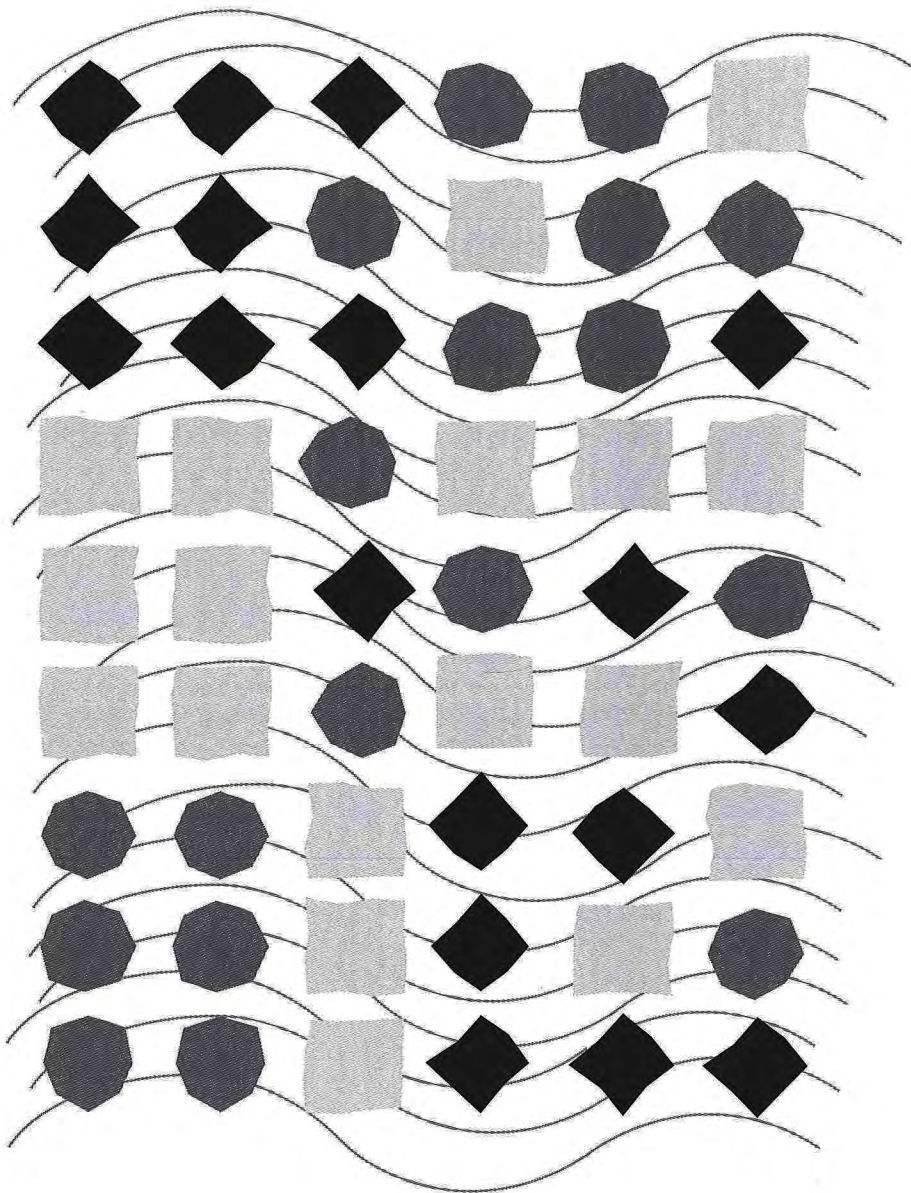


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1995  
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for Excellence in the Urban Environment



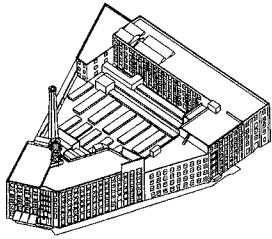
# BUILDING COALITIONS FOR URBAN EXCELLENCE

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## GREENPOINT MANUFACTURING AND DESIGN CENTER Brooklyn, New York

### SUMMARY OF SELECTION COMMITTEE DISCUSSION

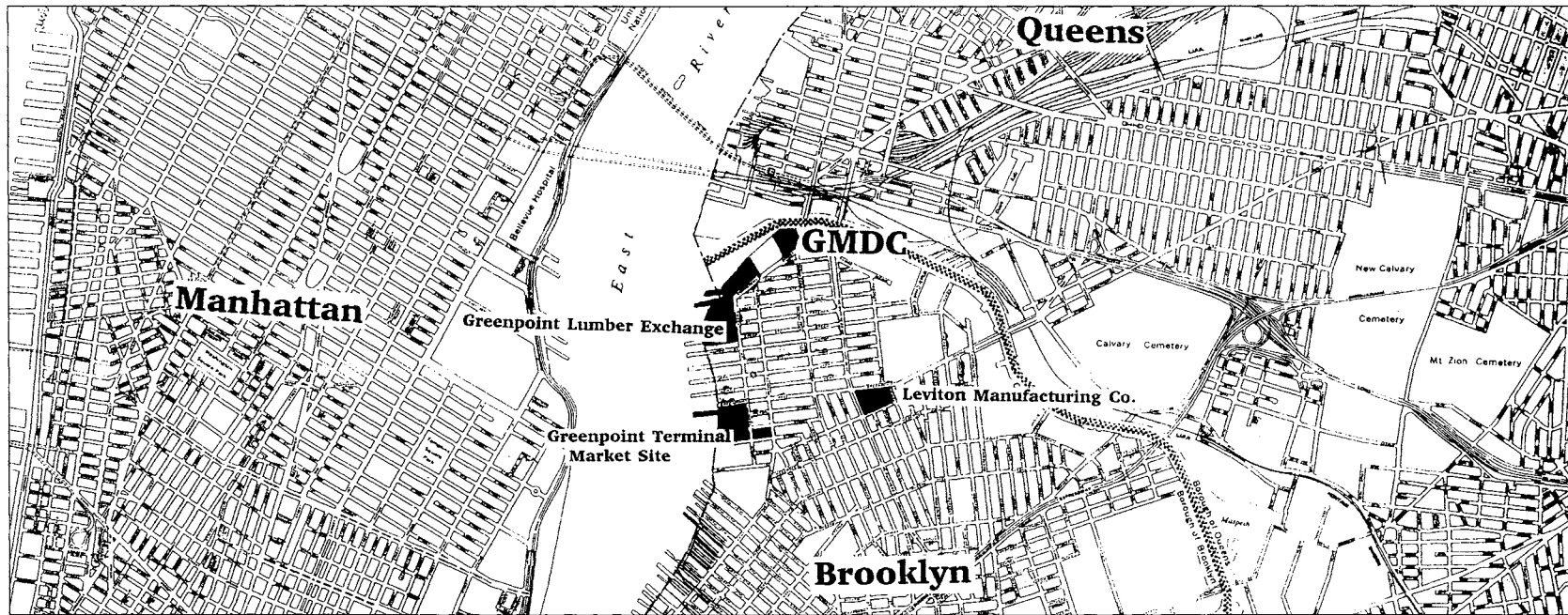
#### Initial Reasons For Including This Project as a Finalist

- This may be a model for communities that need economic development.
- GMDC represents a way to counter the loss of small businesses and manufacturing jobs from urban areas.
- Crime can drive small manufacturers out of inner cities. The GMDC cooperative model is also an approach to dealing with security concerns.

