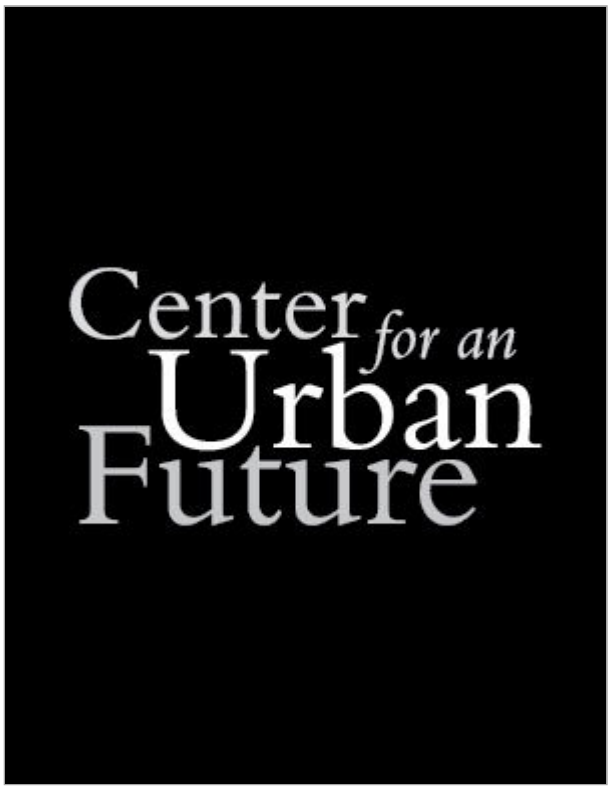


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Q&A with Red Hook Developer Greg O'Connell: the Importance of Balanced Growth

With Red Hook poised for growth through the advent of big retail stores and a cruise ship terminal, the Center for an Urban Future went to speak with developer Greg O'Connell, one of the people most responsible for the neighborhood's rebirth.

by Jonathan Bowles

Once an emblem of urban blight, Red Hook today is enjoying a mini-renaissance that's fueled by an eclectic mix of activities, from its busy container port and thriving light manufacturing sector to it's growing community of artists and hipsters. While unemployment and poverty rates in the neighborhood remain depressingly high, Red Hook recently attracted national retailers like Fairway and Ikea, and will soon boast a new $30 million cruise ship terminal. With so many developments on tap, the Center for an Urban Future went to speak with Greg O'Connell, the developer of the Fairway project and one of the people most responsible for Red Hook's rebirth, to get his thoughts on the neighborhood's future.

CUF: You've been developing commercial properties in Red Hook for a couple of decades now. How did you first get involved in the neighborhood?

GO: There had been a huge urban renewal going on in the late '70s and the city was going to put in a huge container port, which was going to go from where the container port is today all along the waterfront through the end of Red Hook, including Erie Basin. They were taking property through eminent domain. They would knock the buildings down and deed them over to the Port Authority. And of course, the businesses that were here at the time moved out because they knew they were going to be taken and the landlords weren't putting any money into their buildings. And then came the fiscal crisis. It left Red Hook with some buildings that were up, some that were down, and lots that were vacant. That's when I came in, because they amended the whole urban renewal plan to include only the container port where it is today. I saw it as an opportunity, a challenge. The location was good. And I had worked as a detective for the first precinct in Soho when the transformation there started, so you could see the ingredients were there. You try to be ahead of what you thought the next area of development would be.

CUF: It's hard for me to imagine that Red Hook at that point would have been seen as the next neighborhood.

GO: Without a doubt, it was not the next neighborhood. You can imagine what buildings vacant for 10 to 20 years were like. That's what I bought. But I have a love of historic buildings and I like a challenge. The challenge is to take a building that nobody wants and make it alive. So that's what I did. I plugged away. The first building I bought was in 1982 and it was 90 percent vacant. There was only one tenant in the whole building, a mattress manufacturer. I renovated the building, taking advantage of the ICIP [Industrial Commercial Incentive Program, a city program that provides tax breaks for developing or renovating commercial buildings], which was in existence then and still exists today. So I could bring down the rent low. When I advertised it in the Times, people would see the ad and call up. I'd tell them all about the property and then they'd ask me where it was. I'd say Red Hook, and then it was conspicuously silent on the phone.

