

Offices Sprout on Lower East Side as a Neighborhood Transforms

A \$1.5 billion mixed-use development would add 350,000 square feet of office space where virtually none existed

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A drawing of a terrace that would be part of the 350,000 square feet of office space in the Essex Crossing mixed-use development in Manhattan. PHOTO: MOSO STUDIO

By [Keiko Morris](#)

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The transformation of Manhattan's Lower East Side has followed a progression familiar to many city neighborhoods during the last three decades, shifting from a symbol of urban blight to a hot residential market and a destination for clubs, art galleries and restaurants.

Developers of the \$1.5 billion mixed-use development known as Essex Crossing are about to begin the project's second phase, which would add 350,000 square feet of office space. Split between two towers, several floors of office space are expected to perch above a three-block marketplace and beneath rental and condo apartments.

While the amount of office space is small compared with the commercial skyscrapers of more than a million square feet rising on Manhattan's far West Side and in the World Trade Center campus, the addition could spur the creation of new office space in a neighborhood where virtually none on this level and scale had existed previously, real-estate executives said.

Many point to new office developments sprouting around the once-industrial Meatpacking District as a precedent.

"An area like this is not an office area, but if this becomes successful, then others will create opportunities there to develop office space," said David Falk, president of the New York Tri-State region for real-estate services firm Newmark Knight Frank.

The Lower East Side's history as a landing place for immigrants stretches back to at least the mid-1800s, drawing newcomers from around the world, said Kenneth T. Jackson, a historian and editor of the Encyclopedia of New York City.

The neighborhood also became an incubator for community organizing and social activism, including the push to create community gardens in vacant lots, going back to the 1950s and 1960s, said Nick Juravich, the Andrew W. Mellon Foundation postdoctoral fellow in women's history at the New-York Historical Society.

The neighborhood's reputation as a gritty area struggling with poverty, crime and drugs, particularly in the 1970s through the 1990s, began to turn in recent years as more young professionals began moving in, and art galleries and restaurants opened. In the last four years, the neighborhood has experienced a surge in luxury condominium developments.

The Lower East Side sits in the Midtown South office submarket, which is filled with nontraditional office neighborhoods such as SoHo, Chelsea, Union Square and the Meatpacking District. In these places, demand for office space from expanding and relocating companies has skyrocketed in the last decade,

and rents for some new office developments have pushed well above \$100 a square foot, rivaling those of high-end, Midtown locations.

Employers across sectors have shown a preference for these areas because they offer a mix of residences, restaurants and bars, as well as cultural venues. But growing companies unable to find buildings with the larger floor sizes they need have been forced to look elsewhere, real-estate brokers and executives said.

One of the elements that attracted Delancey Street Associates to the project was that the Essex Crossing's nine sites sit somewhat in the middle of several neighborhoods, including the East Village, Chinatown, SoHo and the Bowery, Little Italy and Nolita. The site is at the foot of the Williamsburg Bridge and near the F, M, J and Z subway lines.

"It was like the hole in a doughnut," said Charles Bendit, co-chief executive of Taconic Investment Partners LLC, a member of the Essex Crossing development team. "You had great dough all around it and this hole that needed to be filled."

The City of New York selected the team, which includes Taconic, BFC Partners and L+M Development Partners Inc., in 2013 to develop the 6-acre site of city-owned lots and low-rise buildings that had sat mostly vacant for more than four decades. The city's efforts to build new apartment and commercial buildings on the lots stretched back to 1967, when it began demolishing tenement buildings there as part of an urban-renewal push.



A drawing of the park and exterior of Essex Crossing, a \$1.5 billion mixed-use development that would be built in Manhattan's Lower East Side neighborhood. Photo: Moso Studio

Essex Crossing is expected to bring much-needed affordable housing, and the office space is likely to attract workers who can provide merchants with foot traffic during the day, said Harriet Cohen, chair of the Seward Park Area Redevelopment Coalition, a community group working with tenants cleared from the site as part of the urban-renewal efforts over the years. But she also worries about whether the streets and the existing subway access would be able to handle the thousands of new people expected to live and work in the area.

“We used to say, ‘50% of something is better than 0% of nothing,’” Ms. Cohen recalled. “We didn’t want it to stay the way it was.”

Essex Crossing’s towers, ranging from 14 to 26 stories, would offer more than 1,000 apartments and 450,000 square feet of retail space. More than half of the units would be affordable.

The development would feature a Trader Joe’s supermarket, a Target store, a bowling alley and a movie theater, and will be home to the decades-old Essex

Street Market and the International Center of Photography's school and museum. NYU Langone also will open a medical center at the site.

Among the development's most prized features is the 150,000-square-foot market that runs across three buildings below street level with a soaring atrium ceiling allowing for natural light from above. Called Market Line, the venue could hold more than 150 merchants selling prepared foods, meat and produce and ethnic specialties and other items.

By the end of the year, the development team expects to close on the \$460 million construction financing for the two towers where the office space would sit, likely beginning construction in 2018. Completion of the towers with office space is slated for 2020. The venture is anticipating rents starting in the high-\$80s to mid-\$90s a square foot, Mr. Bendit said.

"Companies pride themselves on wanting to be differentiators, disrupters," he said. "We felt that this location offered that opportunity."