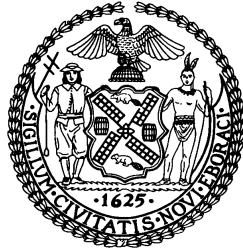


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THE COUNCIL

BRIEFING PAPER OF THE LAND USE DIVISION
Raju Mann, Director

COMMITTEE ON LAND USE
Hon. David Greenfield, Chair

May 6, 2015

Oversight: Industrial Land Use and Zoning Policy - Challenges and Opportunities

INTRODUCTION

On May 6, 2015 the Committee on Land Use, chaired by Council Member David Greenfield, will hold an oversight hearing entitled “Industrial Land Use and Zoning Policy: Challenges and Opportunities.” Representatives from the New York City Department of City Planning and Economic Development Corporation, as well as Industrial Business Zone (IBZ) service providers, business owners, planning experts, and community organizations have been invited to testify.

This Committee Report draws heavily on research produced for the City Council’s *Engines of Opportunity* report released in November 2014.¹ The report outlined the history of the manufacturing sector and industrial land use policy in New York City and proposed recommendations for new zoning tools to establish sufficient protections for the industrial sector, provide a framework for more productive development of employment centers across New York City, and take advantage of opportunities to potentially integrate housing development with industrial uses where appropriate and feasible.

The Committee on Land Use recognizes that zoning tools alone do not offer a complete solution for strengthening the industrial sector and local economic development. Coordinating infrastructure investment, linking workforce development with new job creation, deploying incentives strategically, and partnering with non-profits/ manufacturing advocates to help grow the sector are all necessary to unleash the full potential of our neighborhood economies.

But thinking differently about zoning regulations is a crucial first step. In recent years, it has become abundantly clear that the policy of designating Industrial Business Zones without

¹ PDF of *Engines of Opportunity* available at <http://council.nyc.gov/downloads/pdf/NYEO.pdf>

also changing the underlying zoning to protect industry from competing commercial uses has not been an effective strategy to promote industrial retention and growth.

At today's hearing, the Council would like to gather more information about the administration's plans for protecting and encouraging the growth of the industrial sector and achieving the full potential of manufacturing zones as local employment centers across the five boroughs. The Council would also like to gather feedback from the business community and the public on the proposals suggested in *Engines of Opportunity* and any additional ideas on how to best achieve the expressed goals.

BACKGROUND

JOBS AND WAGES IN NEW YORK'S INDUSTRIAL SECTOR

The industrial sector in New York City accounts for an estimated 341,000 jobs, or nearly 10% of the private sector workforce.² Since the beginning of the economic recovery in 2010, job totals in the manufacturing subsector have held steady at roughly 75,000, halting a decades-long pattern of severe decline. Since 2010 the other industrial subsectors have each grown by over 5%, with January 2015 estimates of 142,000 jobs in wholesale trade and 123,000 jobs in transportation, warehousing, and utilities.³

Employment and wage data from the United States Bureau of Labor Statistics reveals that most jobs in the industrial sector pay significantly higher wages than those in the service sector.

Citywide, jobs in the manufacturing, wholesale trade, transportation and warehousing, and utilities sectors paid over \$21.3 billion in annual wages in 2013 for an average annual wage of

² New York State Department of Labor, Current Employment Statistics.

³ New York State Department of Labor, Current Employment Statistics. Some analyses include construction as part of the industrial sector. For the purpose of this analysis, which focuses on the business activity present within manufacturing zoning districts, construction was not included since the vast majority of construction labor occurs outside of these districts.

nearly \$67,000, compared to an average annual wage of only \$34,000 for workers in the retail, restaurant, and hotel sector.⁴ In the outer boroughs, the industrial sector paid an average wage of roughly \$51,000 compared to only \$25,000 for retail, restaurant, and hotel jobs. Development trends in the past decade have led to rapid growth in these low-wage service sector jobs in comparison to the industrial sector.⁵