#### Selection Committee Concerns and Questions

- Who owns the properties/shops?
- Are workers co-owners?
- How are workers trained? Is training part of the program?
- Who lives in Greenpoint now? Who lived there before this project?
- What is the range of occupations and what distribution of incomes are found there?

- What are plans for the future, the next steps? What is the outlook?
- Is there real demand for this type of space? In New York? Elsewhere? How fast are vacancies absorbed? Is there a waiting list for vacancies or new space?
- What is the cost of renting space there?
- Would this type of project work or be viable for other small industries (other than artisans and crafts people)?
- What impact has the project had on the surrounding area (economic, social, development, improvement)? What hard evidence is available about impact (from city sources, census, real estate sources, university research, etc.)?
- What is the quality of products made there? Who is the intended market?
- Do the enterprises share services or marketing efforts — or cooperate in other ways?
- Have others in New York or elsewhere modeled themselves after this project?



## THE PROJECT AT A GLANCE

### What It Is

- “An arts and industry complex located in Greenpoint, Brooklyn.” It is a non-equity cooperative owned by a non-profit local development corporation and governed by a board made up of tenants plus outside experts. Woodworking manufacturers, crafts people and artists jointly market, share expertise and equipment, and purchase supplies and materials cooperatively. It also functions as a small business incubator.

### Who Made Submission

- Greenpoint Manufacturing and Design Center.

### Major Goals

- To support 21 businesses that were threatened with eviction.
- To create jobs.
- To preserve an important neighborhood industrial building.
- To provide services for businesses.
- To create an incubator for new businesses.

### Accomplishments

- Almost all of the original businesses are still there. Tenant turnover has been exceptionally low.
- The organization is financially stable.
- GMDC is a lively, viable commercial center.

- GMDC presents an unusual model for small scale, urban industrial cooperatives.
- It provides space, services and opportunities for artists and artisans as well as cabinet makers and small manufacturers.
- It has had a positive (if small) impact on the immediate neighborhood.
- It has provided cooperative opportunities that make small businesses more competitive (e.g., access to sophisticated tools, workers, skills, and development of a marketable product line).
- It has provided “value added” service to tenants in the form of additional training in business skills (computer accounting, CAD/CAM), ESL training for workers, apprenticeship programs, and more.

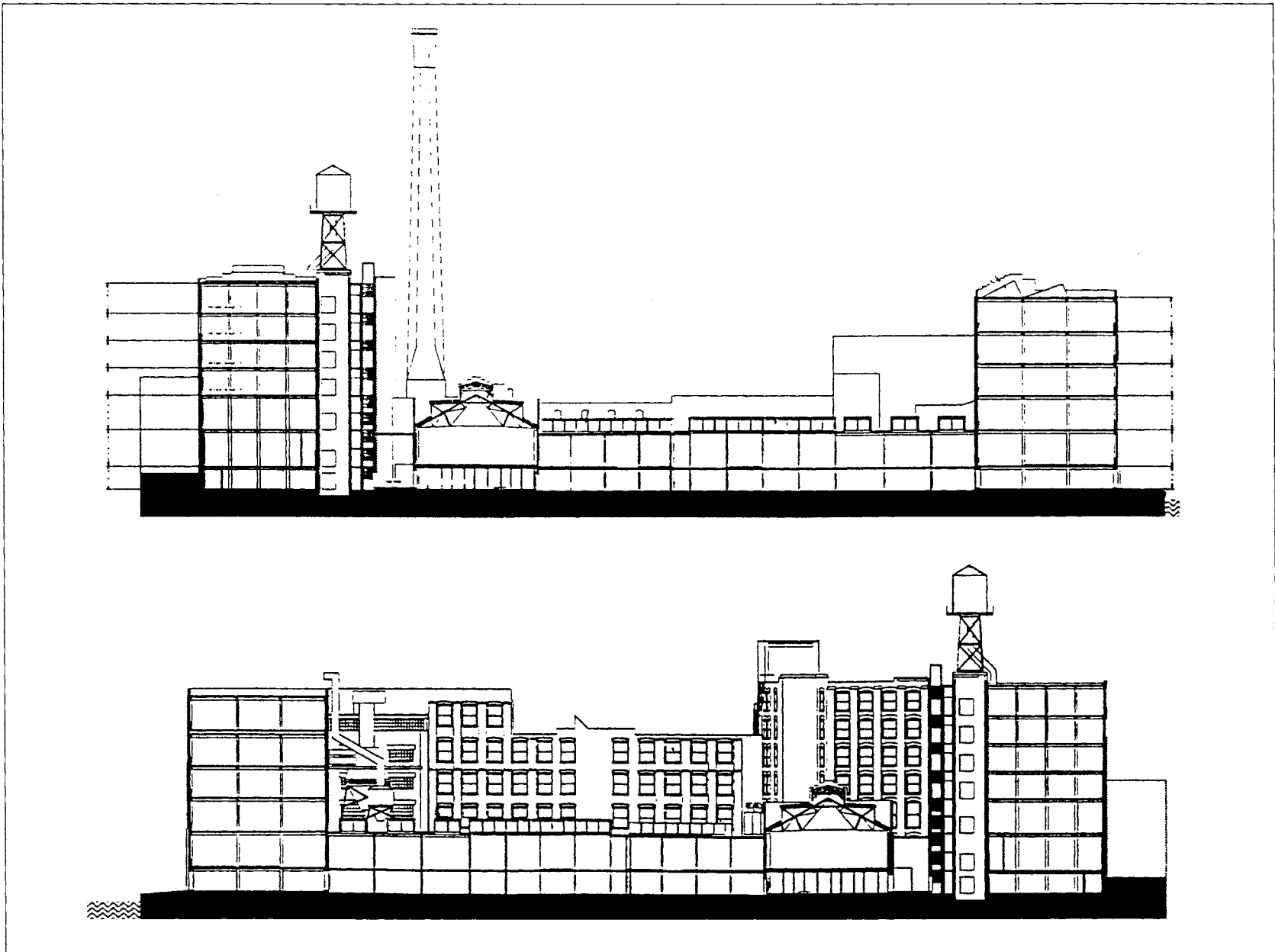
#### Issues That Could Affect Selection As Winner

- GMDC deals with a nationally critical urban issue that is not widely addressed elsewhere — preservation of industrial jobs in the city.
- This is a “bottom up” project, “organically” generated by woodworker tenants for their own survival.
- GMDC represents a net financial gain for the city (in addition to any social benefits) because it reduces city outlays, increases revenues from taxes, and provides a multiplier effect by producing jobs.
- Due to the idiosyncratic nature of the building’s history and organization, some aspects of the model may not be replicable.
- GMDC is not likely to be able to complete all needed repairs and renovations in the near future using projected revenue and loans. Exterior renovation may never be feasible.
- GMDC is financially stable but not robust.

