

Living Gotham

An Interview with Joel I. Picket,
Chairman and Chief Executive Officer, Gotham Organization

EDITORS' NOTE Since assuming leadership in 1965, Joel Picket has led Gotham Organization Inc., a fourth-generation, family-owned, 83-year-old development and construction firm, as Chairman and Chief Executive Officer. During his tenure, Picket has overseen the successful growth of the company into one of the largest privately held construction contractors in the country. Picket's philanthropic endeavors involve a number of educational, medical, and arts institutions including board memberships at the New York Philharmonic, the Park Avenue Armory, and the Mount Sinai Health Systems. He serves on the Board of Governors and Executive Committee of the Real Estate Board of New York. He graduated from Cornell University with a Bachelor of Arts and Sciences.



Joel I. Picket

ORGANIZATION BRIEF For over eight decades and four generations, Gotham Organization Inc. (gothamorganization.com) has made a diversified impact on the New York City real estate landscape. As a family owned and operated business, Gotham develops, builds, owns, and operates distinctive real estate properties and provides third-party development, construction, and consulting real estate services. In recent years, Gotham's concentration has been the development of first-class residential projects throughout Manhattan. Living Gotham™, their award-winning portfolio of luxury residential properties, reflects a resounding commitment to excellence that results in quality, innovation, and finely executed construction. Their residential buildings become communities featuring daily breakfast service and community-oriented events, like concerts and movie screenings. In addition to its residential endeavors, Gotham has also developed a series of transformative mixed-use urban retail complexes in two major markets: New York City and Washington D.C. Gotham's vertically integrated business spans the development cycle from site identification, debt and equity financing, and construction to marketing, lease-up, and management. Gotham operates over 2.8 million square feet of residential and retail properties.

Would you touch on the heritage of the firm?

My grandfather started in the owner-builder business at the turn of the last century. In 1931, my father joined the business. It was the beginning of the Great Depression. My father felt it was too risky to be a developer at that time, so instead he

focused on construction, doing mostly renovation and a few new construction projects.

When I graduated from college, I was going to business school at night and working for my father during the day. When he died suddenly in 1966, I solved a difficult family situation by bringing in a partner and taking over the business. Initially, we were struggling to get construction work. Fortunately, shortly thereafter, our fortunes revived: good timing, hard work, and a little luck led to an engagement to build a large hospital

project in 1967. I was astounded when we immediately made the list of the largest contractors in the country.

Simultaneously, we were providing construction services for an affordable housing development. I realized that the affordable housing was mostly a builder's program. I was taking a large amount of the risk on the construction side and the owner was getting most of the financial benefit. This led me into the housing development business. At the time, it was mostly multifamily affordable housing. We continued to build for third parties as well.

It was never my goal to build Gotham into the largest contractor in the city. I thought we could make money in construction, which could be complimented with development for our own account. We have since done everything from government-assisted programs to luxury rentals and condos. My son came into the business in the early '90s and now runs the development side.

Is your business more focused on development today than construction?

We do an average of six projects a year and one of them is typically ours, sometimes two. For the past few years, we have been doing larger projects. In 2011, we closed on what was the largest development in the city for that year, a \$520-million development on the West Side now known as Gotham West.

Will a significant part of the population eventually be priced out of the New York City market?

Affordable housing is an issue. Virtually all condos are luxury. Rentals often have some component of affordability but it is not enough to make the city affordable to all who want to live here.

It's become more of a problem because sites are hard to come by. For the most part, land trades at prices that force luxury condo development. The city wants to encourage affordable housing and is

working to figure out what types of financing incentives are needed to make that happen. It is a work in progress. Everything gangs up against the development process, from the greed of the developers to the people who live in the neighborhood who don't want anything built there, to ridiculous and costly government regulations. It makes it increasingly hard to move an affordable project to completion.

Are the opportunities out there today for new development?

There are opportunities, but they're much more challenging. There is too much money chasing too few sites, so the site prices have gone up. Newcomers to the industry don't remember downturns and tend to be more bullish than folks like me, who have seen multiple cycles. We like to handle rental housing because we like to keep what we do, but it's almost impossible to find those sites. We also partner with people who want to develop their sites. We offer our development expertise and take on the risk of completion and stabilization. In exchange, we receive fees and some ownership in the finished product.

What does Living Gotham stand for?

Living Gotham stands for the lifestyle that we have created through the amenities and customization of each of our residential buildings.

At Gotham West – the building we just finished on the West Side – we built a unique amenity called Gotham West Market, the first-of-its-kind day-to-night market offering seven different restaurants. In the Hell's Kitchen neighborhood, the market brings excitement to an area that needs it, as well as an added amenity to the residents above.

We like to think we have marketing panache and keep the people who live in our places happier.

Have you looked into other markets?

We have a partnership with another company where we develop retail, and the concept was to develop inner-city retail. We leased a property from a local community group at 125th Street in Harlem. At the time, it was a new frontier for large-scale investment. We started planning a shopping center there in the early '90s and we finally built it around 2000. It was tough convincing retailers to go up there. Disney Stores was the first store to come and that attracted others to follow. The Disney Store's overall concept failed and they eventually moved out, but it allowed us to get higher rent for the space. We also did a similar project in Washington, D.C.

The major reason we're generally local is that we are in the world's greatest city and I always want to be able to see what we build. ●