



Sunday, November 28, 2010

Q&A: George Vallone, Hoboken Brownstone Company

Posted By Susan Piperato

Founded in 1980, the Hoboken Brownstone Company has distinguished itself by recreating suburban neighborhoods from Hoboken, NJ to Philadelphia, PA-neighborhoods that thrive thanks to the company's respectful redevelopment style, which combines classic urban architecture combined with luxury appointments and modern style. We caught up with co-founder George Vallone to talk about Hoboken Brownstone Company's innovative upcoming projects, including building New Jersey's first Aerated Autoclaved Concrete factory.



Tell us about the founding of Hoboken Brownstone Company.

Daniel Gans and I met at Gettysburg College freshman year in 1972. We were both members of the track team and began working out together as well as socializing. By the end of four years we had the opportunity to get to know each other pretty well and we often discussed our future ambitions during the long commutes back and forth to our respective Bergen County homes for holiday breaks and vacations. After graduation from Gettysburg, I attended Fordham University for an MBA in Finance and Dan attended Pratt University for a Masters Degree in Interior and Environmental Design. During that time, we had decided to start a real estate development company. We were very fortunate that we had a mentor who was meeting with us frequently to discuss our plans.

After spending approximately three years investigating various market opportunities in the New York metropolitan region, we discovered Hoboken and a four-story brownstone on Third Street, which was for sale at the time for \$20,000. Our mentor agreed with us that this was the perfect size project to begin our development careers. We bought the property in 1980 and renovated it into the first condominiums sold out in the city of Hoboken. That project was followed by a series of larger and larger projects among them the first new mid-rise condominium, the first new high rise condominium, built and sold in 1983 and 1985 and in 1998 we landed our largest project. The best site on the Gold Coast was the Maxwell House development, a 24 acre former coffee factory between 10th & 12th Street on the Hudson River in Northern Hoboken. We purchased, site planned, and obtained all approvals for a 1.8 MSF mixed use development consisting of 832 residential units, 50,000 SF of retail and 160,000 SF of office. Also part of the plan was the construction of Maxwell Park. This 6.5 acre park, the largest in the City, had a new 500 foot fishing pier, playing fields, concert and cultural space, a kiddie playground, dog run, and a Boathouse that is an exact replica of the original NY Yacht Club built in 1846 on a natural sand beach.

Our current project is a 7-acre brown field redevelopment in downtown Jersey City on the site of the former Van Leer Chocolate Factory. We have received brown field clean up approvals from the state and zoning approvals from the City of Jersey City to construct 482 residential units and 7,500 SF of retail space along with associated parking. Part of the development will be the construction of a 1½-acre park to be called Van Leer Park, which will be donated, to the city upon completion. The park will have a community garden as we are participating in the Sustainable New Jersey Communities Urban Agriculture Program. This project also received a grant from the NJ Board of Public Utilities for \$3.6M to demonstrate geothermal and other energy efficiency technologies. We believe this project will set the bar for sustainable redevelopments in New Jersey.

What is your mission? How are you unique?

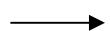
Our mission is always to strive to perform and maximize the triple bottom line of each one of our projects. The triple bottom line means the environmental, social, and economic bottom line of benefits produced by the project. We are unique because we balance the need for enhancing the natural environment with winning community acceptance by delivering community objectives along with programming the requirements of the site to achieve the projected returns to our investors.

We are unique because we involve the community in each project we take on right up front. Our goal is to gain widespread community support by incorporating input on aspects important to the neighborhood and those impacted most by the development. Because of this community outreach process, we typically gain projects approvals very quickly. At the same time as we are visioning the project with the impacted communities around our projects, we reach out and elicit input from the city officials involved in planning and redevelopment on a citywide scale. By doing so, our design team gains understanding of their objectives and how our project can contribute to their success. This "bottom up - top down" outreach allows us to plan a development that will be accepted and supported at all levels. This approach is unique because we avoid the kinds of problems our competitors often experience when they spend substantial amounts of time and effort is planning for a site with no input whatsoever from the community or city officials. Time and again we have watched these projects get attacked and defeated by overwhelming community opposition while they are attempting to get their zoning approvals.