## PROCESS

### Chronology

- ±1868. Building constructed as Chelsea Fibre Mills.
- 1960s. Bought by Grossen Dye Works.
- 1972. City begins foreclosure proceedings.
- 1974. City takes title, but gives master lease back to Grossen who begins to sublet to woodworkers.
- 1988. City discontinues lease with Grossen. Woodworkers Center Equity Corporation (WCEC), a for-profit company, is formed to sign lease with the city.
- 1989. New York State Urban Development Corporation funds a feasibility study of non-profit ownership.
- 1991. Proposal submitted to city for ownership by GMDC, to be formed as a non-profit Local Development Corporation.
- 1992. GMDC incorporated.
- 1991-1993. Negotiations between GMDC and the City Division of Real Property on possibility and terms of purchase.
- 1993. City sells building to GMDC. GMDC finally assumes assets and liabilities of WCEC in 1994.
- 1993 to present. GMDC renovates and opens additional space for leasing, operates educational and training programs, develops proprietary product line, purchases shared woodworking equipment.
- 1994. GMDC Board (made up largely of tenants) responds to operating deficit by voting rent increase.



**Key Participants**

(people we interviewed are indicated with an asterisk \*)

**GMDC Staff**

- David Sweeney\*, Executive Director
- Dennis Niswander\*, Building Manager
- Patrick Tallon.

**GMDC Board (outside members)**

- Leslie Winter\*
- David Gallagher
- Konrad Wos\*
- Harry Schwartz\*

**GMDC Tenants**

- Lisa Bahouth\*
- James Oliver\*
- Janette Shelly\*
- Ricky Eisenberg\*
- Eric Batchelor\*
- Ayala Naphthale\*
- Paul Seide\*
- Baruto Fukuda\*

**Public Officials**

- Joseph Lentol, New York State Assemblyman
- Ken Fisher\*, New York City Councilman
- John Dereszewski\*, Community Board #1
- Carolyn Maloney, U.S. Congress
- Marcus Weiss, President, Economic Development Assistance Corporation

- Peter Serafino, NYS Urban Development Corporation
- Angela Brown\*, Lisa Gomez\*, Judy Fensterman\*, NYC Economic Development Corporation.

**Foundations**

- Anita Nager\*, New York Community Trust
- Madeline Lee\*, New York Foundation.

**Others** include: Jed Marcus\*, Esq. (lawyer, negotiator); Pearl Anish\*; Richard Mazur, North Brooklyn Development Corp.; John Okun\*, Long Island City Development Corp.; Steve Schwartz, consultant and non-profit developer; Stuart Leffler and Bill Costello\*, Consolidated Edison; Brian Mooney\*, Brooklyn Union Gas; Mark Willis, CDC President, Chase Manhattan Bank; Peter Anders, Kiss Cathcart Anders Architects; David Hirsch, Hirsch/Danois Architects; store owners and neighborhood residents met on the street.

**PROJECT DESCRIPTION****Greenpoint**

Development of the Greenpoint area began in the 1830s when the construction of the Bushwick Bridge ended its isolation from other local population centers. It was part of the town of Bushwick until it was absorbed by Brooklyn in 1855. Greenpoint was a major shipping and industrial center through the mid 19th Century; the Civil War ironclad ship Monitor was built there in 1862. The shipping industry blossomed at the end of the 19th Century. By the 1890s, Greenpoint was experiencing urban development, as Manhattan Avenue became its major thoroughfare. German and Irish immigrants arrived in large numbers at this time, supplanting what had been a largely Dutch and English community. The opening of the Williamsburg Bridge and massive immigration from eastern and southern Europe greatly influenced this area in the first decade of the 20th century, creating its heavy Polish influence.

At the time of our visit, there were about 37,000 people living in Greenpoint. It remains a lower middle class, blue-collar community, but with below average unemployment. It is still heavily



Polish (supported by heavy post-Soviet immigration) although there has been a significant recent influx of people from the West Indies and Latin America. There is not a great deal of turnover — people tend to remain in Greenpoint for long periods of time, even generations. This, and the fact that Greenpoint has a high level of owner occupancy, suggests to local politicians that gentrification is not likely in the near future.

City Councilman Ken Fisher notes that “Greenpoint has been traumatized environmentally...it is one of the most heavily impacted areas of the city.” It is the site of several trash transfer points and has one of the largest sewage treatment plants in the Northeast. Fifty percent of New York City’s waste water drains through Greenpoint and the plant is in violation of clean water standards. Greenpoint has suffered a larger oil spill than Prince William Sound in Alaska. It is also the home of a storage facility for low level nuclear waste. This toxic environmental history made the community especially sensitive to the concerns about environmental cleanup that surfaced during GMDC’s negotiations with the city.

### Building History

GMDC’s facilities at 1155-1205 Manhattan Avenue were constructed around 1868 for the Chelsea Fibre Mills. The facilities consists of eight buildings defined by fire wall separations and fire codes, although they share common walls, were built as floor-throughs, and function as one structure. The interior court is filled with many large clerestory monitors, designed to provide illumination for industrial operations before electric lighting. The windows have since been painted over to accommodate sprinkler systems. The massive brick walls of the building enclose 400,000 square feet, of which 361,000 square feet were available for manufacturing.

The building sits on the waterfront, which was valuable for water transportation until the use of barges ceased in the 1950s. At the time of our visit, this was the only usable dock in the north end of Brooklyn.

The building went through several changes of ownership in the late 19th and early 20th Centuries. In the 1920s it became the home of a dye works, and was a center for making flame-retardant textiles. This business thrived during and after World War II, but faded in the 1960s. By the 1970s the owner, then Grossen Dye Works, had financial difficulties. The city began foreclosure proceedings for failure to pay property taxes in 1972, and actually took ownership in 1974. Mrs. Grossen was able to immediately obtain a master lease for the building from the city, and began to sublet space. It was during this period that the first woodworkers and cabinet makers moved in. For all intents and purposes, maintenance of the building ceased when Grossen’s financial difficulties began in 1972 and did not begin again until tenants stepped in as managers, 14 years later.