CUF: From the looks of things it must be a lot easier to attract tenants here today?

GO: It has completely changed. I don't do any advertising now. We're 98 percent occupied and my rental basically is by word of mouth. For the last 10 years, I have two signs I leave on the building. That's all I do.

CUF: How many businesses do you have today in the buildings you developed in Red Hook?

GO: About 80. And they're in buildings that were basically vacant or empty. Years ago, this was dumpy. You'd see packs of dogs down here. You'd see no one. There was nothing going on here. For me, it's quite rewarding to see that now you have activities. You have people working, you have art shows, you have people on bicycles coming down.

CUF: What was the stimulus for change?

GO: I think it was the businesses that actually took a leadership role. If you were looking to rent or purchase a residential building back then, you wouldn't come to Red Hook. The same money would buy you into a solid community, a brownstone community in a place like Cobble Hill or Carroll Gardens. But you did have, and even today you have, entrepreneurs, young people who have a dream and a vision. They were looking for a location where they could buy or rent inexpensive space, and Red Hook was the place.

CUF: What kind of businesses started coming here. What was the mix?

GO: A hat manufacturer, medical supplies distributor, glass blowers, carpentry shops, an apple processor.

CUF: Do you still find demand is strong for commercial and industrial space?

GO: There's definitely a demand. Today, I'm getting calls every week, all with just two signs. It's a great location for service businesses, because the Battery Tunnel is right here. I remember talking to a businessman from Sunset Park whose company had 8 trucks. He was only 25 blocks away from here, but he wanted to be in Red Hook. I said, "Why do you want to be in Red Hook?" He said, "You get on the Gowanus [Expressway] from Sunset Park with that many trucks and how much money does it cost you? If I'm here in Red Hook, the Battery Tunnel is right here."

CUF: Obviously, Red Hook's also become an attractive place for residential developers. Do you worry that residential encroachment will push out the businesses?

GO: The trick is you want to keep the balance. There's a certain hum you want to create in a neighborhood, and if it's too much in one direction or another, you lose something and it becomes sterile. You have historic buildings. You have a great waterfront, you have plenty of air and light, you have a great location. People want to live here. Absolutely. I can understand why and there's nothing wrong with that. But the small business owners are happy here and it's productive for them. They want to stay here, but they're now very concerned with the thing that every business wants: stability. If you lose the working

waterfront, if you give it up to residential development, you never get it back.

CUF: What do you think of the mayor's new plan to help industrial businesses?

GO: I don't know enough about it yet. But just the idea of recognizing this is a step in the right direction.

CUF: Your latest project involves bringing the Fairway supermarket to Red Hook. How did that come about?

GO: About 15 or 16 years ago, one of Fairway's principals was importing olive oil for his store and he rented warehousing space here at one of my buildings. The product was so good and so well accepted, that he looked to expand into other related lines. When I bought the Beard Street Warehouse, he was one of the first tenants, and he doubled the space. Later, when I became interested in [the building now being developed for Fairway], I was looking for a business that I thought would be good for the community. And if you walk around Red Hook, you'll find that the supermarkets here are generally expensive, poor quality and not so clean. Also, I learned that one of the best businesses to put into an inner city is a supermarket, because it employs locally. So here we had a Fairway, which at the time had just opened up in Harlem, where it employed hundreds locally. The community in Harlem loved it and it had quality products and pricing. I thought that it was a perfect match. I spoke to them, and we managed to make a deal. And they will be opening at the end of the year.

CUF: How is this going to benefit Red Hook?

