

## Congrats, Kingsbridge Armory Opponents

### You've kept thousands of jobs and millions of investment dollars out of the Bronx

Imagine a family of four is looking at a rental apartment in the newly constructed Building A, which has received tax benefits. While the family likes the apartment very much, the parents are told that if they rent it, they must pay their children higher weekly allowances than they have been paying them. This family could also look at apartments in Building B across the street, which didn't receive any benefits when it was constructed. Given that the apartments in the two buildings were comparable, this would be an easy choice. In fact, all of the other buildings in the area do not require higher allowances to be paid.

Under these circumstances, potential tenants would clearly choose to rent apartments anywhere other than in Building A.

This is analogous to what has happened with the Kingsbridge Armory in the Bronx. A development agreement was proposed that would require not only construction workers redeveloping the property to be paid a "living wage," but the retail tenants that leased space in the build-

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ing would also have been forced to pay their employees the same higher wages. The living wage is \$10 per hour, or \$11.50 without benefits, versus the \$7.50 minimum wage in New York State. Many of the tenants that would be the drivers of this project would not be willing to pay wages at this level.

The result of this politically imposed requirement is that the 575,000-square-foot armory, located

at 29 West Kingsbridge Road, in the Kingsbridge section of the Bronx, remains vacant with no viable plan in sight to redevelop it.

The Kingsbridge Armory, which is also known as the Eighth Regiment Armory, is a former military facility that was constructed in the Romanesque style between 1912 and 1917. The property, which occupies an entire square block, was given to the city by the National Guard and was designated a landmark in 1974 by the Landmarks Preservation Commission. The mammoth building has been sitting vacant since 1994, producing no tax revenue for the city, offering no jobs to residents of the Bronx and providing no benefits to the community.

You would think the property's redevelopment would be a priority for elected officials.

Several plans to redevelop the property have failed for various reasons, primarily due to surprising community opposition. Most recently, in 2006, the New York City Economic Development Corporation issued a request for a proposal for the sale and redevelopment of the property. After an extensive process, proposals were submitted, and the Related Companies was selected as the developer of the armory.

Prior to Related's selection, several community organizations, including churches, neighborhood groups and labor unions, formed the Kingsbridge Armory Redevelopment Alliance (KARA). KARA's mission was, ostensibly, to ensure sustainable community-based development. Their three main initiatives were (1) to ensure the creation of schools as part of the project; (2) to develop a vision on how to create a genuine public-private partnership in the armory development; and (3), most importantly, to pass living-wage legislation in New York City. KARA's efforts were endorsed and supported by several prominent elected officials, including Bronx Borough President Ruben Diaz.

Notwithstanding that these advocates were pushing for a Community Benefits Agreement (CBA) that included these provisions, Related

was chosen as the winning bidder in March of 2008. Related's concept was to build a retail center that included many amenities beneficial to the community. In March of 2009, the city's Industrial Development Agency approved \$17 million in tax breaks for this development, and Related's plans were certified by the Department of City Planning after they successfully made it through the ULURP process in May of 2009.

The community advocates continued to push Related to guarantee living wages for all jobs at the armory.

A small detail that none of these advocates seemed to understand is that a project is not feasible if tenants will not rent space in the property. Even if the property was given away to a developer for nothing, these constraints make any development unfeasible. Related's plans anticipated

investing approximately \$310 million into the renovation of this property. This redevelopment would have created 1,000 construction jobs and 1,200 permanent jobs. Many of those opposing the plan have said that "no jobs would be better than inferior jobs."