From 1974 through 1988 more woodworkers and cabinet makers took space in the building as word spread of the availability of inexpensive space. In the mid-1980s, Grossen stopped paying rent to the city, although rent from tenants was still collected. In 1988 the city finally removed her as building manager. By 1988 a “community” of 21 woodworking firms had made it their home. Also, by this time, the building had a negative net worth — liabilities and debts exceeded assets. The cost of rehabilitation or demolition exceeded the value of the building or the land.



*Tenant Woodworkers*

In the 1980s the city considered a variety of options, including demolition and conversion to waterfront housing. None of these options proved economically feasible. Among the problems that discouraged prospective developers was the discovery of a stack of barrels in the basement containing what were feared to be toxic waste materials. There were concerns that, once cleanup began, it might become a significant expense.

### **Organizational History**

**The Woodworkers Center Equity Corporation.** Woodworkers originally came to this building to escape the high rents of Manhattan. Rents in Greenpoint were one-half to one-third lower. In addition, Greenpoint is only a few subway stops from Manhattan and has good access to truck routes. Although the spaces they rented were “raw,” and there was little potential for landlord aid in outfitting them, these tenants had the carpentry and other skills required to fix up their space. Even with short term leases and no hope of equity, they invested considerable time and money creating workable space; rents were low enough to mitigate the risk. Ten thousand dollars invested in construction might be recouped by the rent differential after only one or two years. “Twelve years ago I paid \$2,000 a month,” recalled one tenant; “today I pay \$1,200.”

*Tenant Artists*

The risk of being evicted on short notice increased when the city took over the building in 1988. In response, the woodworker tenants began to organize to protect their interests. They formed a for-profit corporation called the Woodworkers Center Equity Corporation (WCEC) in order to have a legal entity that could sign a lease with the city. The city, which apparently had no desire to manage the building, entered an agreement with WCEC in which they paid a fixed rent, independent of earnings or maintenance costs. WCEC set rents at a level that allowed them to pay their rent and have funds for maintenance and repairs.

They conceived of WCEC as a European craft cooperative, somewhat like a trade association. It intended to provide a way for tenant-manufacturers to control their own destiny by working and managing the building cooperatively, and repairing the building from the rental income. Through WCEC the woodworkers began to look into the possibility of buying the building from the city.

However, accountants who looked at the building’s revenue and expenses told the tenants that their intended purchase didn’t make economic sense. It was unclear to some outsiders why the tenants would put up with poor conditions and uncertainty for so long. While some of the benefits were financial, the non-economic factors



were at least as important. "They liked the funky old building," one tenant commented. "They wanted the sense of community and the built-in labor-force." They liked having a building that was open, safe, and available twenty-four hours a day — and they wanted to ensure their continued tenure.

**The Greenpoint Manufacturing and Design Center.** After some exploration, it became clear that the WCEC would not be able to consummate a purchase. Its for-profit status made it more difficult for the city to agree to certain concessions. More importantly, it lacked the financial, managerial and political expertise required to inspire confidence that it could succeed. Its frustration with the city grew when Mayor Koch's administration began exploring options for residential conversion.

At that point WCEC began discussions with the North Brooklyn Development Corporation (NBDC) to see if it could become the buyer and developer. It persuaded NBDC to look into purchasing the building with a restriction that it could not evict current tenants for a number of years. However, this option was still uncomfortable for the woodworkers because it left someone else in control of their fate. The alternative that became increasingly attractive was to

create and control a "local development corporation" (LDC) to buy and manage the building. They had come to know and trust a NBDC employee named David Sweeney, through his work in employment assistance programs. Sweeney was brought on to develop the LDC, supported by a three-year grant from the New York Foundation. He quickly obtained a \$75,000 grant from the New York State Urban Development Corporation to conduct a feasibility study of the concept.

The proposal that emerged was for the city to grant the LDC, which became known as the Greenpoint Manufacturing and Design Center (GMDC), a 99 year lease on the building, with an option to buy after 5 years. Rent to the city would be fixed at a percentage of gross income, starting at one percent and rising an additional one percent per year for ten years.

Sweeney thought this proposal would be attractive because it allowed the city to retain ownership and get some increasing return on its asset. The Economic Development Corporation, however, didn't want to hold title over this uncertain property. In addition, the city would not have been able to offer a rent so far below previous rates. The negotiations veered toward finding a way GMDC could afford to own, repair, and manage the building itself.

Central to the GMDC proposal was the composition of its nine member board of directors. Tenants were assured of a measure of control with four seats, elected by tenant votes alone. Four other seats went to outside financial, real estate and political "experts", selected by the tenant and invited non-tenant members. The last seat belonged to the director.

The presence of experts on the board made a critical difference in negotiations with the city. These were people with obvious credentials and, in some cases, friends in high places. Whereas woodworkers' calls to commissioners might never be returned, members of the board knew how to find the right person and quickly get a needed answer. Through its board, GMDC had expertise, political connections, and non-profit status while WCEC had commitment and long tenure in the building. The compromise for them to work together did not happen immediately, but eventually was the only course that made sense.

WCEC continued to manage the building during negotiations for sale to GMDC. GMDC formally incorporated in 1992, while the proposal to take over the building worked its way through the city's bureaucratic maze. The maze was made considerably more difficult by the Division of Real Property's (DRP) resistance to the GMDC takeover (discussed in more detail below).

In some ways, the move toward LDC ownership actually increased the tenants' risk. While previously they had to live with thirty day leases, they had the benefit of relative anonymity and invisibility. In the vastness of New York City, this small group of manufacturers was generally left alone. The City of New York chose not to address a variety of potential problems, from code and safety violations to toxic waste in the basement. Once political forces were brought into play to push DRP toward a negotiated settlement, however, they lost the protection of this benign neglect. The stakes had been raised — if the negotiations to purchase failed, the tenants now faced a very real threat of eviction by an awakened DRP.

After acrimonious negotiations stretching over several years, GMDC became the legal owner in February 1993. It purchased the building from the city for \$1, received a million dollars from the city for repairs, and the city agreed to do all environmental cleanup. In return, GMDC had to pay full property taxes (with an abatement on the value of improvements) and complete all repairs necessary for "tenantability" within five years.

At the time of purchase GMDC took over all management functions and assumed all liabilities and assets of WCEC. Though not legal owners, the tenants had several significant benefits from the deal. They had the security of long term (five years) leases, an important voice in management decisions, and the benefit of the expertise of four outside board members. On top of that, there was a cash infusion of \$1 million to effect repairs.

