

# CRAIN'S

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## MTA rail shop may disrupt office district

Long Island City plan drawing criticism; prime site targeted

BY LORE CROGHAN

The Metropolitan Transportation Authority plans to build a repair shop for railroad cars on a prime development site in Long Island City.

The MTA project is at odds with Mayor Michael Bloomberg's goal of turning Long Island City into New York's fourth central business district, on a par with midtown and downtown Manhattan and downtown Brooklyn. His administration has targeted the Queens neighborhood as one of five top-priority locales for economic development.

"This just does not jibe with our vision of Long Island City as the greatest patch of land left in New York, a place that's ready for a renaissance," says City Councilman Eric Gioia, a Democrat from Woodside, Queens.

### 18 acres

A real estate investor, Paul Marshall, holds an option to buy the Queens property. But he can't exercise his right unless the MTA decides it does not need the property for its transportation operations.

MTA wants to use the site for a \$74 million maintenance facility for Long Island Rail Road trains for East Side Access to Grand Central. It intends to build the shop on an 18.4-acre site at 49th

Avenue and 21st Street.

The location has frontage on Jackson Avenue, the backbone of a 37-block industrial neighborhood the city rezoned last year for mixed-use office, retail and residential development. It's three blocks away from a handsome skyscraper Citigroup built in 1989 in a trailblazing effort to open the neighborhood to office tenants.

### Trying to find tenants

A half-dozen office landlords have designed ambitious office projects and are trying to drum up tenants. They include big Manhattan players such as Rockrose Development Corp. and Edward J. Minskoff Equities Inc. Their efforts could be hampered by the railroad's project, advocates of redevelopment say. The site could have contributed significantly to gentrifying the neighborhood because of its unusually large, centralized location.

"It's the anchor to Jackson Avenue," says Gayle Baron, the executive director of the Long Island City Business Development Corp.

In addition to its size, the site's access to two subway lines and a Long Island Rail Road commuter stop make it attractive development land, as does the cachet afforded by the presence of P.S. 1 Contemporary Art Center right across the street, says Mr. Marshall, the Morristown, N.J.-based investor with the option on the property.

Mr. Marshall bought the option years ago, from a successor company to the Pennsylvania Railroad. In 1989, he made a play

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for the site. He lined up a developer, Zeckendorf Co., which wanted to construct a 4 million-square-foot office complex. But New York's real estate market collapsed, and Zeckendorf scrapped its plans.

### Long-term revenue stream

The deal Zeckendorf negotiated but never closed entailed leasing the land from the transportation authority rather than buying it outright. This would be an effective way for the MTA to create a long-term revenue stream, says Mr. Marshall. It would enable the

MTA to put its real estate to use in generating revenue to partly offset its \$660 million operating deficit, he contends.

He has spent the past half-decade trying to find another developer for the property. Several have taken a look, but they passed on the prospect. Arlington, Va.-based Mills Corp. eyed it as a site for a 1 million-square-foot shopping mall. Various New York City developers eyeballed it for office and apartment development.

Now, Mr. Marshall wants to acquire the property himself and find a development partner when he can.

"Long Island City is like what people say about Brazil: 'It has a great future and always will,'" he observes. "We have to get beyond that."

### Little political clout

But real estate executives believe there's little chance he will prevail, since the MTA has the right to earmark the land for its own use.

"Paul Marshall doesn't have political leverage, because he doesn't have a tenant in hand with 2,000 jobs for the city," says John Maltz, a senior managing director at Long Island City-based broker-

age Greiner-Maltz Co.

Nearby property owners were already having trouble getting things going in the neighborhood after Sept. 11. Having a rail facility built in their midst won't help their marketing efforts. The only office construction currently under way is for MetLife, a tenant that decided more than a year ago to move to the area.

"Underutilization is the word for it," says Jerry Wolkoff, who owns a development site on Jackson Avenue and Crane Street that's right beside the MTA property. "It's like taking Madison Avenue and building a rail yard on it." ■