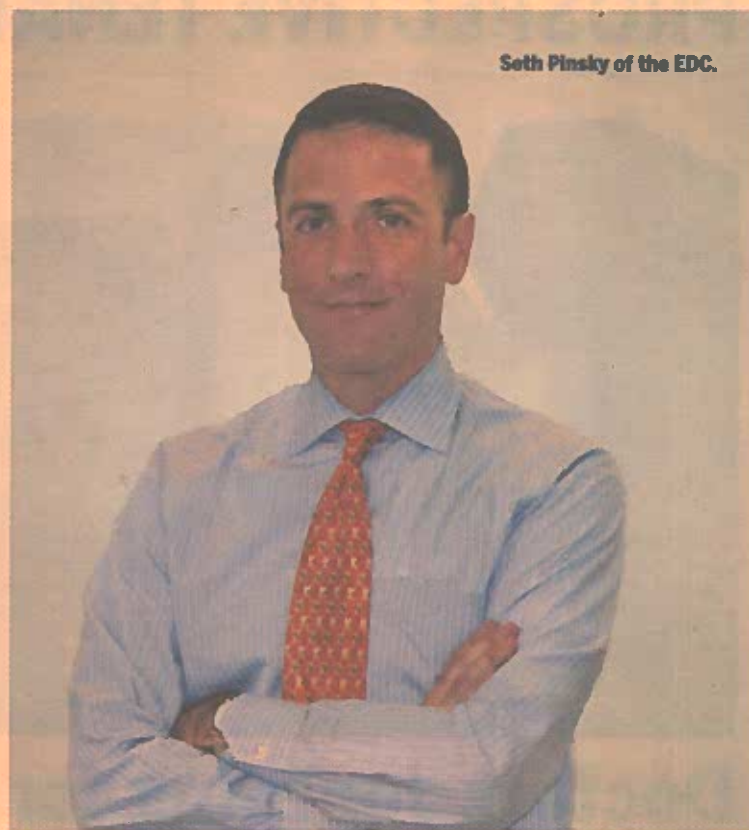
They have gotten their wish.

The argument is made that because taxpayer dollars were used to create incentives for this development, the public sector should control what the private sector pays its employees. However, what must be considered is that without public-sector subsidies, these developments are often not feasible. With \$17 million in tax incentives, the public sector can stimulate \$310 million of private-sector investment, creating thousands of jobs and producing \$85 million of real estate taxes over a 30-year period—not a bad deal for the city and the community by any stretch of the imagination.

Notwithstanding these realities, the City Council voted 45 to 1 against this project because the developer was unwilling to incorporate living-wage language into the CBA. This was a rare move for the Council, which up until now has not rejected



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Seth Pinsky of the EDC.

a major land-use proposal presented by the Bloomberg administration.

In opposing the development, the advocates took the position that the development would create huge traffic problems harmful to the local area. Their points included the following: Tens of thousands of auto trips daily through the community streets would increase congestion levels significantly; projected truck trips were grossly underestimated; off-street parking would accommodate only a fraction of the demand; Kingsbridge Armory traffic would result in increased traffic accidents; total vehicle delays would increase by 143 percent; fuel consumption would increase by 92 percent; and all of the traffic would cause additional environmental and health hazards to an area already suffering from high asthma rates.

These were among the arguments used to oppose the project. Are we to assume that these deleterious conditions would magically disappear if tenants were to pay higher wages to their employees? These advocates seem to think so.

The result today is that the armory continues to sit vacant, with no jobs created, no tax revenue generated and no benefits provided to the community. The borough president's response has been to form yet another task force to look into the redevelopment of the Kingsbridge Armory. This will be the third task force assembled to seek solutions for this wasting asset. Not only has it been an eyesore for the neighborhood, the city had to invest \$25 million into this property to address its dilapidated and dangerous condition several years ago. The new task force, very noticeably, does not include Seth Pinsky from the Economic Development Corporation, who tellingly declined to accept the position on the task force.

Today, stakeholders indicated a willingness to explore all potential uses for the property, including "expansion of the film industry, arts

and recreation space, green manufacturing or a combination of these and many other uses." Does anyone who is consulting on this project understand the amount of rent that filmmakers, artists and manufacturers can afford to pay? Although well intended, these ideas are ridiculous when it comes to the feasibility of commercial real estate development. If these uses are something the city truly wants, then the city should invest the \$310 million and "give the space away" for uses that they seek. The city would be required to continue to subsidize the operation of the building, as the rents considered affordable by tenants for these potential uses would not even cover operating expenses.

The private sector has proposed three viable plans for the armory from three well-established, credible and community-minded developers. It is clear that the advocates are seeking living wages and union protections for the construction jobs and for the permanent jobs associated with this project. Moreover, it appears they would prefer a much grander plan: a living-wage law passed citywide on any projects receiving taxpayer subsidies.

For now, the advocates claim "victory" while the future of the Kingsbridge Armory remains uncertain. There are, however, a few things that are very clear and far from uncertain: \$310 million will not be invested in the armory anytime soon; 2,200 jobs have not been created; and the city will not collect a nickel of real estate taxes on this property for the foreseeable future.

Congratulations to the project's opponents on this stunning victory for New York City.

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