#### **GMDC As Landlord**

GMDC operates a number of programs aimed at increasing the productivity and competitiveness of its tenants. It organizes joint marketing of products (it bills itself as a "one-stop-shop" to designers looking for a variety of wood products), skills training (computer aided design and accounting), English as a Second Language classes (Dennis Niswander observed that the ESL training of his



maintenance staff "doubled their productivity. They had skills I had never known about."), and apprenticeship programs (cooperatively with the Pratt Institute). It also runs the Wood Center, a small retail outlet that sells scrap wood and molding to the public on Saturdays.

A small in-house maintenance staff, supervised by building manager Dennis Niswander, is responsible for all maintenance and most repairs and upgrades. There is a great deal of in-house technical competence, and the maintenance personnel cross-train to improve skills. Most of what has been accomplished in refurbishing the building was done by this group.

GMDC experienced a net operating loss of \$53,000 in 1994. Given its need to generate capital to meet the stipulation that it improve the building within five years, this loss was of considerable concern. The board of directors met to consider the budget and voted, including the tenants members, a rent increase of about 10%. The actual amount of the increase varied because it was accompanied by a complete reassessment and recalculation of net space for each tenant, upon which rests the calculation of rent.



GMDC has experienced a strong demand for its unique spatial and social arrangement. All available space is leased, and there is a waiting list of potential renters. It is currently focusing most of its maintenance efforts on the rehabilitation of 50,000 additional square feet of leasable space, which it plans to complete by spring 1996. It expects that space to be fully leased soon after it becomes available.

In April 1995, GMDC opened its shared production equipment facility. Using money from a U.S. Department of Health and Human Services grant it purchased \$120,000 worth of advanced wood working equipment. Tenants can rent equipment time and expertise on how to use it. The equipment makes it possible for a small shop to use machinery formerly available only to large manufacturers — and become far more productive. One manufacturer noted that with this equipment he could make all the cuts for a job in one day that previously would have taken a full week.

GMDC also serves a role by providing “incubator” space for new businesses — some of which are not related to woodworking or the arts. For instance, it has a tenant who has begun a successful printer and copier refill business, supported by GMDC’s low rents.

Ideally, these incubator businesses will grow and move from their starter spaces into larger spaces within the building or elsewhere, leaving room for other fledgling businesses to take their place.

#### **Non-equity Ownership**

Technically no individual owns GMDC — it belongs to a non-profit corporation. Their sweat equity and psychological equity, however, have made the tenants feel like owners. The tenants created this entity with their time, grit and effort, and they have a major voice in its management decisions. One early woodworker tenant proudly noted that “this is our idea...our creation.”

There have been very practical benefits to this arrangement. As mentioned above, tenants voted unanimously to raise their own rent — an event almost unheard of in other situations. It was clear to all that the long term good and welfare of the building superseded short term personal needs. In fact, no tenant went out of business or was forced to leave because of the increase, which has allowed GMDC to develop the working capital it must have to effect required repairs.

### Artists and Woodworkers — Together Again For The First Time

There is more than a passing similarity between artists and woodworker-craftspeople who are GMDC tenants. Both are selling the creative products of their imaginations and their hands. The woodworkers have been described as “artists, once or twice removed.” Like woodworkers, artists are often urban pioneers looking for cheap, sometimes unconventional work space.

Artists began leasing space in this building in the early 1980s. Most, however, came in a second wave that began in 1991. They took raw space (“we leased them air”) and were given rent credits for upgrading the studios themselves.

As more artists came into the building, some conflicts between the groups developed. Artists tended to use studios for working and living space while woodworkers didn’t want the building to become residential. The large machines woodworkers used to cut and plane wood created dust, noise and vibrations, which inhibited the delicate work of some fine artists. As GMDC was being formed, there were some long and difficult conversations toward working out solutions of these conflicts. Both groups agree now that they have far more in common and at stake in the building, and that they are working well together.

More than just coexisting peacefully, the propinquity between artists and woodworkers has made for some interesting synergies and collaborations — and one marriage. Artists contract with woodworkers to build frames, molds, bases or crates for their work. Similarly, woodworkers sometimes subcontract to artists for design and other services.

Financially, the artists played an important role in GMDC’s survival; “the woodworkers hate to admit it, but the artists saved the project”, says Sweeney. Artists paid rent and at the same time improved the space. Artists were able to fill the building by taking small spaces that would have been impractical for manufacturers. In fact, the demand for these small, studio-size spaces is very high, whereas the demand for manufacturing space is more moderate.

### Battling the Bureaucracy

The story of GMDC’s battle with the New York City bureaucracy is disheartening, even for one hardened to city agency battle stories. It took five years of difficult negotiations spanning three mayoral administrations. The prehistory to the negotiation involved WCEC’s attempt to get permission to takeover the building. It quickly discovered that its lack of financial and real estate expertise and political contacts made negotiations impossible to start.

GMDC came into the battle with a bit more political savvy, and with the support of a Board of Directors which had good credentials and contacts. That was enough to get the process moving, but not to reach a successful resolution.

The essential problem had to do with the different missions of two city agencies. The Division of Real Properties (DRP), part of the Department of General Services, “owns” and manages city properties. It is essentially a property management agency, and is not development- or entrepreneurially-oriented. Those functions fall to the Economic Development Commission (EDC), which is charged with encouraging projects that can contribute to job growth.

Sweeney initially expected that EDC would be happy to take on his building, because of its business and job potential. EDC, however, was willing to deliver but not hold the property. It could play a role in the sale, but would not manage the building itself. DRP, on the other hand, who had control of the building, was not willing to give it up, and at times became actively hostile to the GMDC proposal.

New York City councilperson Ken Fisher suggests that “DRP was afraid of possible Superfund liability” once someone tried to clean up the barrels that had been sitting in the basement of the building for more than a dozen years. Fisher visited the building and became an advocate for GMDC in City Hall (“I was captivated...something wonderful had taken hold”). He tried to get the city to move the building into the hands of the EDC (to be given to GMDC) but DRP objected. It made a series of excuses for why the building could not be sold: it was unsafe, it would cost too much to clean up. Fisher notes wryly that not one of these conditions had been a concern during the 14 years DRP had controlled the building and accepted rent from its tenants.



*Elevators are required to have operators*

After more difficult negotiations, with no movement by DRP, Fisher was able to convince the city council to take the very unusual step of investigating the action of a city agency. By 1992, when the city council, borough president and others were all involved and pushing for the sale, DRP fought back. One week before Thanksgiving it sent city inspectors to Greenpoint. They inspected the building, found a series of violations, levied fines and ordered the building closed because of unsafe elevators.

