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FALL 2007

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SHINING THE SPOTLIGHT ON
10 PROJECTS THAT CELEBRATE
THE BEST IN SUSTAINABILITY

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Gerding Theater at the Armory
Portland, Ore.

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PAVING THE WAY

BY KATHLEEN STANLEY



STANDING TALL: The Visionaire, a condominium project under way in Battery Park City, is The Albanese Organization's third green project at this bustling tip of Lower Manhattan. Standing on the ninth floor are four of the company's key players (from left to right): Marty Dettling, a vice president and project manager at The Visionaire; Christopher Albanese, principal; Russell Albanese, president; and Jack Becker, executive vice president.

The family behind The Albanese Organization took a long shot at going green in 2000. It hasn't looked back since.

As the morning of Sept. 11, 2001, dawned in Battery Park City, construction crews at 20 River Terrace had reason to feel good. The foundation had just been finished and the first floor was being poured at The Solaire, a 27-story residential rental build-

ing on the banks of the Hudson River.

This wasn't any run-of-the-mill apartment project going up in Lower Manhattan, just blocks from the World Trade Center. It was the world's first environmentally sustainable high-rise residential building, complete with its own wastewater system

and photovoltaic cells built right into its façade.

Out on Long Island, at its corporate headquarters in Garden City, officials at The Albanese Organization were feeling pretty good that morning too. Everything seemed to be on track for the timely completion of the \$120 million Solaire.



UNCHARTED TERRITORY: Despite numerous challenges and setbacks, The Solaire (below) was lauded as the country's first LEED Gold-certified residential high-rise when it opened in 2003. Its green roof offers a view of the Hudson River (above).



Just 20 months earlier, in January 2000, the developers had gone way out on a limb. Spurred on by the opportunity to build along one of Manhattan's last slices of open waterfront, Albanese threw itself full force behind winning the RFP for the first green residential project in Battery Park City. The move had primed the family-run, privately held, full-service real estate company to assume a leadership position in environmentally sustainable development.

Then all hell broke loose.

"People lost their lives that day, so that puts everything in perspective," says Christopher Albanese, company principal and son of Vincent Albanese, the firm's vice chair. "Our people were fine, and no one got injured on the site. That night, the city came and took whatever equipment we had to use for rescue and recovery."

"After 9/11, it was chaos," says Russell Albanese, president and son of Anthony Albanese, the company's chairman and founder. "To the Battery Park City Authority's credit, they took immediate action to try to get life back into Battery Park City, which had been completely evacuated."

But reality soon sank in. Albanese would have to wait nine months to resume building. Construction loans fell through. Eventually, Liberty Bonds were issued, but not before Albanese topped out the building with its own equity.

"It was a very strange time," says Nic Jahnke, director of the Northwestern Investment Management Co., a subsidiary of Northwestern Mutual Life Insurance Co., Albanese's joint venture partner. "You didn't know nationally what was going to happen, economically or otherwise. You didn't know what was going to happen in Lower Manhattan. All

we could do was wait and determine what we thought the market would eventually [look like]."

Of course, despite courageous action and grim determination in those dark days after Sept. 11, 2001, no one—not at the Battery Park City Authority, The Albanese Organization, Northwestern Mutual Life Insurance Co., or Turner Construction, the builder—could answer the big question: Would anyone ever choose to live in Lower Manhattan again?

TURBULENT TIMES

Discussions about making Lower Manhattan—specifically Battery Park City, a 92-acre parcel of land on the island's Lower West Side—a more active part of the city had been hitting snags for decades.

The original master plan, developed in the 1960s under then-Gov. Nelson Rockefeller, was a modular assembly of futuristic designs that incorporated pedestrian traffic with parklike spaces on one level and transportation on another, subterranean level. It was an era when urban renewal was hot, but this renewal would be different: It wouldn't displace residents—the norm in so many cities—but would encourage a population influx. But the plan went nowhere.

The Battery Park City Authority, a New York state public-benefit corporation, was created by the state legislature in 1968 to plan, create, coordinate, and maintain a balanced community of commercial, residential, retail, and park space. A 1979 master plan provided the framework for development, rather than a fixed design. In Battery Park City, parcels of land under that plan are leased to developers to build in accordance with the Authority's guidelines. Beginning in 1999, those guidelines incorporated green

provisions mandating state-of-the-art environmental specifications to maximize energy efficiency and minimize water usage. By 2009, when all available sites will have been developed, Battery Park City will have eight green residential buildings and a green office building that will serve as headquarters for Goldman Sachs.