NEW YORK'S INDUSTRIAL LABOR FORCE

Industrial jobs are of particular importance to communities of color, recent immigrants, and job-seekers who lack a college degree. The industrial workforce in New York City is over 80% people of color and over 60% foreign-born.⁶ A plurality of the industrial workforce in New York is Hispanic, and nearly 1 in 7 Hispanic New Yorkers has a job in the industrial sector. These jobs provide an important source of living wage employment for communities across New York City. Neighborhoods where the sector plays a particularly important role in local employment include most of the south and central Bronx, Washington Heights, Woodside, Corona, Jackson Heights, Flushing, Richmond Hill, Ozone Park, Woodhaven, Jamaica, and Ridgewood in Queens, and Bushwick, Cypress Hills, East New York, Sunset Park, and Bensonhurst in Brooklyn. In 22 City Council Districts, at least 10% of the employed population is engaged in the industrial sector.⁷

⁴ United States Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW) 2013. Available at <http://www.bls.gov/cew/data.htm>. QCEW data is industry-based and includes all employment by businesses within the sector in all occupations at all levels entry-level to management. Other wage and employment data sources such as the Occupation Employment Statistics (OES) survey are occupation-based and have much smaller sample sizes than the QCEW. For examining wages within the industrial sector, QCEW is the most accurate and relevant dataset. Nevertheless, industrial occupations also show an advantage compared to retail and service occupations in OES data, with “experienced” industrial occupations earning 60% greater average annual wages.

⁵ In 2005, jobs in the industrial sector in Brooklyn and Queens outnumbered jobs in the retail, hospitality, and restaurant sectors 183,000 to 156,000. Since then, the low-wage service jobs in Brooklyn and Queens have grown to 207,000 while the industrial sector has shrunk to 172,000 jobs. US BLS QCEW Data 2013

⁶ US Census, American Community Survey 2012.

⁷ US Census, American Community Survey Five Year Sample 2008-2012, aggregated to council district boundaries at the Census Block Group level.

City Council Districts with Significant Industrial Labor Force

Council District	Member	% of Workers Employed in Industrial Jobs (not including construction)
21	Ferreras	16.1%
25	Dromm	15.2%
37	Espinal	14.2%
38	Menchaca	14.1%
14	Cabrera	14.0%
17	Arroyo	13.9%
28	Wills	13.2%
15	Torres	13.1%
16	Gibson	12.8%
47	Treyger	12.5%
26	Van Bramer	12.5%
10	Rodriguez	11.6%
42	Barron	11.6%
8	Mark-Viverito	11.6%
20	Koo	11.4%
27	Miller	11.3%
34	Reynoso	11.3%
18	Palma	11.2%
30	Crowley	11.2%
32	Ulrich	11.2%
43	Gentile	10.0%
48	Deutsch	10.0%

ROLE OF THE INDUSTRIAL SECTOR IN NEW YORK'S ECONOMY

The vast majority of New York City's industrial businesses are small businesses; 78% have fewer than 10 employees and 89% have fewer than 20 employees.⁸ These firms provide essential services for many of the city's most highly valued industries. After decades of global restructuring and years of increasing real estate values, it is widely recognized that most of the manufacturing business that remain in New York City are those that have a special need for proximity to local supply chains and markets.⁹ Looking more closely at employment trends in

⁸ US Census, County Business Patterns 2012.

⁹ Pratt Center for Community Development. "Issue Brief: Protecting New York's Manufacturing Space." 2008. http://prattcenter.net/sites/default/files/threatened_manufacturing.pdf; Winifred Curran, "In Defense of Old Industrial Spaces: Manufacturing, Creativity, and Innovation in Williamsburg, Brooklyn." *International Journal of Urban and Regional Research* 34.4 (December 2010): 871-885.

manufacturing subsectors, recent growth has concentrated in food and beverage manufacturing, in sectors like wood, metal, and stone-working, and in the promising field of high tech electronic manufacturing.¹⁰ Food manufacturers deal with highly perishable products and must make daily deliveries to markets throughout the city. Highly specialized wood, metal, and stoneworkers manufacture customize products for the arts and design industries as well as the construction industry. On the other hand, the manufacturing subsectors that continue to shrink in New York City represent mostly heavier categories of industry typical of the older industrial economy such as paper, machinery, chemicals, plastics, and textiles.

