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In East Harlem, Developers Find The Next Frontier

By NADINE BROZAN

IS East Harlem poised to become the new Harlem, magnet for the avant-garde and the affluent?

There certainly are hints. A new glass-encased Courtyard by Marriott hotel is planned for Park Avenue and 125th Street. Five blocks north and a bit west, a new condominium conversion has floor-through apartments with Jacuzzis, wood-burning fireplaces and marble bathrooms, and is fetching prices from \$522,500 to \$660,000. New stores and restaurants are opening, too, like the Itzocan Bistro, with Mexican-French cuisine, and Jake's Saloon, which features poetry readings and art exhibitions on the site of the Morgen Freiheit, the Communist party newspaper published in Yiddish.

Still, while East Harlem is evolving, it is in many ways staying true to its roots as a neighborhood with a lively street life and a substantial amount of housing for people of low and moderate incomes. Even as luxury apartments are being built, there has been much construction of apartments for people whose incomes fall below the neighborhood's median income of \$22,110.

The 2.2-square-mile area running from East 96th Street north to the Harlem River is also resistant to a total transformation because it has one of the largest concentrations of public housing projects in the city -- 13 developments, home to more than 35,000 residents.

However, with vacant land scarce in Manhattan and rezoning passed last year raising height limitations on the avenues, it's logical that developers would set their sights on East Harlem. Businesses that own their own land are in some cases deciding that it makes sense to become apartment developers. Richard Lin, whose family had had a wholesale beer and soda distribution company for many years and a warehouse at Second Avenue and 110th Street for 25 years, closed the business last August. Where the warehouse once stood, a \$6.5 million seven-story condominium with 30 apartments will rise.

Developers believe that the new apartments will draw people in the neighborhood with money, and people from other areas looking for bargains. "You can't get as much for your money anywhere else and still be on the island of Manhattan," said Klara Madlin, owner of her own real estate agency and the marketer for a condo conversion by the RoseTree Development Company at Fifth Avenue and 130th Street, with wood-burning fireplaces

and Jacuzzis. Three of the four units are in contract.

Roy Rosenbaum, vice president of finance for RoseTree Development, said he has two theories about luxury condos in East Harlem: "Either they didn't exist because no one could afford them or no one had taken the risk to see if there were young professionals with roots in the neighborhood who wanted to stay but couldn't find the quality they wanted."

The conviction that there was a market for luxury in the neighborhood also prompted the development of Hampton Court, a 229-unit U-shaped rental building on First Avenue between 102nd and 103rd Street. The building, which opened last month, has one-bedroom apartments that rent for \$1,765, two-bedrooms at \$2,015 and three-bedrooms at \$2,655. Built around a courtyard, it has a glass atrium as well as a health club, playroom, shuttle bus to the subway station and concierge services.

In return for tax-exempt financing, Glenwood Management, the developer and management company, set aside 20 percent of the apartments for tenants earning no more than 50 percent of the median for the city and some surrounding counties, which, according to the federal Department of Housing and Urban Development, is \$62,800.

The first wave of tenants includes police officers, schoolteachers and physicians from Mount Sinai Hospital, most in their 20's and 30's, said Gary Jacob, executive vice president of Glenwood.

Neighborhood standards of luxury, and prices, will probably rise in the area next year when One Carnegie Hill, a 41-story tower on 96th Street between Second and Third Avenues, is completed.

It will sit on land acquired from the Islamic Cultural Center of New York by the Related Companies. The interior is to be designed by Ismael Leyva, who did the apartments at the Time Warner Center for Related. A school operated by the Islamic center will be on the premises but will have its own entrance.

While the developer does not consider the new building part of East Harlem, a name that hasn't been a big selling point in the past, most official maps, like that used by Community Board 11, place it there.

Wherever it sits, One Carnegie Hill, to be half rentals and half condos, will have amenities designed by the Rockwell Group, including a swimming pool, a pet spa and a business center. "We will deliver a lifestyle unparalleled by any new building on the Upper East Side," said David J. Wine, president of Related Residential Development.

Ibo Balton, director of neighborhood planning for the Department of Housing Preservation and Development, which has been responsible for the rehabilitation or construction of 9,244 units in East Harlem in the last seven years, has a markedly different vision of the area, one that does not include pet spas. "The vast majority of what

we do is for the working poor, and because the bulk of the product we have produced in that community is tailored to the very low income, East Harlem will continue to be a low-income community," he said. "We didn't set out to gentrify but to replace housing for the existing population."

