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TRI-STATE AREA

Brooklyn Isn't Just for Startups

Established Manhattan companies move for tax incentives, talent and cheap rent

By Kate King / Photographs by Lauren Crothers for The Wall Street Journal

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Women's fashion company Lafayette 148 was firmly rooted in Manhattan for more than 20 years.

Then company executives decided to leave the SoHo address they had named the company after for the Brooklyn Navy Yard, where they could rent more space for nearly a third of the cost. Chief Executive Deirdre Quinn worried customers and employees—accustomed to fashion companies being in Manhattan—wouldn't follow them across the river, but decided to take the risk.

Much of Brooklyn's growth over the past decade has been credited to startups, but bigger, established Manhattan companies have also been moving to the borough. Business leaders say they are lured by cheaper rent for more space, lucrative tax credits, proximity to creative talent and customers, as well as shorter commutes for their Brooklyn-based employees.

"I think what we gave up, we gained twofold," Ms. Quinn said in a recent interview at her office, which overlooks the lower Manhattan skyline. A year and a half since moving, she said the company lost some employees but hired dozens of Brooklyn residents, including executives and designers. All of its accounts—from Neiman Marcus to specialty boutiques—have been willing to come to its new showroom.

Rent the Runway, an online clothing-rental company founded in 2009, plans to move its headquarters this spring into a Dumbo office nearly twice the size of its Hudson Square location. Digital advertising agency thelab, started in 2002, plans to leave Hudson Yards and move its 130 employees into a bigger space in Dumbo this spring.

Brooklyn's creative industries have seen particularly robust growth, according to the Center for an Urban Future, a nonpartisan think tank. Employment in sectors such as architecture, design, film and advertising grew 155% between 2007 and 2017, to 8,868 positions. Manhattan has many more creative jobs but is growing at a slower pace, about 17% over the same period, to 170,398



The offices of fashion brand Lafayette 148, which left SoHo after more than two decades for the Brooklyn Navy Yard.



Lafayette 148 CEO Deirdre Quinn says of the move to Brooklyn: 'I think what we gave up, we gained twofold.' PHOTO: LAUREN CROTHERS FOR THE WALL STREET JOURNAL

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companies are now asking how close they can be to the G train,” said David Ehrenberg, CEO of the Brooklyn Navy Yard Development Corp., a not-for-profit organization focused on bolstering the area’s industrial sector. “A lot of their current talent lives here.”

Blue State, a marketing agency, relocated to downtown Brooklyn after 10 years in Manhattan in large part because about 70% of the company’s 80 New York-based employees lived in the borough, said Kate Swann, chief operating officer. The move, completed in July, has been an adjustment for the company’s C-suite executives, half of whom still live in Manhattan and New Jersey.

“I can’t say we were super excited about moving to Brooklyn,” said Ms. Swann, who lives in Manhattan’s Chelsea neighborhood. “I’m personally enjoying it a lot more than I thought I would be. It’s like I’m discovering a new city.”

Many companies, including Lafayette 148 and Blue State, have applied for incentives through the city's Relocation and Employment Assistance Program, which offers an annual tax credit of \$3,000 per employee for 12 years to eligible businesses that move to certain locations in upper Manhattan or the other four boroughs. The city awarded \$33 million in REAP tax credits last fiscal year, according to the city comptroller's annual financial report.

After 15 years in Manhattan's West Village, cinema and broadcast equipment and services provider AbelCine moved more than 80 employees to a 44,000-square-foot space in Brooklyn's Industry City, CEO Pete Abel said.

The company completed its move in 2017 and was awarded tax credits, but Mr. Abel said he would have gone to Brooklyn even without the incentives to be closer to his customers. Rising real estate costs have pushed cinematographers as well as production and media companies to Williamsburg and Greenpoint, he said.



An office at Lafayette 148 has a view of the lower Manhattan skyline.

The tax credits were a key reason he picked that location, however, and prompted him to rent more space than he had originally planned. Without them, "we would not have grown the business in the same way and at the same pace," Mr. Abel said.

The incentive program will stop accepting new applications this summer unless state lawmakers renew it.

Lafayette 148 also received tax credits, but Ms. Quinn said cheaper rent was what really pulled them to Brooklyn. Ms. Quinn and factory owners Shun Yen Siu and Ida Siu started the fashion company in SoHo in 1996 when rent cost \$9 a square foot. Twenty years later, they were paying more than 10 times that for 70,000 square feet on seven floors, she said.

At the Brooklyn Navy Yard, Lafayette 148 pays about a third of the rent for 100,000 square feet. The company makes its clothing at its factory in China but has its showroom, sample room and pattern room in Brooklyn, Ms. Quinn said. The company used the money it saved on rent to open two new stores, on Madison Avenue and in Manhasset, Long Island.

The original brass building numbers from Lafayette 148's former location hang on the white wall behind Ms. Quinn's desk. Even for a company named after an address, brand matters more than real estate, she said.

“If you give a good product, the buyers will find you,” she said.

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