Fisher responded by scheduling a public hearing, while Sweeney and the woodworkers organized a protest at City Hall, during which they smashed chairs on the City Hall steps. While the chairs were being broken, a General Services staffer approached Fisher with a request to “work this thing out.” Inspectors returned to Greenpoint, this time to help find solutions; for example, they agreed that providing elevator attendants would mitigate their safety problems.

Even then the negotiations were slow. After the final agreement was reached, DRP tried to add one last provision, saying that if GMDC could not make all the repairs within budget, it would have to evict all tenants. The final agreement was only signed after a new administration came into office.

### Marketing and Other Support

A key function of GMDC has been the ability to jointly market services and products more effectively and cheaply than any tenant could do alone. The marketing plan includes:

- production and dissemination of brochures, public relations materials and a video to promote GMDC members
- promotion of GMDC as a “one-stop-shop” where architects, designers and others can come and view a complete range of quality products
- presentation of products as high quality at a “factory-direct” price; and
- creation and marketing of a proprietary line of children’s toy and furniture products, designed and manufactured in the building.

Several aspects of the plan (including brochures and videos) have been implemented and paid benefits. The “one-stop-shop” concept depends in part on creating a showroom on site and, at the time of our visit, there were tentative plans for it. The children’s toy and furniture product line had been designed and prototypes built, thanks to a Department of Economic Development grant (listed below). Sweeney expected these products to be marketed soon.

GMDC staff provides other support. They can help work through the thicket of forms and procedures for bids on government contracts. They provide skills training to increase productivity — in CAD/CAM and computer record keeping, for example. With the Pratt Institute, they created a program for apprenticeship training, with foundation support. The program drew at-risk youth for training in woodworking skills and promised employment in firms housed in at GMDC. Eight students went through the program and several are still employed at the Center (the program ended because of disagreements between the woodworkers and Pratt staff about the quality of the in-school training).

Another advantage comes from the critical mass and interrelationships among tenants. There is a great deal of activity within the building contracting and sub-contracting services, making joint bids, sharing equipment and expertise. Almost 20% of all invoices are within the complex.

### Persistence and Leadership

All groups involved in the GMDC project agree on one thing — it would not have happened without David Sweeney. Sweeney was called a “luminous personality” by one board member, and a “visionary” by a staffer (a splendidly ironic term for a person with limited vision). Sweeney joined with the woodworkers out of excitement at the concept they were trying to pursue. He has stayed on to develop the proposal, see negotiations through to their final conclusions, create the board structure and management team at GMDC, and guide it through its initial financial difficulties. Observers suggest that his genius is for organization and, above all, persistence. GMDC could never fail, a participant told us, “David would never let it.”

Sweeney’s contributions were crucial in getting GMDC through its birthing process. His development of a politically and financially savvy board may be the stroke that made the difference. Tenants, however, may be underestimating their own capabilities for managing the operation, should Sweeney need to leave at some point. They have a board and a structure in place, and many people who have taken an active role in the management of GMDC affairs.

### Design

There is very little “design” to be found in this project. Most of the rehabilitation and construction involves basic outfitting of a raw space to meet client needs. The most interesting architectural aspect of this project is the preservation of a historically important and handsome industrial complex. These are six-story, red brick industrial buildings (one corner trapezoidal building was taller, but lost several stories to a fire in the 1950s) with strong vertical piers and segmentally-arched window openings. Because of the costs of rehabilitation and the tight supply of capital, no work has yet been done to restore and preserve the facade, though there is a great deal that needs to be done, including the replacement of hundreds of windows. Limited finances and the need to “triage” the repair schedule make exterior restoration unlikely for many years.

### Finances

The agreement that transferred title from the City of New York to GMDC provided:



*Rehabilitating more space*

- GMDC purchases the property for \$1.
- NYC pays \$1,000,000 to GMDC for safety and code improvements.
- NYC completes environmental clean-up at a cost of \$500,000 to \$700,000 (estimated).
- GMDC is required to effect basic repairs to eliminate code and safety problems within five years of purchase.

GMDC pay property taxes to the city of \$130,000 annually, though taxes on improvements are abated for more than twelve years through the Industrial and Commercial Incentive Program.

Tenants pay rent at a rate which varies by size of space (between \$3.50 and \$4.25 per square foot). The standard lease makes it clear that GMDC is not trying to hide or soft peddle the facilities problems. It states that the building is old and neglected and that GMDC is not responsible for maintenance-related problems or interruption of service. GMDC provides heat up to 40 degrees Fahrenheit and the tenant is required to provide any additional heating. Rents rise with the Consumer Price Index. Tenants are also required to carry a half million dollars of insurance on their spaces.



*Shared Equipment Shop*

Currently, 170,000 square feet of space is being leased to 57 tenants. The 1995 rental income is expected to be \$700,000. The largest tenant leases 16,400 square feet, the smallest takes 170 square feet.

In 1994, GMDC experienced an operating deficit. Rental and other income totaled \$700,000, while total expenses equaled \$753,000. Sweeney notes that there were several reasons for the deficit: heavy maintenance expenses, and writing off bad debt assumed from the WCEC. In addition, he points out that repairs, construction and upgrades — all capital improvements, probably totaling more than \$400,000 — appear in the maintenance expense line of the budget, since almost all work is carried out by in-house staff (rather than as a capital investment).

For 1995 GMDC projected a positive cash flow of \$100,000, which it expects will grow to \$150,000 in 1996 and \$300,000 in 1997. There are several changes which account for this improved forecast:

- Rents were increased at the end of 1994.
- Improved safety systems (sprinklers, etc.) will generate insurance cost reductions.

- 50,000 square feet of additional space will be available for leasing in the 1995 and 1996.
- Demand for space is strong, with a waiting list of potential tenants, especially for the smaller, artist studios.
- Installing sub-meters should significantly reduce energy costs.
- When GMDC has invested \$20,000 in repairs (expected in 1994) it will trigger programs which stabilize property taxes and reduce energy costs.

**Grants.** Since its inception GMDC has depended on public and foundation grants to develop and implement its plan. Sweeney spends much of his time writing and presenting proposals for funding, and has received support from a variety of sources. Some of the largest grants are listed below:

**1988:** New York City Foundation grant to NBDC, \$30,000 per year for three years to support planning and proposal for GMDC.

