage information from the public record as of 5/22/2020.
Total due on account as of 06/13/25: -$1,223.87.

WATER/SEWER BILLINGS SUBJECT TO A FINAL METER READING.
FINAL READING AND/OR TITLE READ LETTER SHOULD BE REQUESTED PRIOR TO CLOSING.

EXHIBIT B

Judges Criteria

Category	Scoring Criteria	Points
Market and Demographic Analysis	• Highest and Best Use • Microeconomic trends influencing local demand • Competing supply and pipeline review	20 pts
Financial Analysis and development pro forma	• Application of the cash flow model • Pro forma analysis • Rent schedule model	20 pts
Zoning, entitlements, and regulatory strategy	• Creative and functional design approach • Strong aesthetic and spatial quality • Key features supporting project goals	20 pts
Development strategy and feasibility	• Define target audience needs clearly • Create a distinct and memorable brand • Build a campaign that drives engagement	20 pts
Written report quality and presentation materials	• Create an effective opening that will interest your audience • Provide sufficient evidence to be convincing • Organize information into 3 to 5 points	20 pts

Addenda Note on Public Benefits: 10 of the 20 points available for the **Development Strategy and Feasibility** category shall be reserved for analysis of applicable as-of-right public benefit programs.