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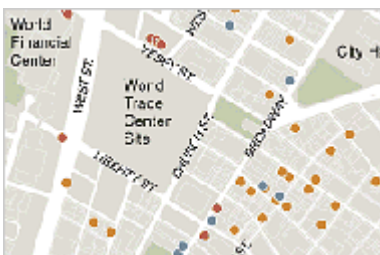
Near Ground Zero, a Mixed-Use Revival

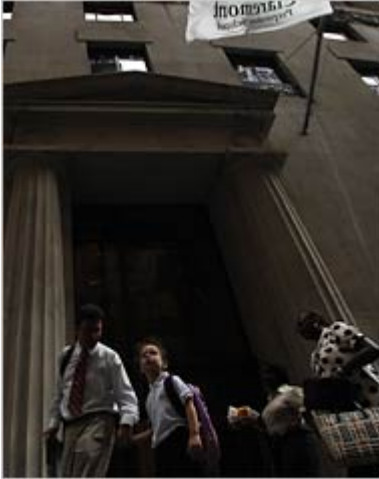


Robert Stolarik for The New York Times

Stone Street in Lower Manhattan has been transformed in recent years from what one business owner described as a trash-filled alley into a booming late-night social scene.

Six years ago, in the aftershock of the terrorist attack that reduced the World Trade Center to a smoldering pile, local officials wondered whether people would want to live or work around the financial district again.





Robert Stolarik for The New York Times

Claremont Preparatory School is a private school in a former Bank of America building. Starting its third year, it draws 40 percent of its students from downtown and charges \$27,000 a year.



Robert Stolarik for The New York Times

Karena Nigale is expanding her salons in the financial district, but high apartment rents led her to move away.



Robert Stolarik for The New York Times

Peter Poulakakos's Gold Street restaurant is open 24 hours in a neighborhood that used to shut down at 5 p.m.

Today, as new residents fill converted office buildings and jam the raucous block party that erupts nightly on Stone Street, the more likely curiosity about Lower Manhattan is: Where did all these people come from, and how can they afford to live here?

Despite the slow pace of reconstruction at ground zero, the area below Chambers Street is humming with activity, much of it designed to appeal to the well-heeled professionals who are transforming the neighborhood. Already, it has added hundreds of condominium units and hotel rooms, a thriving restaurant row, a private school charging \$27,000 a year, a free wireless Internet service, a BMW dealership and an Hermès boutique.

A Tiffany & Company jewelry store is coming soon, and plans are in place for the arrival of grocery stores, the type of business that the area has long lacked.

“There were very few who would have predicted that Lower Manhattan would have rebounded as quickly as it has, despite all of the false starts and delays and emotional overlays,” said Carl Weisbrod, president of Trinity Real Estate and former president of the [Alliance for Downtown New York](#). “There were few people who were quite that optimistic.”

The rebound is a testament to the healing power of billions of dollars in government aid, like the federal Liberty Bond program, which provided more than \$6 billion in tax-exempt financing for reconstruction downtown, as well as various rent and wage subsidies from redevelopment agencies.

Optimism abounds now among developers and merchants, who are pouring hundreds of millions of dollars into real estate along the narrow streets of Lower Manhattan. They are counting on the district, in its next incarnation, to be not just a collection of office towers and trading floors, but also a self-sustaining residential neighborhood that will appeal to families.

Even accounting for the exodus of residents immediately after 9/11, the population of Lower Manhattan has increased by more than 10,000 in the last six years, according to census data. To accommodate new residents, more than 6,000 apartments have been created in the last four years, through conversions or construction, and an additional 5,000 are planned, according to the Downtown Alliance.

Office space, now in short supply, is renting for more than it did before 9/11. Over the next several years, around 14 million square feet of commercial space is scheduled to be built, replacing the offices and stores destroyed on 9/11, according to data compiled by Cushman & Wakefield, a large real estate brokerage.

The economic rebound is indisputable, but it has left some downtown merchants with mixed feelings.

Karena Nigale has found the new financial district to be more attractive as a place to run a business, but less affordable as a place to live. Since 9/11, she has opened two hair salons — each called KK Salon — within a few blocks of the [New York Stock Exchange](#).

Ms. Nigale started out catering to investment bankers and traders with \$25 shaves and \$40 haircuts. But she has expanded to serve a broader clientele, staying open on Saturdays to serve residents of the area.

“Before, this neighborhood was operating from 8 in the morning until 5 o’clock in the afternoon,” and on weekdays only, Ms. Nigale said. She expected her business would soon become a seven-day-a-week operation.

Ms. Nigale lived above her first salon until the din from the carousers on Stone Street below her windows, along with a rent increase of more than 30 percent, drove her out. Unable to afford a suitable apartment in the sizzling downtown market, Ms. Nigale and her 11-year-old daughter decamped to the Jersey City riverfront about a year ago.

