

THE WALL STREET JOURNAL.

Below the Surface Lies Retail

Construction is on track to begin on underground retail concourse leading to 59th Street-Columbus Circle subway station



Susan Fine, a developer behind the planned Turnstyle shopping concourse, which would lead to the 59th Street-Columbus Circle subway station. *PHOTO: KEVIN HAGEN FOR THE WALL STREET JOURNAL*

By

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May 25, 2015 8:39 p.m. ET

A busy street or a cranny in Manhattan's soaring skyline is where developers usually look for their opportunities in New York City. Not Susan Fine, though.

Ms. Fine is placing her bet on two blocks underground, on the corridor leading to the 59th Street-Columbus Circle subway station. The \$14.5 million retail concourse is aptly named Turnstyle, and construction should

start in about a month now that [Goldman Sachs Group Inc.](#), through its Urban Investment Group unit, has signed with Ms. Fine and investor Howard Glatzer as a joint venture partner.

Although not large, the subterranean marketplace represents a departure from the way the Metropolitan Transportation Authority has handled retail development within its real estate portfolio. The agency is relying on private dollars to develop the site instead of using money from its own budget—public funds—for the upgrades and maintenance.

“It’s not our core business to develop shopping centers,” said Jeffrey Rosen, MTA’s director of real estate. “So we’re interested in demonstrating the attractiveness where a developer comes in with [his] own financing and improves the space and takes on the long-term responsibility for managing and leasing the space.”

In 2012, the agency selected Ms. Fine and Mr. Glatzer’s proposal as the winning bid for a 20-year master lease to take over the 15,000 square feet of retail space. The terms of the lease were approved last week. The space, already 75% leased, is scheduled to open by the end of the year.

Right now, the dimly lighted gray corridor extending south of the subway station consists of a handful of storefronts built during the station’s revamp about two years ago, an MTA spokesman said.



A rendering of a food court that will be part of Turnstyle, an underground retail development at the 59th Street-Columbus Circle subway station. The space, already 75% leased, is set to open by the end of the year.

PHOTO: ARCHITECTURE OUTFIT

Eventually, there will be 34 shops catering to the estimated 88,000 people who pass through the station on a weekday; rents average about \$300 a square foot, about half of what a square foot goes for above ground, said Ms. Fine.

“It’s much cheaper than being above ground,” said Laura Gurski, a partner and global leader of the retail practice at consulting firm A.T. Kearney. “It does provide a very innovative and interesting opportunity for some retailers to penetrate a highly urbanized environment.”

Many of the shops in Turnstyle are local, with two or three locations. They will emphasize convenience, offering “grab-and-go” merchandise—coffee, baked goods and the forgotten cellphone charger or ear buds—and impulse purchases such as gifts, wine, craft beer, bath products and handbags.

A food court at the southernmost end will serve up dishes from New York City’s better-known neighborhood restaurants, including Ignazio’s, a pizza restaurant in Brooklyn’s Dumbo area, and Ellary’s Greens, a West Village organic and natural cafe.

“They’re not what you would expect to find, and they are probably a little bit more edgy,” said Ms. Fine, who led the MTA’s revamp of Grand Central Terminal in the 1990s and has managed developments for such major companies as [Brookfield Property Partners LP](#) and Fisher Bros.

Ms. Fine’s vision fit well with the investment strategy of Goldman’s Urban Investment Group, which has helped finance many private-public projects in both the city and the state to revitalize spaces and create jobs, said Margaret Anadu, a Goldman managing director. Goldman is providing about \$3.5 million in equity investment and roughly \$9 million for construction.

The store owners in Turnstyle will be invited to apply for Goldman’s small business program, which offers practical education, mentorship and access to financing, Ms. Anadu said.

“Turnstyle is really putting these growing small businesses—the guy who is opening a second pizza store—alongside already successful national retailers,” Ms. Anadu said. “We think it’s really going to help build these small businesses and increase jobs.”

Creating an underground shopping concourse has its challenges, retail experts said. Designing signs that will bring people from street level to below ground will be critical to the project, said Marshal Cohen, chief industry analyst for research firm NPD Group.

“Going downhill is much more of a barrier to cross when it comes to commercial real estate,” Mr. Cohen said. “People are more willing to climb stairs than go down them.”

Turnstyle will have many signs, including those branding two subway entrances on the street. Once below, a whitewashed ceiling and plenty of lighting will help lift the heavy infrastructure of beams overhead, said Marta Sanders, principal with Architecture Outfit, the firm that designed the project.

The daily pedestrian count, proximity to other major retailers at the Time Warner Center at Columbus Circle, and the diverse cross-section of potential shoppers in the subway made it easy for Ignazio's owner Louis Termini to decide that he wanted to open The Pizza at Turnstyle.

"With Whole Foods, the Time Warner [Center] and all the activity around there it's just a great spot," Mr. Termini said.

Kit Pepper of Kit's Underground Wine and Spirits was drawn to Turnstyle because Ms. Fine and her team had created a balanced selection of tenants that included other independent businesses.

"The idea that Susan's company would court smaller businesses was attractive to us," said Ms. Pepper, a co-owner of the wine shop. "To me, that helps keep Manhattan interesting."