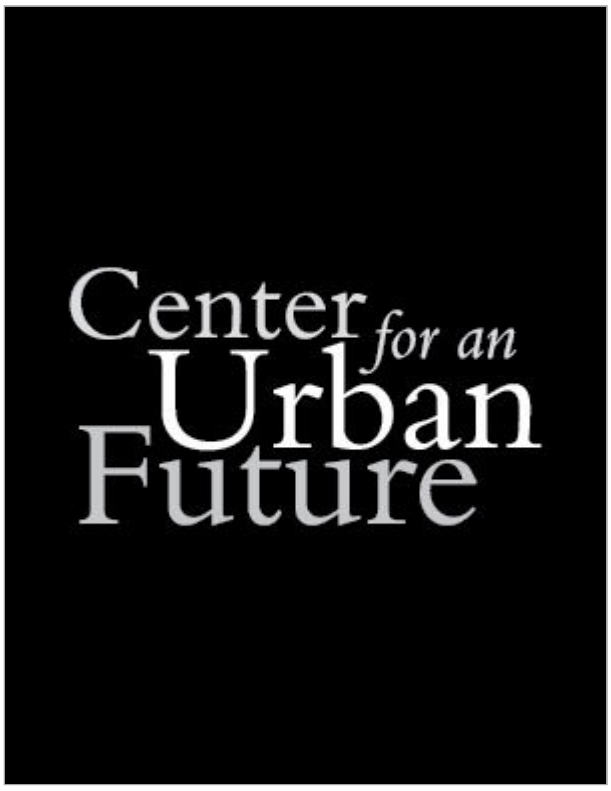
Center for an Urban Future
Innovative Ideas. Independent Policy.




Report - August 2002

# Red Hook and Gowanus Reborn

Commissioned by the Red Hook/Gowanus Chamber of Commerce, this report details the industrial and maritime revival of the Red Hook and Gowanus neighborhoods.

by Jonathan Bowles

**EXECUTIVE SUMMARY**

The business community in Red Hook and Gowanus is back! After languishing for decades following the loss of Red Hook's shipping industry in the 1950's, the business community in the Red Hook/Gowanus area has experienced a re-awakening over the past decade as scores of manufacturers, shipping companies, warehousing firms, transportation companies, contractors, high-skilled artisan workshops and maritime firms have moved back into the area, creating hundreds of new jobs in a part of the city that has been desperate for new employment opportunities.

But as important as this revival has been for the Red Hook/Gowanus neighborhood, businesses in the area are now facing a tremendous threat to their future growth and, possibly, their very survival. Unless local elected officials and residential community leaders come to understand this growing threat and begin to support the business community, many of the recent employment gains in Red Hook and Gowanus will be lost. This support must translate into a focused strategy for economic development, including land use decisions that will ensure the retention of these companies and jobs.

This report attempts to provide local elected officials, members of the community board, residential community leaders, real estate developers, members of the local media and citywide planning officials with a better understanding of the Red Hook/Gowanus business community and highlight the very real threat to its future growth. The report describes the decade-long revival of the business community, illustrates why the Red Hook/Gowanus area needs to be preserved as a haven for industry, demonstrates the need for support from local and citywide elected officials, lays the groundwork for a better working relationship between the business and residential components of the community and recommends specific policies that will help accomplish these goals.

Among the major findings of the report:

**Accomplishments**

- There are many more businesses today in the Red Hook/Gowanus area today than there were ten or even five years ago. According to surveys conducted by the South Brooklyn Local Development Corporation (SBLDC), the number of businesses in Red Hook increased from 291 in 1991 to 457 in 1999—-a 57 percent jump. In Gowanus, the number of businesses grew from 337 in 1997 to 374 in 2001-—an 11 percent increase.
- Most of the piers in Red Hook were not in active use during much of the 1970s and '80s, yet today Red Hook has a vibrant working waterfront. The Red Hook Container port is nearly at capacity; the number of containers shipped through the terminal increased by 246 percent from 1994 to 2000. In addition, more than 60 companies currently rent space in the Beard Street Warehouse and Pier 41, two piers that were almost entirely empty a decade ago. And Erie Basin, vacant in the 1980s, is now home to more than 100 vessels.
- The prospects for even more growth in the Red Hook/Gowanus area are good. In fact, several existing companies would like to expand and an increasing number of businesses from around the city have been looking to relocate to the neighborhood.
- Red Hook and Gowanus are home to a rich assortment of businesses, including a Break Bulk shipping terminal that is the world's largest importer of cocoa, a growing number of food manufacturers and a significant cluster of high-end woodworkers and glass blowers.
- Red Hook and Gowanus consistently rank as two of the city's most desirable business districts for manufacturing companies, distribution firms and other industrial businesses. The area's proximity to highways, tunnels and bridges—and its convenience to Manhattan, where many firms' clients are located—makes it an ideal location for companies that use trucks to receive raw materials and ship out finished goods. Trucks coming from (or heading to) factories in the area only have to spend a minimal amount of time on local trucks routes. The area also has an abundant supply of labor, modestly priced real estate and zoning that allows businesses to operate in which the majority of their neighbors are other businesses. In addition, a big chunk of the area is a state-designated Empire Zone, which allows businesses to take advantage of tax incentives.
- The retention and creation of jobs, particularly well-paying blue-collar jobs, is tremendously important to the Red Hook/Gowanus community. In Red Hook alone, where public housing tenants make up approximately 70 percent of the neighborhood's population, the unemployment rate is still around 18 percent. And according to the 1990 Census, the median household income in South Brooklyn—-comprising Red Hook, Gowanus and lower Park Slope—-was only 85 percent of New York City's median income. More than 39 percent of all households, including 31 percent of the community's population, had incomes below the federal poverty level.
- Obstacles
- The number one obstacle for businesses in both Red Hook and Gowanus is the lack of available industrial space. While there are a handful of uninhabitable industrial sites in the area, there are virtually no ready-to-occupy industrial buildings with space available.
- The conversion of numerous factories and warehouses in Red Hook and Gowanus-—mostly for residential use-—has permanently taken industrial space off the market at a time when vacancy rates for industrial properties in the

