

Building Brooklyn

An Interview with MaryAnne Gilmartin,
President and Chief Executive Officer, Forest City Ratner Companies (FCRC)

EDITORS' NOTE Before assuming her current post, MaryAnne Gilmartin was the Executive Vice President in charge of commercial and residential development at FCRC. Gilmartin joined FCRC in 1994. She began her career in real estate as a New York City Urban Fellow in 1986 at the Public Development Corporation (now called the NYC Economic Development Corporation).



COMPANY BRIEF Founded by Bruce Ratner in 1985, Forest City Ratner Companies (forestcity.net; FCRC) is a wholly owned subsidiary of Forest City Enterprises, Inc. and owns and operates 34 properties in the New York metropolitan area. Forest City Enterprises, Inc. is a NYSE-listed national real estate company with \$8.9 billion in total assets. The company is principally engaged in the ownership, development, management, and acquisition of commercial and residential real estate and land throughout the United States.

Has the New York City real estate market fully recovered?

There is an overall exuberance in our local real estate market today – but to really understand what's happening, we have to look at the different sectors.

In the Manhattan office market, our local economy is on solid footing and we're extremely well-positioned to participate in expansion.

By contrast, the retail segment is still growing at a slightly disappointing rate – and this is rooted in national retail trends. In New York, we have strong retail outposts, but the retailers themselves continue to experience bumpiness in their business, which ultimately impacts real estate.

On the flip side, the housing market – both rental market and condo market – are super strong. This is due, in large part, to the strength of our city on a global scale as a location for people to live, work, and play.

The city's center of gravity and urbanity is shifting to Brooklyn. We have been catalytic through our work in the borough, especially with Barclays Center. What is happening there is remarkable.

What I find most exciting is the growing value proposition that Brooklyn offers relative to Manhattan.

Condo prices increased almost 20 percent in the third quarter of 2014. While that shows incredible growth, the average condo price in Brooklyn

is still under \$1 million today for a decent-sized unit, compared to an average price across the entire borough of Manhattan of close to \$1,500 per foot. This pricing differential is compelling given the allure of the borough along with the high quality of buildings being put together with the superior architecture, layouts, and amenities.

Is New York City getting to the point where it's pricing out a large percentage of the population, and will that be a problem long term?

Of more than 6,000 units in Pacific Park Brooklyn, 2,250 units will be developed as affordable – addressing the needs of families and individuals from low- and moderate-to-middle incomes.

Affordable housing is necessary for the life of a great city. Workforce housing like this provides housing close to the urban core for low-income families as well as middle- and moderate-income families whose breadwinners are teachers, health-care workers, and civil servants. The transformation of the city's housing policy to reward and incentivize the construction of that type of housing is a major policy platform for the Mayor, and our project will contribute significantly to the administration's goal of creating or preserving 200,000 units of affordable housing over a 10-year period.

Are you surprised by the development of so many previously undesirable neighborhoods?

The residential explosion in Brooklyn, with the artists and creative class who wanted to live there, was an evolution. We believe that if we build full-amenity, high-rise living, many people who love Brooklyn will also love the ability to live in a well-designed high-rise instead of a more traditional Brownstone.

The Brooklyn market is deep and the reach is far and wide – it stretches from folks already living in Brooklyn to those living in Manhattan to growing families to people moving in from out of state. The borough's exceptionally diverse community brought about a new cultural generation of food, art, music, and lifestyle in a way that we could never have predicted.

What is the scope of the Pacific Park Brooklyn project?

On scale, it's \$5 billion and that is not including the arena, which adds \$1 billion on top of that. It has roughly 6,430 units of housing.

It is probably among the most ambitious large-scale projects underway in the country. It has

a high-level of affordability, which means it will be truly diverse and eclectic in the kinds of units we will put up – we won't just build high-priced condos.

What makes the project intriguing is that it is being built in the confluence of strong, true, and flourishing city neighborhoods today.

We have an ability to create a new standard for place-making in urban communities. We need projects like Pacific Park – healthy, resilient, and sustainable urban development – to ensure that New York takes its rightful place as a modern 21st century city.

Is the modular building concept here to stay?

The best validation of high-rise modular construction is the building standing on the corner of Flatbush and Dean. The modular construction used is invisible to the eye after it was put together. This building is defining modular success in that it's high-quality and is being built in a timely fashion at a lower cost.

It is also a living, breathing experiment. We're going to finish that building, do a thorough evaluation of what we learned, and rationalize the means of construction going forward.

There are so many compelling attributes to building modular. Today, we're still building the way our great-grandfather built and, with changing technology, that doesn't make sense any longer.

Modular has always been the obsession of even the great architects. They always fantasized about the quality control benefits of building in a tempered environment where you don't expose the architecture to the elements.

It has application in affordable housing and in luxury housing, and it might have application outside of New York.

How did you become involved in building part of the graduate school campus for Cornell NYC Tech?

We are well-suited for this project because our industry as a whole does not necessarily innovate in a chronic way. As developers, however, we are at the forefront of innovation as demonstrated by the modular building we're creating at Pacific Park Brooklyn, and the way we look at place-making and design as part of our craft.

Cornell represents an opportunity to partner with a great brand, and to use great architecture to create a totally new, vibrant, and dynamic space where the student, the entrepreneur, and the city can leverage off of each other's strengths and create something amazing. ●