The other industrial sectors of wholesale trade, transportation and warehousing, and utilities are also critically important to the functioning of the overall city economy. Wholesale trade provides the underpinning for the entire local retail economy of the city. Shipping companies like UPS and Fedex need local sorting and distribution locations. City government needs space for essential infrastructural functions like waste disposal and recycling, as well as garages and workshops for maintenance vehicles and tools.

The connection between industrial land uses and the broader urban economy has been recognized by other large cities across the United States. Boston conceptualizes the industrial sector as the “Back Streets” economy that “main street” depends on for essential services.¹¹ San Francisco uses the term “Production, Distribution, and Repair” (PDR) to emphasize the interconnectedness with the rest of the business community.¹²

¹⁰ United States Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW) 2013

¹¹ Boston Redevelopment Authority. “Back Streets Boston: Overview.”

<http://www.bostonredevelopmentauthority.org/business-dev/initiatives/backstreets-boston/overview>

¹² San Francisco Planning Department “Industrial Land in San Francisco: Understanding Production, Distribution, and Repair.” San Francisco Planning Department, July 2002. <http://sf-planning.org/Modules/ShowDocument.aspx?documentid=4893>

NEW YORK'S CURRENT MANUFACTURING ZONING FRAMEWORK

New York City's manufacturing districts are governed by the framework established by the Zoning Resolution of 1961, which evolved from the earlier Zoning Resolution of 1916.¹³ The city is divided between three primary categories of zoning district: residential, commercial, and manufacturing. Manufacturing districts are divided into three basic categories based on the level of "objectionable influences and hazards": "M1" for high performance (less polluting/noisy) manufacturing, "M2" for medium performance, and "M3" for low performance and open industrial uses like power plants and scrapyards¹⁴.

The City's stated rationale for creating separate manufacturing districts was to protect residential and commercial areas from noxious emissions and noise, to encourage industry to have higher performance, to reduce congestion by limited bulk and requiring off-street parking, and to protect manufacturing uses from competing uses.¹⁵ In this last regard, the Zoning Resolution of 1961 asserted the following goals:

"To provide sufficient space, in appropriate locations, to meet the needs of the City's expected future economy for all types of manufacturing and related activities, with due allowance for the need for a choice of sites...To provide, as far as possible, that such space will be available for use for manufacturing and related activities...To promote the stability of manufacturing and related development, to strengthen the economic base of the City, to protect the character of the district and its peculiar suitability for particular uses, to conserve the value of land and buildings, and to protect the City's tax revenues."

This language remains in the Zoning Resolution to this day. But despite this emphasis on protecting and separating manufacturing uses, the 1961 Zoning Resolution permitted many types

¹³ New York's Zoning Resolution of 1916 established regulations on height and setbacks and created three types of zoning use districts. "Residence Districts" allowed only dwellings, community facilities, and hospitals. The second use type, "Business Districts," prohibited all "noxious or offensive" uses and therefore excluded nearly all manufacturing businesses, which were relegated to the so-called "unrestricted" zones. See the New York City Board of Estimate. "Building Zoning Resolution, Adopted July 25, 1916." Available at http://www.nyc.gov/html/dcp/pdf/history_project/1916_zoning_resolution.pdf

¹⁴ New York City Planning Commission and Department of City Planning. "Zoning Maps and Resolution." December 15, 1961. Available at http://www.nyc.gov/html/dcp/pdf/zone/zoning_maps_and_resolution_1961.pdf

¹⁵ New York City Planning Commission and Department of City Planning. "Zoning Maps and Resolution." December 15, 1961. Available at http://www.nyc.gov/html/dcp/pdf/zone/zoning_maps_and_resolution_1961.pdf

of community facility and nearly all kinds of commercial activity, including hotels, restaurants, and retail, to locate in manufacturing zones.

OVERVIEW OF MANUFACTURING HISTORY AND POLICIES SINCE 1961

In the New York of 1961, it was difficult to envision commercial uses extensively locating in manufacturing zones and competing for space with industry. The industrial sector was the dominant force in New York City's economy. New York's manufacturing employment remained above 800,000 until a steep decline began in the early 1970's.¹⁶

By 1990 only 261,000 manufacturing jobs remained. In 1993 the Department of City Planning published its "Citywide Industry Study," a report that concluded that manufacturing in New York City was facing inevitable decline due to obsolete infrastructure and global restructuring and recommended that the City reduce the amount of land zoned for manufacturing.¹⁷ In 1997, the Giuliani administration created the "Special Mixed-Use District" or "MX" zone, which permits a mixture of residential, commercial, or light industrial uses as-of-right, but allows fully residential development without any requirement for preserving a mixture of uses on either the neighborhood level or within an individual lot.

