

OFF THE CUF

By Steve Hindy

TROUBLE BREWING

The Brooklyn Brewery's frustrating search for a site to expand its operations in Brooklyn begs the question: is there still a place for light manufacturing businesses in New York City?

JUST OVER 20 YEARS AGO, MY PARTNER TOM POTTER AND I FOUNDED THE Brooklyn Brewery. We toiled long and hard to establish our brand in New York City, developing the beer and the brand, selling the beer, delivering the beer, promoting the beer. We dodged armed robbers and mobsters. We donated beer and money to nonprofit institutions and fledgling arts organizations. We established a presence in our community, joining boards like the Prospect Park Alliance and the Brooklyn Historical Society. We supported the rezoning of long-dormant industrial lands in Red Hook, Williamsburg and Greenpoint. Mayor Giuliani cut the ribbon to open our new Brooklyn brewery in 1996. Mayor Bloomberg wrote a glowing forward about our company in "BEER SCHOOL: Bottling Success at the Brooklyn Brewery," a book Tom and I wrote about our adventures in Brooklyn. Politicians flocked to our door.

The Brooklyn Brewery was a confirmation of the American Dream.

But after a frustrating, futile four-year search for a new brewery site to expand operations in the city, I am now asking myself a question our success should have definitively answered: does New York City really have a place for light manufacturing businesses like ours?

I'm not the only one asking this question. Many small manufacturers I know are having a difficult time planning their future in the city. Gentrification, rezoning of industrial areas and the escalation of housing prices all have narrowed our choices significantly.

Things were different when we started out in 1987. Our first facility, in Bushwick, afforded us free rent for a year. The landlord was desperate to show some activity in his property, a brewery site that closed during Prohibition along with much of Brooklyn's previously thriving brewing industry. Our second facility, on North 11th Street in Williamsburg, came to us at about \$3.50 dollars per square foot annually in 1991. Over the years, the rent edged up to \$8.50 a foot. We could be profitable at that price. We quickly outgrew our 75,000 square feet and in 2003 started looking for a larger facility. We found that the public flocked to the brewery during our Friday 6-11pm Happy Hour and our Saturday and Sunday noon-6pm tours, so we decided to invest in a larger brewery and add a restaurant and a facility to offer tours on a daily basis. At one point, we had more than 100 employees, but we sold our distribution company in 2003 to focus more sharply on building our brands, and we now employ 35 people. These are well-paying manufacturing, sales and administrative jobs. We also provide health insurance and a 401(k) with a matching company contribution.

In the spring of 2004, the New York City Economic Development Corporation (EDC) indicated that they had just the location for us: Pier 7, just south of Atlantic Avenue on the Brooklyn waterfront. They proposed that we relocate to that site, along with our distributor, Phoenix/Beehive Beverages, the largest Heineken distributor in the world, which was also searching for expansion space in the tri-state area.

Pier 7 was controlled by the Port Authority of New York and New Jersey. But the Port Authority was planning to turn over Pier 7 and five other piers that are used as a container port to the city in 2007. EDC envisioned the brewery and tour facility as a buffer between the proposed Brooklyn Bridge State Park, just north of Pier 7, and the more intensely industrial and maritime activity along the Brooklyn waterfront. On the first day we visited Pier 7, an enthusiastic EDC executive told us: "We are under orders to get this deal done!"

I was thrilled, and so were the owners of Phoenix/Beehive. But we were naïve.

Over the next four years, we watched as the Bloomberg Administration and EDC battled with American Stevedoring, the company that runs the container port, and its powerful political backers over the future of the waterfront. We were stuck in the middle. The Bloomberg plan featured an expansion of the cruise ship terminal in Red Hook that would displace other maritime use of the waterfront, perhaps including the container port. But it also would have brought Phoenix/Beehive to the waterfront with approximately 10,000 to 15,000

additional containers of Heineken each year. I thought this would have been a boon to the maritime industry on the waterfront, and eliminated thousands of truck trips that now bring the Heineken from Port Newark to Long Island City.

But American Stevedoring's owner, Sal Catucci, and some local elected officials—Congressman Jerrold Nadler and Councilman David Yassky—opposed the mayor's plan in full.

American Stevedoring was using Pier 7 to store cocoa beans that were bound for Hershey's Chocolate in Hershey, PA. The company did not want to give an inch. I had to ask: did it really make sense to ship Heineken to New Jersey and then to New York, and to ship cocoa to Brooklyn and then to Pennsylvania?

Catucci, Nadler and Yassky fought the Mayor's plan tooth and nail. Eventually, they won. The Port Authority backed away from its plan to transfer the piers to the city and began negotiating a long term deal with Catucci.

Guess what? American Stevedoring subsequently lost the cocoa business. So now Pier 7 is used to store lumber. Nadler is trying to find a place for Phoenix/Beehive elsewhere on the waterfront, but so far nothing has happened. Phoenix has taken warehouse space in Newark and is considering moving its entire business there.

Oh yeah, the brewery. We were the baby that was thrown out with the bathwater.

Next we joined a developer in a plan to build housing on the Gowanus Canal. In that proposal, we would have been the buffer between the housing and the heavy industry currently situated along the canal. The developer was not among the finalists for that job.

We have seven more years on our lease in Williamsburg, and we would love to stay in this neighborhood. We worked hard in support of the administration's rezoning of this area in the hope that it would include "industrial zones" that would enable us to stay here among the residential zones that were enabled on vacant industrial land.

The industrial zones that finally were approved included language allowing hotels and other commercial businesses to locate here. One property adjacent to our brewery just rented for between \$15 and \$20 a foot. It will house a performance space and a bowling alley. Across the street on Wythe Avenue, a textile company just sold to a developer who is planning a boutique hotel. A chic used clothing store, Beacon's Closet, opened across the street. Most industrial property owners in this zone are fishing for a Whole Foods Market, a bank or a hotel tenant. It is hard to make money brewing

beer on land that rents for \$20 a foot. Property owners are hoping that eventually they will be able to claim hardship and get their properties rezoned for residential.

Despite all the setbacks, I am confident we will find a place to build the brewery that that will take us through our next 20 years. Why am I confident? Well, you have to be an optimist to succeed in business.

In our 20 years in business in New York City, the only two programs that helped us were the Energy Cost Savings Program and the Industrial and Commercial Incentive Program. Both reduced our cost of doing business for a time. If the city really wants light

manufacturing jobs, why can't it develop more incentive plans for companies that expand and create more manufacturing jobs?

It may be that the dawning recession will force some property owners to sell or to rent at more reasonable prices. Maybe EDC will make a more concerted effort to find us a location. Brooklyn Chamber President Carl Hum has been helpful. We now are talking to Brooklyn Navy Yard President Andrew Kimball about a possible location on that site.

Something has to break our way. After all, New York City loves us.

Doesn't it?

Off the CUF commentaries are published each month by the Center for an Urban Future (CUF). Alternatively written by outside experts and CUF staff, the commentaries aim to highlight critical opportunities and challenges facing New York and other cities, and generate fresh ideas for policymakers, business leaders and nonprofit practitioners.

This *Off the CUF* was written by Steve Hindy and edited by Jonathan Bowles and David Jason Fischer. Hindy is co-founder of Brooklyn Brewery.

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