**1989:** New York Urban Development Corporation grant of \$75,000 for feasibility study.

**1992 and 1993:** J.P. Morgan grants of \$7,500 each for general operating funds.

**1992:** Brooklyn Union Gas grant for energy projects.

**1992:** UDC \$30,000 grant for marketing campaign.

**1993:** New York State Department of Economic Development \$400,000 grant to develop proprietary product line.

**1993:** New York Community Trust grant of \$15,000 for wood recycling program.

**1993:** Booth Ferris Foundation \$40,000 grant for an apprenticeship training program.

**1993:** City Bank for production of promotional video.

**1994:** UDC \$20,000 to train woodworkers in use of environmentally safe water-based coatings.

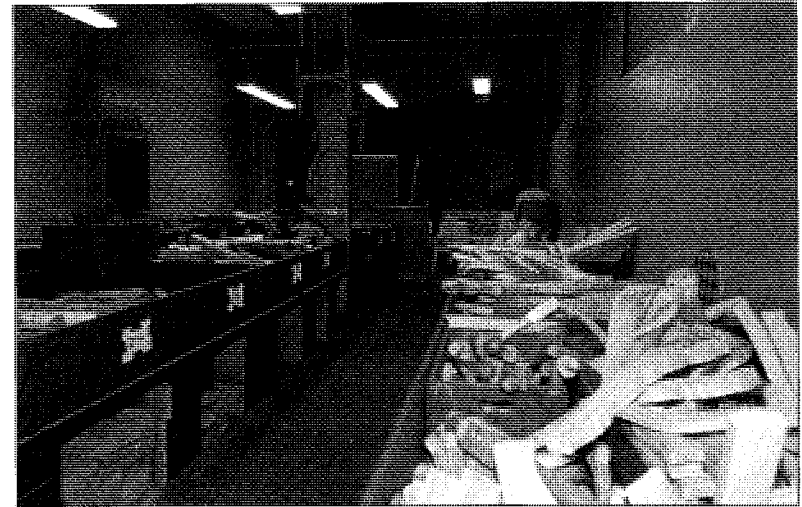


1994: U.S. Department of Health and Human Services, Office of Community Services \$500,000 grant to create shared resource center and make building repairs.

**Repairs and Improvements.** Estimates of the cost of repairing the building vary widely, with total renovation ranging from \$3 million to as high as \$14 million. The variation comes from differences in the agendas of the estimators and different assumptions. GMDC estimates that the basic repairs required “to keep this place open tomorrow” will cost between \$1 million and \$3 million. These include replacing sprinkler systems, repairing the roof, installing a hot water return system for the heating system (the current hot water return system is “the water spills on the basement floor and evaporates”), and upgrading building egress to meet code. GMDC is currently funding repairs from grants and rental income, with almost all surplus after basic expenses going for materials and labor. Sweeney hopes that their anticipated financial stability will soon allow them to obtain loans to speed the repairs.

**GMDC As a Net Gain for New York City.** It can be argued that the deal with GMDC was a very good one, politically and financially, for the city. New York City rid itself of a tremendous liability — a polluted building it clearly didn’t want to manage and was unwilling to maintain. In the process it supported a community-based economic development program which has created jobs and business growth. It supported a project that has become a boost, rather than an anchor, for the development of Greenpoint, and provides jobs to local workers.

The cost to the city of the sale is relatively small compared to the benefits. They spent \$1 million (less one dollar) plus about \$700,000 for environment clean-up. There were few other conversion options, and this building would have been very expensive to demolish. In return, New York City receives \$130,000 in property taxes, and income taxes from 50 businesses and 300 workers, many of whom would otherwise not be working, or would be working outside New York City. As an estimate of the economic gain to the city, assuming an average city income tax of \$2,500 per worker, and counting only 100 of the workers as a net gain (that is, the rest might have stayed employed elsewhere in New York City) the yearly additional income to the city is \$250,000. This in itself would



*The Wood Store*

make a four year payoff for the city’s \$1 million investment without taking into account corporate taxes or the multiplier effect of workers spending their wages within the city. In addition, the city was able to divest itself of a potential multi-million dollar liability through the transfer of title and expenditure of \$700,000 for environmental clean-up. Even deducting the \$90,000 rent the city no longer collects, this was a good investment financially, as well as socially, for the city.

## THEMES AND LESSONS

### You Can Fight City Hall — But Not Bare-Handed

This is a story of a small, local group going up against an entrenched bureaucracy and winning, but not without absorbing its share of blows. WCEC couldn’t gain ownership of the building because it lacked financial, real estate, and political skills. So it reformed itself as GMDC, added expertise to its board, recruited local politicians, and rejoined the battle with more organizational and management savvy. In the end, that strategy made the difference.

### **Sweat Equity and Psychological Equity**

The organic and evolutionary way in which this project developed, eventually supported by by-laws that formalized tenant control, created a level of commitment that persisted through more than a decade. Most tenants literally built their own spaces and in the process created a professional community to which they felt considerable allegiance. This is a part of the model that is impossible to replicate from the top down, but whose value cannot be overstated.

### **Starting With a Strong Rent Base**

GMDC had the singular advantage of beginning with a strong base of highly committed, rent-paying tenants. That gave them a great deal of flexibility in developing marketing plans and allocating resources to maintenance and repair.

### **Stability Through Non-Profit Ownership**

An important part of the GMDC strategy was to have the building owned by a local development corporation, thus providing long term rent stability for tenants.

### **Cooperation and Synergy**

The professional community that developed at GMDC provides the opportunity to combine strengths to mutual advantage. Tenants share equipment (some of which is now cooperatively owned), make bids together, and share skills. They are, said Sweeney, a "virtual large company." GMDC supports the community through jobs and training classes, and is in turn supported by it, with skilled and willing labor.

### **Public-Private Partnership**

GMDC would not have happened without the joint contributions of public and private partners, although for much of the relationship the city was an unwilling and uncooperative associate. One observer commented that the city acted as if it "had a vicious reptile it was handing over unwillingly."

### **Artists and Woodworkers Together**

The mix of woodworkers and artists is a particularly felicitous one. They share a willingness to tolerate unfinished spaces and uncer-

tain conditions and a love for "funky buildings," which they can alter to suit their needs. They provide a good economic balance — woodworkers tend to need larger spaces, artists smaller ones. They also have generated some unexpected cooperative efforts, in exhibit and product design.

## **ASSESSING PROJECT SUCCESS...**

### **...BY ITS GOALS**

#### **To Save 21 Business Threatened with Eviction**

GMDC has saved these businesses and increased their number to 57.

#### **To Create Jobs**

Businesses in the GMDC have grown considerably in the past few years and many credit their survival and success to the existence of the GMDC. There are now 300 employees, many drawn from the Greenpoint neighborhood.

#### **To Preserve an Important Industrial Building**

The building has been saved and is being repaired and upgraded. From a preservationist point of view, it is important that the building was not demolished, although there has not been any effort to restore the external appearance of the building, and there is no prospect of such restoration in the near future.