During this period, New York City's rapidly rising real estate market emerged as an additional source of pressure on industrial land uses. In addition to the impact of residential development in the new MX zones, industrial uses in regular M zones were experiencing increasing competition from commercial uses such as big box stores, hotels, and nightlife establishments. The Manufacturing Land Use and Zoning Initiative, a coalition of industrial advocates assisted by the Pratt Center and Municipal Art Society, reported that real estate

¹⁶ The factors behind the rapid decline of the manufacturing economy during the 1970's and 1980's are numerous and interconnected, involving both global and regional aspects such as the shift of freight transportation from railroad to truck, the relocation of the region's port facilities to New Jersey, and the new availability of low cost pools of labor in Latin America and Asia.

¹⁷ New York City Department of City Planning, David N Dinkins, Richard L Schaffer. "Citywide Industry Study." January 1993.

speculation was “hollowing out” many industrial districts as owners evicted industrial tenants and warehoused empty buildings in anticipation of eventual residential rezoning.¹⁸

In this context of increasing real estate pressure on industrial land, the Bloomberg administration entered office. During his first term, Mayor Bloomberg accelerated the rezoning of manufacturing-zoned areas like Long Island City, West Chelsea, and Williamsburg-Greenpoint. Overall from 2002-2007, the Bloomberg administration rezoned nearly 1,800 acres of manufacturing-zoned land, or nearly 15% of the total citywide stock.¹⁹

Near the end of the first term, the Bloomberg administration recognized the need for an industrial economic development strategy. In January 2005, the administration announced a new policy platform including the creation of a Mayor’s Office of Industrial and Manufacturing Businesses (MOIMB) and the creation of “Industrial Business Zones” (IBZs) where the City pledged to support the retention and expansion of industrial businesses through tax credits, and promised to maintain industrial zoning and to monitor and strongly discourage the BSA from granting variances²⁰.

But the commitment to supporting and protecting industry within the IBZs was not accompanied by any actual zoning changes. In 2006, City Council Member Melinda Katz, then Chair of the Land Use Committee, introduced Resolution 0141 calling on the Bloomberg administration to establish “Industrial Employment Districts” – a zoning overlay to protect industrial areas from competing commercial development like hotels, retail, self-storage, and

¹⁸ A recently published study by researchers at the Federal Reserve Bank of Cleveland substantiates many of these claims. The study analyzed urban employment changes during the 1990’s and found that across the nation, manufacturing employment declined at a faster rate in gentrifying urban areas. The decline of urban manufacturing employment was not due only to global structural changes -- gentrification and land price speculation were also “catalytic factors in accelerating the shift away from manufacturing within urban land markets. See T. William Lester and Daniel A. Hartley. “The Long-Term Employment Effects of Gentrification in the 1990’s.” Federal Reserve Bank of Cleveland. May 2013.

¹⁹ Pratt Center for Community Development. “Issue Brief: Protecting New York’s Manufacturing Space.” 2008. http://prattcenter.net/sites/default/files/threatened_manufacturing.pdf

²⁰ City of New York, Mayor Michael Bloomberg. “New York City Industrial Policy: Protecting and Growing New York City’s Industrial Job Base.” January 2005. <http://www.sbidc.org/documents/IBZ.pdf>

entertainment uses by requiring special permits for most types of commercial development. A hearing was held on the bill in September 2006 and a representative from the Bloomberg administration stated “While we support the spirit of Resolution 141... We believe it is premature to move toward more restrictive zoning measures.”²¹ The bill never advanced. A similar bill was introduced by Council Members Brad Lander and Diana Reyna in 2011, adding the detail that such districts should be established as overlays over the Industrial Business Zones.

