

HORN SECTION

WELCOME TO DOWNTOWN BROOKLYN'S HOT POCKET

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For more than 30 years, Schermerhorn Street between Bond and Smith was like the land that time forgot.

"It was a no-man's land. There was nothing. You mention Schermerhorn to people, and they think parking lots," says Hesky Brahimi, principal of IBEC Building Corp., which developed the new 200 Schermerhorn luxury rental building.

"It was neither here nor there -- between Atlantic [Avenue] and Boerum Hill and Downtown Brooklyn. It was a buffer between the residential neighborhoods of Brooklyn and the commercial hub of Brooklyn."

The reasons behind the stagnancy of that street -- and the area around it -- were many.

There was the subway beneath Schermerhorn, which made constructing anything on top of it something of an engineering back flip (200 Schermerhorn, as Brahimi puts it, was essentially built on thousands of tiny springs).

There was the designation of the area as an urban renewal site in the '60s, which led to the tearing down of everything save some historic townhouses on State Street, one block south of Schermerhorn.

And then there was the inability of the state to agree with the community about how to develop the land, which they bought for \$1 from the city more than 30 years ago.

And so it sat and gathered dust until about eight years ago, when Empire State Development Corp. put out an RFP: request for proposals.

Among those who responded were IBEC and Hamlin Ventures.

"What sold me on [the area], because it was pretty edgy at the time, was taking a walk on State Street and imagining what the rest of the block would be like if it too had townhouses," says Abby Hamlin, president of Hamlin Ventures.

Indeed, after Hamlin partnered with Time Equities to buy the entire block -- from State to Schermerhorn, from Hoyt to Bond -- their first move was the construction of 14 townhouses on the north side of State closest to Smith. They sold out in 2007 -- for about \$2.5 million each.

"They established a new market for that part of Brooklyn," Hamlin says.

Simultaneously, 200 Schermerhorn's 158 market-rate and affordable rentals entered the market. And presto, a new neighborhood was born.

While some projects, most notably the behemoth Be@Schermerhorn condo complex, have stalled, the area remains a hotbed of development.

Newcomers include The Smith's 50 condos, at Smith and Atlantic, which are sold out; 236 Livingston, a two-tower rental building with 278 units slated to open in mid-2010; and Schermerhorn House, 217 units of affordable housing -- half of which are for the formerly homeless, the other half for low-income tenants in the



Kristy Ojala (above) rents at 200 Schermerhorn, which is also home to the Brooklyn Fare grocery store.

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arts community -- built on land donated to supportive-housing developer Common Ground by Hamlin Ventures and Time Equities.

"By mid-2010 there will be about 1,000 new residential units in the area," says Joe Chan, president of the Downtown Brooklyn Partnership. "That will equate to between 2,000 to 2,500 new people."

But it wasn't easy at the outset to get people interested in the area.

Sholeh Brahimi, 200 Schermerhorn's building manager, notes that when her building first started renting two years ago, potential tenants were worried about the "Schermerhorn aspect." But the location is now a selling point.

"We were spending time with friends in Boerum Hill, where there are trains and restaurants, shops and movies," says Kelly Spampata, who recently moved from Roosevelt Island to 200 Schermerhorn with her husband, Nicholas. "Plus, it was more cost-effective."

The Spampatas pay \$900 a month less than what they were paying to live on Roosevelt Island (a more isolated area) in a comparable space.

Market-rate studios to three-bedrooms at 200 Schermerhorn are between \$1,700 a month and \$4,300 a month. That's down about 6 percent from when they initially came on the market in 2007, and the building throws in incentives like paying the broker's fee and one month's free rent.

The area's relatively affordable rents have been a big draw.

"As an investor, I thought it would be really easy to get tenants for the amount of space and the rent I was asking," says David Ackerman, who, with the help of Corcoran Group broker Kevin McNeill, bought a 1,200-square-foot duplex penthouse (with 400 square feet of outdoor space) at The Smith for \$730,000 last year. "People are looking to get out of Manhattan to save some dough."

Ackerman now rents the two-bedroom apartment for \$3,700 a month.

Residential real estate isn't the only thing that has blossomed in the area. After all, where there are people, services aren't far behind.

The Nu Hotel, adjacent to The Smith, opened its 93 rooms last summer (the building's retail space is still empty, however). Schermerhorn House will have a performance space opening this fall, as well as the Brooklyn Ballet as a tenant.

And perhaps the biggest boon for the neighborhood has been this summer's opening of Brooklyn Fare, a gourmet grocery store on the ground floor of 200 Schermerhorn.

"Before [Brooklyn Fare] opened, I was walking by every night, waiting," says 200 Schermerhorn resident Kristy Ojala. "I'm a Trader Joe's once-a-weeker. But for fish or meat? I'd get something at the Whole Foods on the Bowery or not have it at all."

The need was long-standing.

"I owned a 7Up franchise years ago, and I used to deliver to Key Food on Livingston. And when that closed, no one came to take its place," says Moe Issa, owner of Brooklyn Fare. "So when I was opening, I thought [200 Schermerhorn] would be the perfect place."

Brooklyn Fare is no ordinary market. Beyond the somewhat pricey farm-fresh produce and beautiful fish and meat counters, there's chef Cesar Ramirez of Bouley and Bar Blanc fame who's responsible for the store's prepared foods. Ramirez also offers cooking classes as well as a tasting menu served to 12 diners inside the store's kitchen three nights a week.

Issa says there are "a couple hundred" people on the waiting list for the latter, which is booked until December. In fact, the dinner has been so popular that starting Nov. 1, it will go from \$70 to \$95 a plate.

Despite the tasting menu's success, the area is still far from fully realized. And Issa, for one, is anxiously awaiting the openings of other buildings and the customers they will bring.

But in this down market, things are slower than initially anticipated.

Be@Schermerhorn, with 246 condos between Hoyt and Smith, is built -- but sits completely vacant.

"We're in stalled mode right now," says Mario Procida of developer SDS Procida. "We started sales, and they were strong . . . but we had a time [limit] we had to sell out."

Needless to say, they didn't make it. The building was selling in the low \$600s per square foot. Now the developer is returning deposits to those who've asked. But SDS Procida hopes to work out a solution with its bank.

The plans for the development of the rest of Hamlin's block, too, are on hold until the economy shows signs of resurgence. When it does, she will build nine more townhouses on State Street. IBEC has six townhouses planned for State Street. And Hamlin also has another 320,000 square feet of buildable space for mixed-use development, which will help fill out the neighborhood.

"Because this is commercially zoned land, I have a lot of flexibility," says Hamlin. "I can do a residential development with market-rate rentals, or I can do sales. The other option is to do a school, or it could be a hotel, or partially retail or ground-level cultural use; it could be an office."

As far as the area has come, there's still a long way to go. But thankfully, there are a lot of people who want to take it there.

"We're still optimistic, still bullish on the market there," says Procida.




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