neighborhood, across Brooklyn and throughout the city are near an all-time low. In fact, local property owners and real estate agents have had to turn away scores of businesses from other parts of the city that want to relocate to the area. (See the Obstacles To Growth section for examples.)

- With so few industrial properties on the market, real estate prices in the area have increased by 75 to 100 percentover the past four or five years. Several manufacturers in Red Hook and Gowanus say that the recent spike in real estate prices will force them to move out of the neighborhood when their leases expire in the next year or two. In some cases, commercial buildings that could easily attract new industrial tenants are being offered-—or, in a few instances, were already sold-—at prices that could only support residential use. Once purchased at these prices, the new owners would presumably ask for a zoning change to allow residential use, claiming “hardship” because they can’t find industrial companies willing to pay the prices they need to charge to turn a profit. This practice, which has occurred in other industrial neighborhoods like Williamsburg, has kept viable property off the market for its designated use.
- The enticement to convert industrial buildings into high-end housing has already forced a number of job-intensive businesses to leave the area. Over the past few years, at least half a dozen industrial businesses in Gowanus have had to relocate because their space was converted into residential units. And in Red Hook, the Monarch Luggage factory, a large industrial building was recently converted into luxury residential apartments without obtaining permits from the buildings department-—even though the building continues to be suitable for industrial tenants. Local real estate brokers say more industrial buildings will be converted in the months ahead.
- Though businesses need more—-not less-—space in Red Hook and Gowanus, a small but vocal part of the area's residential community has been advocating zoning changes that would allow for even more conversions of existing industrial properties into residential units and the development of new middle and upper income housing on sites that have long been designated for industry. Businesses throughout the Red Hook/Gowanus area fear that if this happens, they will be displaced by more profitable residential developments, real estate prices will skyrocket and there will be an increasing number of conflicts between longstanding businesses and new residents that don't want to put up with the normal byproducts of industry-—such as truck traffic, noises or odors. This kind of gentrification has decimated industrial businesses in other parts of the city, such as Williamsburg, and it has already begun to occur in Red Hook and Gowanus.
- In addition to real estate and zoning issues, local businesses cite the poor quality of local truck routes, inadequate street lighting, a lack of parking and excessive traffic congestion on local highways as other obstacles to doing business in the area.
- While few places in the city use as much of its waterfront for commerce as Red Hook, the maritime businesses in the area complain of long delays in the process of getting state approval for permits to repair deteriorating piers and upgrade their properties.
- Though the business community in the Red Hook/Gowanus area has provided jobs, supported community programs and opened parts of the waterfront for recreational purposes, business leaders believe that much more has to be done to develop a stronger relationship with the area's residential community.

The obstacles outlined in this report are surmountable, but only if local elected officials and residential community leaders acknowledge the important role of businesses in the area and aggressively support their future growth. The Red Hook/Gowanus business community urges immediate action on several recommendations spelled out in the concluding section of this report. Among the most pressing needs:

**ACTION PLAN**

1. The mayor and local elected officials should call on the Board of Standards and Appeals to enact a one-year moratorium on zoning variances that involve applications to convert industrial properties in Brooklyn into residential or other uses.

2. During this moratorium period, area elected officials should form a partnership with local businesses and the

Department of City Planning to draft land use policy for these two geographic areas that will preserve current M-zones and create areas in which no conversion of manufacturing properties to residential use may occur.

3. Local elected officials and members of the community board, the Department of City Planning and the Department of Buildings should coordinate a crack down on illegal residential conversions in Red Hook and Gowanus. Currently, no city agency is enforcing existing building and zoning codes to make sure residential conversions have occurred with proper permits and certificates of occupancy.

4. The city's Transportation Department should give local businesses ample opportunity to comment and suggest changes on its recently completed truck movement study for Red Hook, which was completed with little input from the business community. Improving truck routes is a major issue for businesses in both Red Hook and Gowanus, as is the need for adequate parking for customers, delivery vehicles and employees. These issues must be addressed by DOT in a revised edition of its recent study.

5. Local residential leaders and elected officials need to acknowledge that Red Hook has the most viable working waterfront in Brooklyn and support efforts to strengthen waterfront businesses. At the same time, the interdependent inland commercial uses, which are again brimming with business activity, should be protected.

6. Local businesses should pledge to do a better job of reaching out to people from the neighborhood when they are hiring new employees. Every effort should be made to hire a greater percentage of residents from the Red Hook and Gowanus neighborhoods.

---

CENTER FOR AN URBAN FUTURE
120 Wall Street, 20th Floor, New York, NY 10005

cuf@nycfuture.org © All Rights Reserved.