Another challenge to the effectiveness of the Bloomberg administration’s industrial policy is that a key portion of the IBZ program, the funding of local non-profit membership organizations to provide technical assistance to local businesses, was slashed soon after it was established. Mayor Bloomberg initially set funding for IBZ administration at \$4 million but cut funding to zero in the 2009 Executive Budget. The program has only been kept alive by advocacy in the City Council which has pushed to restore between \$1 and \$1.5 million in funding annually. The Mayor’s Office of Industrial and Manufacturing Businesses was cut back beginning in 2007 and completely phased out by 2011. The MOIMB’s functions have been replaced by administrative support from the Department of Small Businesses and the “industrial desk” at the Economic Development Corporation.

Under the umbrella of EDC, the administration’s industrial strategy shifted to emphasize capital investments in city-owned industrial parks like the Brooklyn Navy Yard, Brooklyn Army Terminal, and Hunts Point Terminal Market. From 2002-2013, the city invested over \$511 million in improving these three city-owned industrial properties compared to less than \$35 million on improvements in non-city owned industrial areas.²² This strategy has largely continued thus far under Mayor Bill de Blasio. According to the most recent job estimates from

²¹ See hearing transcript of Res 0141-2006

²² Independent Budget Office. “City Support for the Industrial Sector.” June 2014.
<http://www.ibo.nyc.ny.us/iboreports/2014industrialspending.pdf>

EDC, these three properties together hold roughly 564 companies and 15,550 employees – only a small percentage of the city’s total industrial sector. In comparison, the 20 Industrial Business Zones not including the Navy Yard are home to over 4,500 businesses and nearly 117,000 jobs in manufacturing, wholesale trade, transportation and utilities and an additional 2,000 businesses and 35,500 jobs in construction.²³

CURRENT STATUS OF INDUSTRIAL LAND

Today, roughly 14% of New York City is currently zoned M or MX. However, it is important to note that nearly half of all manufacturing-zoned land is taken up by airports and the western shore of Staten Island where much of the land is undevelopable wetlands. The M1-1 district accounts for 49% of all manufacturing zoned land and allows for only 1.0 FAR of development. A further 40% of M zoned land is within districts that allow only 2.0 maximum industrial FAR. These most commonly zoned manufacturing districts -- M1-1, M1-2, M1-3, M2-1, M2-2, and M3-1, also have extremely high parking requirements²⁴ in which one space is required per 1,000 square feet of floor area, or one per three employees, whichever is higher.²⁵

The 21 current Industrial Business Zone boundaries, as last modified in November 2013, cover just over half (57%) of the city’s manufacturing zoned-area. Looking back a decade after they were created, the IBZs appear modestly successful in protecting industrial and manufacturing land use compared with other manufacturing zones not covered by IBZs. But for areas with significant real estate market pressure, the IBZ designation does not appear to offer adequate protection from conversion to commercial uses. Office buildings, most kinds of retail

²³ 2013 QCEW data matching IBZ boundaries at the Census Tract Level, provided by the New York State Department of Labor.

²⁴ While these requirements have been greatly reduced or eliminated for Manhattan and parts of Long Island City, they continue to apply in M zones throughout the rest of the city.

²⁵ New York City Zoning Resolution Article IV, Section 44-21.

including malls and certain “big box” stores, self-storage facilities, restaurants, bars, and nightclubs, athletic facilities and health clubs are all permitted as-of-right. In M1 light manufacturing zones, many types of “community facilities” are allowed as of right.²⁶ In the last decade, dozens of hotels have been developed in manufacturing zones, including within designated IBZs.²⁷ Areas such as Long Island City, Gowanus, Sunset Park, and North Brooklyn have also seen increased development of entertainment uses like bowling alleys and nightclubs.

Non-industrial commercial uses within the Industrial Business Zones have increased by 30% since 2005 as measured by lot area. The increase of commercial use has been most dramatic in the Brooklyn IBZs²⁸. In all of these areas, site surveys consistently demonstrate that the official PLUTO land use data lags significantly behind the rapid pace of change. Commercial conversions are undoubtedly higher than shown in the official data.

Nevertheless, the most recently available data shows that the Industrial Business Zones are still home to over 116,000 industrial jobs, nearly 60% of the total in the outer boroughs, and an additional 35,000 construction jobs, over 40% of the outer borough total. Not counting the airports, the most significant industrial employment areas are the Newtown Creek area including Long Island City, North Brooklyn, and Maspeth IBZs, the Southwest Brooklyn IBZ (Red Hook, Gowanus, Sunset Park, and the South Bronx waterfront (Hunts Point and Port Morris IBZs).