“I need two bedrooms, and there’s nothing for less than \$4,000 a month around here,” Ms. Nigale said, speaking from the larger salon she opened on Maiden Lane last year. A place to park would cost at least an additional \$400 a month, she said.

Her business, though, is thriving. Her young customers all have “big watches, expensive handbags,” and no qualms about the cost of her services, she said.

Indeed, the Downtown Alliance, the neighborhood’s business improvement district, estimates that the median annual income among the households in the financial district is \$165,000, which is about triple the figure for Manhattan as a whole.

While salons and grocers may be welcome in the neighborhood, economic development officials argue that maintaining downtown’s position as a global corporate center is important for the city and even the nation.

Nearly 20 million square feet of office space has been lost since 9/11, from the destruction of the World Trade Center, the damage to the [Deutsche Bank building](#) and the

conversion of older office buildings to residential use. Still, said William Bernstein, the acting president of the Downtown Alliance, “The financial industries will always be the backbone of Lower Manhattan’s economy.”

A recent sign that downtown’s traditional role remains viable is the decision this summer by JPMorgan Chase & Company to build a headquarters for its investment bank on the site of the ruined Deutsche Bank building. The Chase building will stand just a few blocks from where Goldman Sachs is building a 2.1-million-square-foot tower. Both are within a block of ground zero.

And 7 World Trade Center, which contains 1.7 million square feet of space, is open and more than half leased. The other buildings planned at ground zero would add 12 million square feet of office space in coming years.

Office rents downtown are 10 percent higher, at \$45 a square foot, than six years ago, and the vacancy rate has dropped below 7 percent, according to data from Cushman & Wakefield.

Business owners are finding other uses for some older office buildings besides turning them into condos. Across Broad Street from the stock exchange, a former Bank of America building has been transformed into the Claremont Preparatory School.

Starting its third year, the school has several hundred students from prekindergarten through eighth grade, said Michael C. Koffler, the chief executive of MetSchools, the operator of Claremont Prep.

About 40 percent of them live downtown, and he expects that number to grow as more apartments become available and the neighborhood gains more stores like a Gristede’s supermarket planned on Maiden Lane and a Whole Foods proposed for nearby TriBeCa.

“You see children in baby carriages all the time,” Mr. Koffler said. “You see people walking dogs. There will be many more apartments with three bedrooms, meaning the development community is acknowledging that this will be a community of families.”

For some, the neighborhood’s growing pains have been a frustrating disruption.

Tazz Latifi’s pet supply shop, Petropolis, sits three blocks south of ground zero in the street-level space of an older apartment building. Since she opened in March 2006, her

business has had to weather the relentless reconstruction of the surrounding blocks, Ms. Latifi said.

Her first unpleasant surprise came last year, when the building was emptied for a conversion to luxury condominiums. Since then, she said, Con Edison has dug up the street outside her shop three times. In recent weeks, some of the local streets have been closed because of last month's fire at the Deutsche Bank building, in which two firefighters died.

"It's frustrating for the residents here," said Ms. Latifi, 38. "I have so many customers that have moved because of the noise and the air quality."

Peter Poulakakos has had a front-row view of the less tangible changes through the windows of Ulysses' pub on Stone Street and the six other food-service businesses he and his partners operate nearby. Talking over a standing-room-only crowd on a Thursday night in late summer, Mr. Poulakakos recalled that the street, which was first paved in the mid-17th century, was a trash-filled alley a decade ago.

Now, closed to traffic and lined with restaurants and bars, it is the stage for one of the liveliest social scenes in Manhattan, a slice of South Beach tucked into the financial district — minus the palm trees and bikinis.

Inside Ulysses', which stays open until 4 a.m., couples were dancing to salsa music blaring from a D.J.'s booth. Next door at Adrienne's Pizza Bar, which serves until midnight and was named after Mr. Poulakakos's mother, a pair of women were buying a \$12 four-cheese pie to take home.

A belief in the downtown economy's ability to recover from disasters, financial and otherwise, runs in the Poulakakos family. Mr. Poulakakos's father, Harry, ran the Wall Street mainstay Harry's at Hanover Square for decades. He closed it in 2003 after his wife died, but his son and a partner revived it as Harry's Cafe and Steak.

In April, Peter Poulakakos took a bigger leap, opening Gold Street, a restaurant that never closes, at the base of 2 Gold Street, a 51-story building where two-bedroom apartments rent for as much as \$5,900 a month.

“Downtown still has a ways to go, as far as progress,” Mr. Poulakakos said. But the tide of sentiment about its prospects has clearly turned, he added.

“We get a lot of customers who used to live down here,” Mr. Poulakakos said. “They say, ‘I wish I was living here now, because it’s so different.’ ”