Our goal is to never have to explain a project to a neighbor or a politician on the night of a Planning Board presentation. By the time we appear before the Board, our goal is that everyone impacted by our project should have had ample opportunity to study and critique our proposal, all questions should be answered, and all input should had been carefully considered and adequately addressed.

You seem to be thriving while the industry goes through economic difficulties - is that thanks to sustainability?

In the current economic environment, particularly in the housing sector, we consider "thriving" to simply mean survival. We have been able to survive by the way we finance our deals and by the type of deals we elect to invest in. We pick properties that are very well located but where we can get an excellent 'buy' because the site has significant challenges like lack of zoning or contamination issues. Given our experience with gaining complex high profile entitlements and performing environmental remediation work, we have the ability to add substantial value to a property. This can protect our investors return expectation even during extended market downturns. This business model insures 'Economic Sustainability'.



Traditional sustainability, in the more commonly accepted understanding, i.e. using renewable resources, reducing energy demand, and lowering carbon emissions in our projects, is a major emphasis on our current project and will continue to be on future projects. Energy supply globally is no longer a matter of pure economics; it is a matter of national security and ultimately the survivability. Although we believe that in the near future building codes will require more energy efficient lower carbon emitting buildings, those energy codes do not exist today. Our Van Leer Place project is piloting innovative technologies and demonstrating that buildings can be built that can last longer, use significantly less energy, emit less carbon, and have much healthier interior air quality for a cost that is paid back within a reasonable time period.

What are some of your upcoming projects?

Our upcoming project is Van Leer Place which will be under construction later this year. We are also looking at raising \$65 million in private equity to build New Jersey's first Aerated Autoclaved Concrete (AAC) factory. AAC is the most energy efficient "mass wall" enclosure product available in the world today. Although it is manufactured in over 350 plants in 40 countries worldwide, the United States only has two plants manufacturing AAC, one in Florida and one in Georgia. We believe that reducing energy demand in buildings is the best way to solve the energy crisis. Buildings consume 40% of all energy used in the United States. The vast majority of that energy is spent heating and cooling buildings, a process made more expensive than it needs to be due to the way buildings are currently being built. Buildings "happenstantially" leak energy all the time and they intentionally waste energy due to venting requirements that continuously exhaust thermal energy.

AAC buildings create a super tight enclosure that prevents energy leakage and in fact stores thermal energy in the walls for re-use as the interior temperature decays. Our Van Leer Place project modeling indicates that, with an AAC enclosure, it will use 64% less energy than conventionally built buildings. Combining a mass wall enclosure of AAC with energy recovery ventilation equipment and alternative energy (geothermal and solar) can raise the energy reductions to as high as 90%. That is virtually a net zero energy building.

What are your proudest accomplishments? What so you feel best about at the end of a workday?

Being an urban homebuilder responsible for some of the largest projects in the area carries with it a great deal of pride. When we drive along Sinatra Drive between 10th and 12th Streets we see the Maxwell House residences and Maxwell Park (the largest park in the city of Hoboken). When we see children playing, dogs running, and people enjoying acres of open space on the river with fantastic Manhattan views, we feel a great sense of pride for having improved my community and the families who live and play there.

Two of our projects built in the '90s (60-68 Jefferson St. & 88-98 Madison Street) received Historic Preservation Awards from the City Historic Commission. These were the first and second Historic Preservation Awards ever awarded to new construction projects. It gives us great pride to be able to demonstrate to our peers how to build new projects that blend in to neighborhoods built over 150 years ago.

We feel best that people are living comfortably and happily in homes designed and built by us that are also quality investments, playing in parks planned by us, and that we have had the opportunity to make the cities where we have developed better quality places to live.