GO: They will employ locally, there'll be union jobs and there'll be benefits. I think it will also have a multiplier effect on other businesses in the neighborhood. We have a wine store and a bakery that just opened up, and a new restaurant. Some of these businesses are opening up in anticipation of people coming down into the area, walking in the area, becoming part of the community. Plus, when we began to look at the food business, we found that there weren't enough markets to serve the population, partly because the population has been increasing. You don't see abandoned houses anymore, you see new construction going on, and there's more disposable income. These people need a place to shop.

CUF: Do you fear the Fairway will have a negative impact on some local businesses?

GO: I was concerned about the mom and pop businesses and whether they would be put out of business. I heard this when Pathmark opened up 15 years ago on Smith Street, and its been just the opposite. It never happened. I asked that same question to the principals of Fairway, and they told me the opposite took place [around their store in Manhattan]. What happened was the mom and pops—the small grocery stores—cleaned up their stores and lowered their prices, and they're still in business.

CUF: Red Hook is also getting an Ikea, a much bigger development than your Fairway project and one that many people in Brooklyn oppose. What do you think?

GO: I'm on the community board and I voted to support Ikea. I think Ikea is not what you consider a typical box store. If you look at their health benefits, the way they treat their employees, it's much different. They did outreach into the community and adjoining communities, and listened to what people said. They're opening up the waterfront where now you can't get to at all. There'll be 500 or 600 jobs. That's important when you look at the Red Hook Houses [a public housing complex], where the unemployment is so high. And Ikea is going to start training programs way in advance [of the store's opening] and give those people opportunities and do it on a continuous basis. They're also going to use the waterfront to tie up some tug boats, and I think now they're even going to be putting in a ship repair facility someplace there. The other side of the coin is the traffic it's going to generate.

CUF: There's a lot of attention on big box stores, partly due to Walmart's attempt to open a store in the city. Why do you think so many are looking to set up shop here?

GO: I think they realize that the city's safer and they realize that the market is here, that the need is here. They look at Ikea's

store in Paramus and see how well it is doing, and they find that a lot of their shoppers are coming from New York City. So why shouldn't we have the advantage of these type of items in our area?

CUF: The Ikea store is going into a waterfront location zoned for manufacturing and it's expected to displace one of the only dry dock areas in the city. Doesn't that raise questions?

GO: Yeah. First of all, that dry dock was built about 100 years ago and most of the larger ships today can't get into the dry dock today. It's good for a tugboat, maybe, and for a barge, but not for a container ship or anything large. I'd like to see more of that preserved, but they are [now talking about doing that]. Could this have been readapted for small businesses? You've got to remember that this was built as a shipyard, so the buildings that were there, most of them are large buildings where they have huge cranes overhead. The cost to rehabilitate these buildings that have been neglected for years could be costly and might not be affordable at the end of the day for the small businessperson. Would I like to have the dry dock preserved in some form or another, maybe not for dry-docking, but maybe for some cultural events? Yes, and I think to preserve some of history is also important. But nothing's perfect. [Ikea is] creating substantially more jobs than are there now and they're opening up the waterfront for public uses with parks and such. It's better than what's there now. It's better for the immediate community that can walk to work for the jobs. It'll be good for the city for sales tax and revenue, and I think it'll be good for the consumer who travels now to New Jersey to buy what Ikea has to offer.

CUF: Getting back to real estate issues, why is it that you're one of the only people in New York developing and managing space for small businesses when there's so little available space out there and so much demand?

GO: It just comes down to the bottom line and what your basic vision and philosophy is. There is no doubt that I could make three or four times the amount of profit with residential than I'm doing with commercial and industrial. But the bottom line does not mean that much to me. Just like I say to someone who's applying for a variance: "Maybe you could do something more affordable or something with the businesses. Instead of making $50 million, maybe you can make $35 million. What's wrong with that?" Doing it that way, you create a better community, a stronger community.

CUF: You sound like a socialist developer.

GO: Well, they say sometimes that I'm a closet liberal. But it's also good business.

CUF: How so?

GO: If you take all the people that are in the Red Hook Houses and you give them a job and a better school system, you take someone from one side of the ledger and you put them on the other. Well, that's better for the entire community, better for the city, better for the government.

