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A Financial District development springs from the ashes

SL Green goes downtown to expand into residential



Courtesy of 7 Dey

A rendering of 7 Dey St.

C. J. Hughes

A top office landlord, after having dabbled in dorm development, is putting the finishing touches on its first ground-up [residential building](#).

This month SL Green Realty began leasing 7 Dey St., a 34-story rental tower near the World Trade Center with 209 apartments. But SL Green, which is best known for its [high-rises](#) around Grand Central Terminal, also has tucked three floors of office space into the new structure and a multiple-floor retail berth.

The housing market in the Financial District, which has been battered by Covid-19, wasn't the main driver of the decision to go with an apartment building, the developer said. It was more about financial breaks conferred under the Affordable New York Housing Program, which abates property taxes for 35 years in exchange for SL Green's offering 63 of its 209 units at below-market rates for certain income bands, said Brett Herschenfeld, a managing director of the company.

"The tax benefits have been well calculated. They give you a very good economic incentive to build affordable housing," said Herschenfeld, who added that the tax savings flow to the [office and retail spaces](#) as well.

The firm FXCollaborative designed 7 Dey, which features amenities such as two terraces and a coworking space. It offers studios to three-bedroom units at pricey rents. Studios range from \$3,500 to nearly \$5,000 per month, although a concession of a free month and a half of rent on 14-month leases slightly reduces that cost.

Still, 7 Dey leased 18 market-rate apartments between Labor Day and Sept. 13, a pace that puts the entire building on track to be fully leased by early next year, even if the neighborhood continues to struggle with empty offices and stores.

The average asking rent for studios in [rental buildings](#) in the neighborhood is \$3,700 per month, StreetEasy found, although most of those buildings have been open for a while. The Financial District has seen little in the way of recent rental development, even as landlords have begun considering older and underused office towers for conversions.

SL Green has been developing dorms for nearby Pace University in the past decade—their first collaboration, at 180 Broadway, is across the street—and, like many office landlords, has been hit hard by the virus.

In February 2020, before Covid-19 cases exploded in New York, the publicly traded company was riding high with a stock value of about \$98. Prices plummeted to around \$42 a share that May. On Sept. 10 SL Green's shares closed around \$70.

"Obviously, there have been some very dark days," Herschenfeld said. "But things are starting to recover."

7 Dey St.

This L-shaped site, home to a 34-story mixed-use building with apartments, offices and stores, was purchased by SL Green Realty by way of three transactions in several years. SL Green, a publicly traded firm, bought the bulk of the site for \$64 million in 2015 and added an adjacent parcel for \$29 million in 2016. The final piece involved the purchase of unused development rights, or air rights, from the Metropolitan Transportation Authority, which controls the Dey Street Passageway, a connection to several subway lines with an entrance next door. Those air rights cost \$18 million, records show. For decades in the late 20th century, Dey Street, named for Dirck Dey, a

Dutch farmer, ran for just a single block. But with the redevelopment of the World Trade Center, a second, pedestrian-only block was created.

World Trade Center

The site's tallest and most recognizable tower, 1 World Trade, which is owned by the Port Authority of New York and New Jersey and the Durst Organization, opened in 2014. Three others, 3 World Trade (2018), 4 World Trade (2013) and 7 World Trade (2006), were developed and owned by Silverstein Properties. The 9/11 Memorial opened in 2011.

But 2 World Trade, another Silverstein property, is awaiting an anchor tenant before it can rise from the ground. And 5 World Trade, a planned residential tower from Silverstein, Brookfield Properties and other firms, awaits approvals.

Likewise, the Ronald O. Perelman Arts Center is being developed by the Port Authority. The St. Nicholas Greek Orthodox Church and National Shrine, an \$85 million redevelopment project, is on track after delays.

195 Broadway

The blocklong, 29-story AT&T Building housed the phone company until the 1980s and a variety of office tenants since, including an office of book publisher HarperCollins. Its ownership also has fluctuated. L&L Holding and institutional investors bought the column-lined structure from the financial services division of General Electric for \$280 million in 2011 before embarking on a \$77 million redevelopment, which led to its lobby adding an outpost of sushi restaurant Nobu and an Anthropologie store. The investment seemed shrewd. In 2019 the owners unloaded the property in two sizable transactions. IStar Financial snapped up the ground under the building for \$275 million, while L&L, now partnered with a Korean investment group, purchased the leasehold position for \$498 million.

22 Cortlandt St.

In 1990 this 34-story, 1973 office building, owned by Mayore Estates, one of several firms controlled by Brooklyn real estate investor Moshe Drizin, welcomed a retail tenant on its lower six floors that would become a commanding presence on the block: a Century 21 department store. (Since 1961, when the company was founded by Al and Sonny Gindi, its Financial District location had been based next door, in the much-smaller 12 Cortlandt St.) Tenants on the upstairs floors of No. 22 include law, engineering and software firms, Mayore Estates said. The collapse of the World Trade Center towers in the Sept. 11 terrorist attacks damaged the building, but it reopened a few months later. Century 21 ran into financial problems last year, and tensions have run high between Mayore Estates and its retail tenant. In November the landlord sued Century 21, seeking to get it to give up part of its lease. Mayore Estates sued again in June, seeking \$3 million in back rent.

180–182 Broadway

About a decade ago Pace University, largely a commuter school for years, began investing in dorms for its students. Its first downtown dorm, with 230 rooms across the top 20 floors of this 23-story prewar tower, opened in 2013 by way of the development team of SL Green Realty, Wharton Properties and the Harel Group. Dorms are allowed to pack in more tenants than conventional apartments, which can boost rent revenues. The development team sold the building, whose glassy retail spaces feature an Urban Outfitters store and a TD Bank branch, to the LeFrak Organization for \$195 million in 2014. "This was the first property we bought in the neighborhood," said Brett Herschenfeld, a managing director of SL Green, which is developing a 27-story Pace dorm at 15 Beekman St. "We thought this was a great corner."

181 Broadway

This 7-story office-and-residential building, which has an Aldo shoe store on its ground floor, is owned by a family whose representative is Richard Rubel. In a sign of how the entire block can seem to be an extension of the Century 21 store around the corner, the store's owners struck a deal in the 1960s to use the basement of No. 181 for added access to one of their shops on Cortlandt Street, public records show. To piece together the assemblage for 7 Dey, SL Green approached Rubel about selling the family holdings, according to the *New York Post*, but Rubel didn't bite. Values have fallen recently. No. 181 is now worth nearly \$3.3 million, according to the city's most recent assessment, down from \$5.02 million in 2020.

25 Church St.

This block-through edifice, a former branch of East River Savings Bank that was built during the Great Depression, is also known as 21 Dey St. In 1993 a wing of a Century 21 department store was added; the walls from next-door 22 Cortlandt St. were broken through to add display space. Century 21, battered by Covid-19, filed for bankruptcy protection for its 13 stores last year, although the chain has since announced plans to reopen some addresses. But it won't return to 25 Church St., said the building's landlord, ASG Equities, which bought the property for \$4.8 million in 1993, according to records. Instead, ASG is seeking a new retail tenant for its lofty 43,000-square-foot space, where it has reinstalled separating walls.