²⁶ See NYC Zoning Resolution Use Group 4 (Sec 22-2)

²⁷ New York Industrial Retention Network. “Commercial Uses Invading Mayor’s Industrial Business Zones.” October 28, 2009. <http://www.docstoc.com/docs/84618287/commercial-uses-invading-IBZs-final>

²⁸ In the Greenpoint-Williamsburg IBZ, there was no commercial use in 2005 –city data now shows nearly 14% of the area has been converted. In the North Brooklyn IBZ, commercial lot square footage nearly tripled during this period. In the Southwest Brooklyn IBZ, commercial uses more than doubled, increasing by over 2.3 million sqf.

Industrial Employment in Industrial Business Zones

(Not including Brooklyn Navy Yard, 2013 QCEW Data from NYS Department of Labor, Census Tract Level)

IBZ	Manufacturing Jobs	Wholesale Trade, Transportation, and Utilities	TOTAL INDUSTRIAL JOBS	CONSTRUCTION	TOTAL WITH CONSTRUCTION
Long Island City	7,174	18,131	25,305	10,671	35,976
JFK	19	23,799	23,818	320	24,138
Southwest Brooklyn	3,738	7,434	11,172	4,040	15,212
North Brooklyn	3,209	6,919	10,128	3,633	13,761
Hunts Point	1,861	6,736	8,597	1,459	10,056
Steinway	na	6,514	6,514	616	7,130
Flatlands-Fairfield	1,675	4,099	5,774	627	6,401
Maspeth	1,378	2,131	3,509	2,501	6,010
Port Morris	1,439	2,216	3,655	1,775	5,430
Woodside	922	1,061	1,983	2,303	4,286
Staten North	226	2,816	3,042	939	3,981
Zerega	654	2,458	3,112	467	3,579
Staten West	260	1,497	1,757	1,779	3,536
East New York	711	1,599	2,310	313	2,623
Eastchester	123	1,003	1,126	931	2,057
Jamaica	719	626	1,345	633	1,978
Greenpoint-Williamsburg	407	277	684	1,031	1,715
Rossville	42	583	625	868	1,493
Bathgate	838	365	1,203	237	1,440
Ridgewood	392	85	477	282	759
TOTAL	25,787	90,349	116,136	35,425	151,561

Since 2010, industrial jobs in New York City have halted their decades-long decline. But despite continuing demand for industrial spaces, the stock of active industrial land is declining due to competing residential and commercial uses. As a result, industrial rents in New York City have begun to rise precipitously as firms compete for a dwindling supply of remaining spaces.²⁹ As lease prices for many industrial properties prices rise to \$20 or even \$25 a square foot in

²⁹ Joe Anuta. "Leasing of industrial space heats up: Bidding wars break out as rezonings in Brooklyn and Queens lead to space crunch." *Crains New York Business*. January 10, 2014. http://www.crainsnewyork.com/article/20140110/REAL_ESTATE/140119996/leasing-of-industrial-space-heats-up ; John Petro. "City Faces Rising Demand for Industrial Space." *City Limits Brooklyn Bureau*. September 3, 2014. <http://bkbureau.org/2014/09/03/city-faces-rising-demand-for-industrial-space>

Long Island City and North Brooklyn,³⁰ many growing industrial firms can no longer afford to relocate or expand. High real estate prices and a shrinking pool of suitable sites are pushing firms to relocate to New Jersey and Long Island.³¹ In New York's few industrial areas with affordable real estate insulated from the pressures of the market, like the Brooklyn Navy Yard and the buildings owned by non-profit industrial developer GMDC,³² space is filled to capacity with waiting lists for any availability.³³

NEW AND GROWING TREND – OFFICE SPACE IN OUTER-BOROUGH M ZONES

Industrial land uses facing competition for space from residential and commercial hotel, retail, and entertainment development is not a new trend in New York City real estate. But in recent years, a new source of competition for space has emerged: office uses.