“When we announced our green guidelines and put out an RFP in January 2000, many developers and architects and engineers thought we were joking,” says Tim Carey, former Authority president and CEO. “It took a lot for Russell Albanese and Rafael Pelli [design partner and principal of Pelli Clarke Pelli Architects in New York] to do this. Both men were associated with families that had been in the development business for a long time.

“[Most] developers like to do what they did yesterday. These two men convinced their families and their partners that they should invest tens of thousands of dollars in responding to an RFP to develop a type of building that had never been done before. They are both outstanding.”

Not only is Albanese a family-run operation (in business since 1949), but many members of its management team have been together for up to 20 years. When Russell joined the company in 1979, there were just 10 employees; now, there are 40, with extra personnel brought on board for special projects. Russell, like his father, focuses on design and construction; Christopher, a lawyer like his father, concentrates on financial and legal issues. “That’s similar to the first generation,” Russell says. “Fortunately, we all get along with each other and have different strengths. We collaborate on major decisions.”

Wading into uncharted territory became a theme with

“My father and his brother always tried to invest in making a building better, [so] we were able to show examples of energy efficiency going back to the 1980s.”—Russell Albanese

The Solaire, especially in the wake of Sept. 11. It became the first project to receive support through the New York Liberty Bond program, a form of debt financing through tax-exempt private activity bonds available for capital projects. The project was also the first beneficiary of New York Gov. George Pataki’s Green Building Tax Credit, which allows building owners and developers to deduct various expenses associated with the design and con-

struction of green buildings.

One program was instrumental in getting the 293-unit Solaire finished. To encourage residents to remain in—or move to—the area, the Lower Manhattan Development Corp., a state-city agency, offered two-year commitment grants of up to \$12,000 to tenants who would sign two-year leases or buy homes in the area. The \$281 million subsidy program is widely credited with helping to repopu-

late Lower Manhattan, especially Battery Park City, where occupancy rates dropped significantly after the attacks. Russell estimates that close to 50 percent of the tenants in The Solaire’s original lease-up took advantage of these rent subsidies.

“Northwestern Mutual Life stuck with us through the difficult days and agreed to proceed with us before the [Liberty Bond] loan was closed because we were trying to meet the schedule for the rent subsidies,” Russell says. “In order to meet that schedule, we had to restart construction in July 2002. There was a great effort by both Northwestern in enabling the building to proceed, really on equity, before the loan was closed and by Turner Construction, our general contractor, which worked closely with the subs to get everything in place to meet the schedule. We were fully occupied by the late fall of 2003.”

Fully occupied, with rents averaging 4 percent to 5 percent higher than those for equivalent buildings, The Solaire uses 35 percent less energy than comparable buildings in New York state, reduces peak summertime energy demand by 65 percent, and consumes 50 percent less potable water than a traditional building of comparable size. It boasts an on-site water-treatment system, two green roofs, photovoltaic cells integrated into its exterior walls, and filtered air going into each of the 293 apartments. And it was the recipient of the U.S. Green Building Council’s first LEED Gold rating for a residential tower.

WHEN PAST AND PRESENT COLLIDE

On Sept. 5, 2003, when Gov. Pataki dedicated The Solaire as the nation’s first green residential high-rise, Albanese was al-

THE COMPANY

THE ALBANESE ORGANIZATION

- Founded:** 1949
- Headquarters:** Garden City, N.Y.
- Employees:** 40
- Notable projects (existing):** Various developments throughout New York, including green high-rises such as The Solaire and The Verdesian; residential projects (including 100 UN Plaza and The Chelsea Vanguard); and commercial buildings, such as the German Mission to the United Nations and the Lycée Français.
- On the boards (upcoming):** A third green high-rise, The Visionaire.



TEAM SPIRIT: The leaders of The Albanese Organization attribute their success to the company’s collaborative environment.

CASEY KELLBAUGH/WPN

FULL STEAM AHEAD: Currently under construction, The Visionaire (far right) will feature upscale condos designed by architect Rafael Pelli. The 251 units will overlook Lower Manhattan (interior rendering, near right).

ready looking ahead to two more green projects in Battery Park City: The Verdesian, a 252-unit rental building that achieved full occupancy within six months of its May 2006 opening; and The Visionaire, a 251-unit condominium tower that began selling in the spring of 2007 and will open its doors in 2008. Architect Pelli was again involved in the design of both projects. Northwestern Mutual Life Insurance was the equity partner on The Verdesian; Starwood Capital Group Global is the joint venture partner on The Visionaire.