For-profit developments, he continued, have been few and far between in the neighborhood. "It may well have pockets of trendiness and chic areas with new names, but that doesn't suggest it will be the 'next neighborhood.'" Still, he acknowledged that the Department of Housing Preservation and Development had developed almost everything that it can, and that future changes might well come through private developers who are more likely to cater to higher-income people.

As it stands, East Harlem has few wealthy residents. According to an analysis of data from the 2000 census by the Queens College department of sociology, it is one the poorest areas in Manhattan.

The goal for many of the new developments, Mr. Bolton said, is to house a mixed-income population under one roof, and many of the buildings fall under the "80-20 program," so called because developers are obliged to reserve 20 percent of their apartments for low- or moderate-income households in return for state- or city-issued bonds to finance mortgages with low interest rates.

BFC Partners and L & M Equity are taking that concept one step further in the Aspen, a 238-unit building about to open on First Avenue between 100th and 101st Street. They have set aside 20 percent of the units for households earning less than 60 percent of median income for the city and some nearby counties, or \$37,680 for a family of four, and 30 percent for middle-income households, which for a family of four would be income of under \$157,000.

The market rate rentals in the Aspen will start at \$1,500 for studios. One-bedroom apartments will range from \$1,875 to \$2,500 and two-bedrooms from \$2,500 to \$3,500.

Ron Moelis, a principal in L & M, who has also built 18 town houses on side streets, said there were already 6,000 applicants for the low-income slots and 1,300 for middle-income slots at the Aspen.

Farther west, he and Donald Capoccia, managing principal of BFC Partners, have collaborated on three co-op buildings on Madison Avenue between 117th and 120th Streets, now being completed.

The buildings -- Madison Court, Madison Plaza and Madison Park -- which also have income ceilings for prospective buyers, were constructed under the Cornerstone program, created in 1999 by the Department of Housing Preservation and Development to encourage home ownership and to use vacant city-owned land.

Mr. Capoccia has seen an enormous increase in construction by other developers. "Three

years ago, we were alone, and now we can't even count the number of large-scale projects under way, many of them market rate," he said. "Now it is no longer a question of 'Should I go there; is this my neighborhood of last resort?' Now the question is 'How much appreciation can I expect?'"

The biggest surprise Mr. Capoccia encountered involved the success in renting the commercial space available in two of the three Madison Avenue buildings.

"When we started, we built in 40,000 square feet of commercial space and two parking lots, but there was a big question in our minds about the demand for commercial and parking," he said. "All but 7,000 feet of the commercial space rented." In fact, East Harlem's resurgence is in large part propelled by plans for commercial enterprise, some generating opposition among those who fear ungainly architecture, loss of light, noise and congestion.

Among the more ambitious primarily commercial projects on the horizon:

*A 220-room glass-encased Marriott Courtyard hotel opposite the Park Avenue viaduct on 125th Street. Its initial height, 42 stories, is the subject of negotiation with the city and will most likely be reduced. It will contain 57,000 square feet of retail space, 160,000 square feet of offices and 34,000 square feet of catering facilities and a residential component, most likely rentals.

*The Harlem Auto Mall, to be the largest auto sales and service center in the city. A joint venture of the Potamkin Auto Group and the General Motors Corporation, it will occupy the blockfront from Second to Third Avenues between 127th and 128th Street. It will be financed with the aid of tax-exempt Empowerment Zone bonds.

*The East River Plaza, a 450,000-square-foot complex stretching from 116th to 119th Streets along Franklin D. Roosevelt Drive. Long delayed, it was revived last month when a partnership was formed between the original owner, the Blumenfeld Development Corporation of Syosset, N.Y., and the Forest City Ratner Companies, developer of the Harlem Center and development partner for the new headquarters of The New York Times Company.

*Another mall is being planned by Grid Properties and the Gotham Organization for the mostly vacant site between Second and Third Avenues and 125th and 127th Street that now has some nondescript low rises.

Brokers are also getting involved in the efforts to encourage commercial as well as residential development. Chris Halliburton, executive vice president of Warburg Realty Harlem, which in October will open an office in central Harlem that will also cover East Harlem, said that the Upper Manhattan Empowerment Zone had asked him to help identify businesses that might want to locate in East Harlem near the auto mall. "Hopefully entrepreneurs will ramp up their businesses and take advantage of the flow of

dollars that will come into the neighborhood," he said.

Mr. Halliburton said there is interest in residential construction in the neighborhood from many quarters, even from a group of South American investors who want to build and renovate condos and luxury rental properties in East Harlem.

Such changes elicit a mixed reaction from Mr. Balton of the Department of Housing Preservation and Development. "This community has been so poor for so long," he said, "and there is ample opportunity for it to be a wonderful mixed community, so long as they remain concerned about the people who live there."