

# Bronx Merchants Weigh Move

*City Talks Become Adversarial as Lease for Hunts Point Market Nears Expiry*

By ELIOT BROWN

The Bloomberg administration is sparring with the Bronx businesses that control the country's largest wholesale produce market who are dangling the threat of moving their business and their 3,000-plus jobs to cheaper sites in New Jersey.

The future of the produce market at Hunts Point, through which the bulk of the city's fruits and vegetables pass, has been under discussion for years. Both the city and the business owners want to upgrade the 110-acre bustling hub by adding modern warehouse space and renovating existing buildings.

But these talks are now intensifying and becoming more adversarial because the lease for the city-owned facility expires in June. Negotiations over a new lease kicked off in earnest this month when the merchants' umbrella organization, the Terminal Produce Cooperative, submitted a draft set of terms.

The market is set in an industrial pocket of the South Bronx that also includes the Fulton Fish Market. The question of how much the merchants should pay for an upgraded facility has become central to talks over a new lease.

While neither the merchants nor the city would provide spe-

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cifics of the negotiations, the Bloomberg administration believes the term sheet calls for far too much city subsidy. A city official says the amount of payments for the facility in the cooperative's proposal was "an outrageously low offer."

The merchants, who say they haven't yet sat down to discuss the term sheet with city officials, say it was an initial offer and they are open to compromise.

"That doesn't surprise me," Matthew D'Arrigo, co-president of the cooperative, says of the city's response. "It'll be a



Truck driver Mike Griffey prepares California-grown onions for unloading at Hunts Point market in 2006.

very contested negotiation, but I think both parties are sincere and are serious. We're going to make some headway."

The market has been an industrial staple of the South Bronx for decades, ever since the wholesalers moved out from TriBeCa to set up shop at the endless rows of long warehouses in Hunts Point, to which a constant stream of trucks drop off and pick up produce for buyers and sellers. The market serves both the city and the region, and is estimated to generate more than \$2 billion in revenue a year.

Wary of competition from other sites in the northeast, including a modern wholesale produce market in Philadelphia set to open in January, the merchants and the city have crafted plans for two new large warehouses of a total 600,000 square feet with new refrigerated space and more efficient access.

Neither side is willing to pay the approximately \$320 million price tag for the facility in its entirety, and earlier this fall, the merchants began searching for alternative sites in New Jersey, a tactic that can help to gain leverage with an administration wary of losing jobs.

Sid Davidoff, a veteran lobbyist who represents the cooperative, called the more than 3,000 employees who work at the market "a very valuable asset" in discussions with the city.

"It's not an asset that I would want to lose, so that has a certain value in this," he says.

To be sure, the merchants do not yet have specific offers on the table from New Jersey, and alternate sites have been considered in the past, with no moves made.

But the cooperative's real estate adviser, Jones Lang LaSalle, is on the search for sites across the Hudson where building costs tend to be lower, and there exists a different set of incentive programs that can be lucrative for companies relocating from other states.

"We need a new facility; it's falling apart, and we're just looking at all our options," says Stephen Katzman, co-president of the cooperative. "I think Jersey has a lot of pluses."

Other issues under discussion in the lease negotiations in the city include the design of the upgraded facility and the role of the regulatory agency that oversees the market, the Business Integrity Commission, with which

the merchants have tangled in recent years. The market became subject to stronger regulatory oversight during the Giuliani administration, after it faced allegations of mob-related corruption.

The merchants say in exchange for a new facility they are willing to pay more than their current rent—about \$5 million per year for the whole facility—although the two sides clearly differ on how much more.

The Bloomberg administration's position is partly colored by the financial problems weighing on the city. Its initial tough response in negotiations also appears to be due in part to frustration over the pace of talks, which have been going on for months with little progress.

"If we are going to reach an agreement, time is of the essence, and we hope that the produce market cooperative sees that," Seth Pinsky, president of the city's Economic Development Corporation, says in a statement. "The bottom line, though, is that we remain eager to agree upon a feasible financing solution that will allow us to keep this important and profitable asset in New York City."