The Verdesian and The Visionaire have reached even higher levels of green, proof that the process of integrating subsequent generations of a new technology is always smoother the second time around. The cost of building green has also dropped. Roughly 15 percent to 17 percent of the cost of The Solaire went toward sustainability; with The Verdesian, that added cost totaled just 8 percent.

While Albanese is fully committed to building green, this focus on sustainability isn't that much of a departure for the company. Putting in systems that reduce costs over the long haul is something it has been doing for years.

"My father and his brother, Vincent, always tried to invest in making a building better than a competing building as added value in a good market and as insurance in a down market, believing that better buildings will sell in a down market," Russell says. "One of the evaluation criteria for the Solaire RFP was to demonstrate relevant experi-



ence. We were able to show examples of energy efficiency and good development practices in other buildings going back to the 1980s."

At 100 UN Plaza on Manhattan's East Side, which was built in 1989, that meant such energy-efficient systems as central-plant heating and cooling and

programmable thermostats, which was novel at the time. At the German Mission to the United Nations, built in 1998, that translated into operable win-

THE POINTS

LESSONS LEARNED

Russell Albanese shares an example of cost-cutting by design.

As The Solaire was being planned and built, James F. Gill, chairman of the Battery Park City Authority, asked Russell Albanese to keep a diary of the development of the building. Those notes eventually became the basis for *The Solaire: Green by Design*, a 96-page booklet that outlines the entire project, from start to finish. (The booklet can be found online at www.batteryparkcity.org/page/page21_2.html.) In the afterword, Russell outlines a number of "Lessons Learned," including this discussion on design changes that helped reduce the cost of meeting water-conservation goals. The following is an excerpt:

"Though water conservation through recycling was a mandate of the guidelines, there was no cost benefit because New York City's water is inexpen-

sive. Instead, the team was able to reduce the cost of the system by refining its design. The earliest design was for a graywater system that recycled plumbing waste from sinks and appliances but not toilets. Engineering the system to include blackwater, or waste from toilets, eliminated the need for a separate waste infrastructure, thus reducing the cost. To further cut costs, the team chose to build the system's tanks out of concrete instead of fiberglass or steel. And since the tanks were located in the cellar, the construction costs were cut even more as the design progressed toward using three walls of the foundation and [the] cellar floor as tank components. Further cost reductions were realized when we increased tank size to provide for greater water conservation."

COURTESY THE ALBANESE ORGANIZATION



dows and natural daylighting. But the Garden City developers clearly went the extra mile in Battery Park City. “The Albanese

Organization took a huge chance when the Battery Park City Authority issued its green guidelines,” says James E.

Cavanaugh, the Authority’s president and chief executive. “What they did didn’t exist at the time and had the potential to be very costly. The project ran into incredible hurdles—regulatory hurdles, technological hurdles, financial hurdles, [not to mention] the attacks on 9/11. But Russell and his organization kept moving forward. Green makes good business sense, but when he got into it, that wasn’t clear.”

about profit; it’s clearly become a mission,” Cavanaugh says. “[Russell] will put an extra dollar on the table to make it work.”

Indeed, The Solaire—and its developer—has become somewhat iconic in the green world. Russell and his colleagues get more invitations to green building conferences than they can possibly attend. But he’s modest about the “first ever” nature of The Solaire, and the subsequent sustainable practices put forward with The Verdesian and the soon-to-open Visionaire.

“I can’t say that I knew that ‘green’ would be so hot,” Russell says. “We found a good opportunity in Battery Park City and then became educated [on green matters]. Development-wise, it’s really a no-brainer. Every building you do isn’t going to be a LEED Gold-certified building, but you’re certainly going to address environmental issues. With The Solaire, we just took things a step further. It’s really a good direction for this company.” ■

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FUTURE FUNDAMENTALS

And business is what it’s about. When all is said and done, the numbers demonstrate that both traditional and sustainable development can be profitable, especially when you have the collective expertise of a nearly 60-year-old company. And while green will not be the company’s only focus moving forward, it will continue to shape and define future projects.

“Green to them is not just



SECOND GENERATION: Roughly 8 percent of the cost of building The Verdesian went toward green features. About twice that was spent on the building’s predecessor, The Solaire.

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