#### **To Provide Services for Businesses**

Through a series of grants and alliances GMDC has provided an important set of services to its tenants, including marketing support, help in developing bids, training for computer skills and setting up a shared shop with sophisticated woodworking equipment.

#### **To Incubate New Businesses**

GMDC has had some success as an incubator. Its cheap space supports new and growing woodworking and arts-based, as well as other, businesses.

**...BY SELECTION COMMITTEE CONCERNS****Who Owns the Properties/Shops? Are Workers Co-owners?**

No, workers are not co-owners. GMDC, a non-equity cooperative, owns the building and all shared equipment. However, tenants have a measure of control by serving on the GMDC board and a very strong sense of ownership.

**How Are Workers Trained? Is Training Part of the Program?**

Through GMDC programs workers receive training in a variety of skills that can enhance their productivity and profitability, including the use of computers and sophisticated machinery. GMDC has run, and plans to run again, apprenticeship programs to train skilled workers.

**Who Lives in Greenpoint Now and Who Lived There Before this Project? What Impact Has the Project Had on the Surrounding Area (economic, social, development, improvement)?**

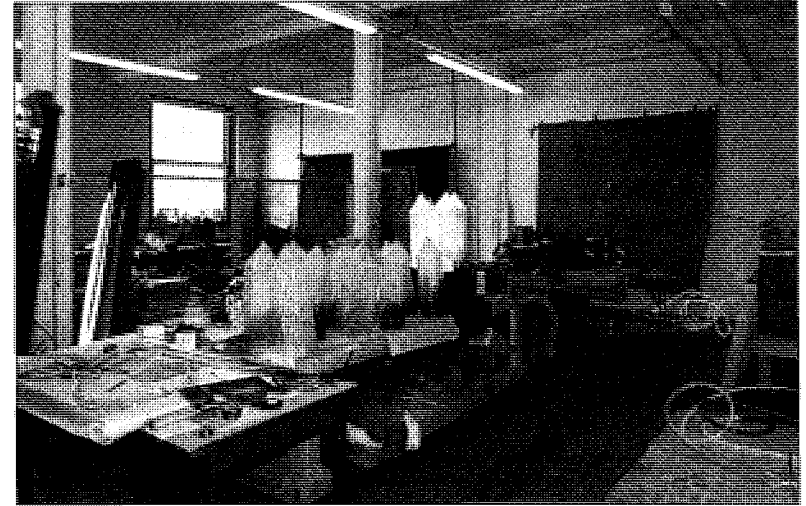
Greenpoint is demographically the same as it was before the project — a lower middle class, blue-collar, ethnic neighborhood. GMDC acknowledges that its impact on greater Greenpoint has been small. It hires and sells locally, and workers shop in the area. We found that some local businesses (hardware store, restaurants) said they had been very much helped by the presence of GMDC while others hardly knew it existed. Thus, while GMDC has a positive effect, it is not likely to change the balance economically or socially.

**What Is the Range of Occupations and What Distribution of Incomes Are Found There?**

Occupations range from clerical and “gopher” positions, making minimum wage, to independent artists working on commissions, to skilled workers earning \$10 to \$15 per hour, to shop owners making considerably more.

**What Are Plans for the Future; the Next Steps? What Is the Outlook?**

There are many plans for the future and the outlook is hopeful but not unbounded. Financially, GMDC hopes to be able to establish lines of credit to ease cash flow and speed repairs. Programmati-



*Studio Space*

cally, it expects to open a showroom to help in marketing, market its own line of toys and furniture, and add new skills training courses for tenants. The main goal remains plowing all available income into building repair, with the immediate focus on life safety issues (such as stairwells, fire walls, and egress).

**Is There Real Demand for this Type of Space? In New York? Elsewhere? How Fast Are Vacancies Absorbed? Is There a Waiting List for Vacancies or New Space?**

There seems to be a strong demand for these spaces by artists and crafts people, as much for the support and sense of community as for the cost of space (which while very low by Manhattan standards is at market rate for Greenpoint). Smaller studio sized spaces are in particularly heavy demand (there is a waiting list) but larger manufacturing spaces are also sought-after.

**What Is the Cost of Renting Space There?**

Current rates range from \$3.50 to \$4.50 per square foot, depending on size (lower rates for larger spaces).

**Would this Type of Project Work or Be Viable for Other Small Industries (Other than Artisans/Crafts People)?**

It is hard to know. Clearly, the outlook and special skills of woodworkers and artists added much to this project. The basic elements (see "Themes"), however, could probably work for a variety of industries.

**What Is the Quality of Products Which Are Produced? Who Is the Intended Market?**

The shops at GMDC produce production and custom furniture of wide ranging quality. The intended market is above mass market retail cabinetwork. They aim at architects and designers, and their marketing strategy is to promote custom work at factory-direct prices.

**Do the Enterprises Share Services, Marketing Efforts or Cooperate in Other Ways?**

Service and equipment sharing is one of the hallmarks of GMDC. It purchased \$120,000 of shared woodworking equipment. Tenants regularly use the talents, skills, and equipment of neighbors, and jointly bid on projects. There have also been woodworker-artist collaborations.

**Have Others in NYC or Elsewhere Modeled Efforts after this Project?**

GMDC has hosted visits from several other cities that are looking into similar models, suggesting that the demand (or at least need) exists elsewhere. A proposed development in the Bronx (Taste Bakery) is modeling its approach directly on the GMDC.

**SELECTION COMMITTEE COMMENTS**

The Selection Committee commended Greenpoint Manufacturing and Design Center for providing a unique and important model for promoting small manufacturing businesses in the urban environment. At a time when production is leaving American cities, this project shows a way of keeping high quality production in urban centers through the support of small workshop operations. Cities

"need spaces like this...(GMDC) is a fabulous project...this is economic development in a really interesting way, emphasizing the value of labor."

The Selection Committee was concerned that there may be limited applicability to other settings because of unique aspects of this project — such as the nature and availability of the building, the presence of an existing and committed tenant base, and the ability and willingness of tenants to pay enough rent to maintain and improve the facility. Its impact on the surrounding community also appears limited, although it has managed to preserve an important community building.

Greenpoint Manufacturing and Design Center does provide a useful model of ways to make use of small workshop operations and their synergies with a population of artists. By pooling and sharing resources these small manufacturers are able to "compete with the big boys" in efficiency of production. Greenpoint Manufacturing and Design Center has had the vision and breadth to incorporate apprenticeship, training and education programs. The project demonstrates both the (eventual) flexibility of city government in creating the agreement that allowed Greenpoint Manufacturing and Design Center to survive, and the incredible patience and determination often needed to persevere in New York City.

**For More Information...**

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