CUF: But aren't you able to do things that other developers can't, since you now own so many buildings in Red Hook and have the luxury of making decisions that benefit your overall portfolio? Your situation seems comparable to a developer like David Walentas, who owns many of the buildings in DUMBO and practically gave away space there to artists because doing so made the overall area more attractive. But if you're a developer buying just one building in Red Hook, are you really going to be motivated to take $35 million when you could make $50 million?

GO: Probably not. You're right that if someone has one building, they want to make the most they can. And that's why zoning is such an important tool. I think the city has to take the same approach as I do and David Walentas does, and the city's tool is zoning. So maybe the city doesn't own the property, but they can set up what can happen. The city would benefit if they do a balance, where they're not making so much off one building, but they're getting people back to work, improving schools, getting a mixture of all kind of people, getting immigrants, bringing in cultural events, and opening up the waterfront. This is the role of government, really.

CUF: Red Hook has long had an interesting mix of uses, from its working waterfront to its large public housing population and its artistic community. Can these diverse uses continue to thrive in the future if more luxury housing is developed in Red Hook, as many expect will happen?

GO: It's going to be very difficult. But if the industrial property guy owns his property, and it works for him, it can co-exist. You got to remember, it's a tough thing. The guy buying that condo might work on Wall Street and when he comes home he wants peace and quiet. The industrial guy says, "I own the building, I can operate it 24 hours a day. I'm going to have trucks, I'm going to have smell." I think they have to realize they need to co-exist. The person who comes has to realize he bought the condo knowing what was there, and the businessman has to provide better signage, clean up his property and maybe plant trees. Then maybe they'll understand each other a little better. But in the overall scheme of things, it's an exciting, mixed-use neighborhood. Artists like the working waterfront. They're not coming down to the waterfront to look at a luxury building going up. They're coming down because they like the light, they like the tug going by, they like the activity going on.

CUF: Does anything about the current direction of the city worry you?

GO: I'm in the real estate business and the real estate business has been good. When things are going up, it's tough to say something's going wrong. I think Brooklyn is an especially great borough. It's got whatever you want to do and there are really no bad neighborhoods. They're all coming back. The trick is to balance that, to make sure it's still affordable. Otherwise, people are going to move out. The middle class will move out. The cops and fireman really won't be able to afford the city. They used to be able to afford to live here on their salary. The artists are going the same way. You want to bring tourism, but where are [tourists] going to stay? Hotels now are being converting into condos. You have to think about where you want this city twenty or thirty or forty years from now. The idea is to have balance. If you ever lose the creative person from the middle of the Midwest who loses the dream to come to the city to make it, then we're going to lose something. That's going to be lost someplace along the line. They're not going to come in. They're going to say it's too expensive to live [in New York], it's too expensive to eat and the jobs are not there. And it's going to become a stagnant and un-exciting city. As a developer, I hope it hasn't turned in that direction, where everything is for wealthy people.

CUF: Do you think that Mayor Bloomberg gets this?

GO: He's a businessman. I think he's done a decent job considering what was dealt him. I mean, I'm in real estate and he raised my property taxes eighteen and a half percent, and he increased our assessment. I should hang him. But he made a case for it. It was needed and it had to be done. We survived it and we're doing okay. I don't see foreclosures and people walking away from the city for back taxes and things like that. So it's worked. I like his recognition of the industrial businesses, and Rob Walsh [Bloomberg's commissioner of the Department of Small Business Services] has been a great business representative.

CUF: What would you recommend to the mayor?

GO: Don't lose that person from the Midwest who says, "You know I'd love to come here because it's the place to be, but I can't afford it anymore. I can't afford to visit, I can't afford to work there." Once that happens, you're going to have a problem. Look at the artists, the creative people, the pioneers. Throughout history, you look at them and as a developer, you want to be there before they get there, because you know when they get there it's going to be okay after that. But I see telltale signs of them going to other communities outside of the city. It would be a great loss if we ever lost that. And [the departure of the artists] will only be the beginning, just like the arrival of the artists was the beginning of gentrification.



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