This trend first emerged in Manhattan in some of the borough's last tracts of M zoned land in the Flatiron district from 23rd to 31st Streets between 5th and 7th Avenues. The large loft-style buildings in the neighborhood, protected from residential development pressure, fostered the growth of the "Silicon Alley" tech startup sector that has become a growing and highly valued part of the city's economy.³⁴ Increasingly high demand and competition for office space in the area have driven prices up 44% from 2010-2013 to nearly \$65 per square foot.³⁵

With Flatiron and Chelsea increasingly out of reach for smaller firms and startups, companies have started to turn to Brooklyn and Queens in search of more affordable office space. The two most high profile examples of this trend are the recent sale of the Jehovah's

³⁰ See dozens of documented listings at LoopNet's commercial real estate listing database at www.loopnet.com.

³¹ Keiko Morris. "Long Island Gains From Industrial Demand." *The Wall Street Journal*. August 24, 2014. <http://online.wsj.com/articles/long-island-gains-from-industrial-demand-1408929660>

³² GMDC 2014, *id*

³³ Petro 2014, *id*

³⁴ Jonathan Vatner. "Manhattan's Tech Start-Ups Settle in the Flatiron District and Chelsea." *The New York Times*. April 19, 2011. <http://www.nytimes.com/2011/04/20/realestate/commercial/20silicon.html>

³⁵ Julie Strickland. "Silicon Alley Rents Up 44% Over Past Two Years." *The Real Deal*. September 26, 2013. <http://therealdeal.com/blog/2013/09/26/silicon-alley-rents-up-44-percent-over-past-two-years/>

Witnesses properties in DUMBO (located within M1-6 zoning) for \$375 million to a partnership of Kushner Companies, RFR Holding, and LIVWRK Holdings³⁶ and the purchase of a share of the enormous Industry City site in Sunset Park (located in M3-1 zoning) by Jamestown Properties, the developer known for Chelsea Market in Manhattan.³⁷ Both projects are looking to target their spaces to “creative economy” tenants in technology, media, and design.

Other recent examples include Amazon’s photo and video studio in Williamsburg,³⁸ the rehabilitation of 1000 Dean Street in Crown Heights,³⁹ the relocation of Livestream to a four story loft building in East Williamsburg,⁴⁰ Jamestown Properties’ renovation of the Falchi Building in Long Island City, the relocation of Vice Media to a 60,000 square foot industrial building in Southside Williamsburg, still zoned M3-1, where the company will invest \$20 million in renovations, and online annotation company Genius’s move to a new 43,000 square foot home in the manufacturing zone of Gowanus⁴¹

On top of all of this activity involving conversion of existing buildings, there are also plans on the drawing board for two new office developments within in the Greenpoint-Williamsburg Industrial Business Zone. At 87 Wythe Ave, Cayuga Capital is planning a new office building⁴² and at 19 Kent Avenue, Heritage Equity Partners is planning a mixed office-

³⁶ Lore Croghan. “Jehovah’s Witnesses sell DUMBO buildings to Kushner.” *Brooklyn Daily Eagle*. October 4, 2013. <http://www.brooklyneagle.com/articles/jehovahs-witnesses-sell-dumbo-buildings-kushner-2013-10-04-161500>

³⁷ Daniel Geiger. “Bid for big complex boosts south Brooklyn.” Daniel Geiger. “Bid for big complex boosts south Brooklyn.” *Crain’s New York Business*. August 25, 2013. http://www.crainsnewyork.com/article/20130825/REAL_ESTATE/308259959/bid-for-big-complex-boosts-south-brooklyn

³⁸ Brownstoner. “Amazon Photo Studio Build-Out Underway at 35 Kent.” May 7, 2013. <http://www.brownstoner.com/blog/2013/05/amazon-photo-studio-build-out-underway-at-35-kent/>

³⁹ Philip Pantuso. “1000 Dean Street Opens Today.” *Brooklyn Magazine*. April 10, 2014. <http://www.bkmag.com/2014/04/10/1000-dean-street-opens-today/>

⁴⁰ Vivian Yee. “In Search of Space and Creativity, a Start-Up Headed to Brooklyn.” *The New York Times* May 22, 2014. <http://www.nytimes.com/2014/05/23/nyregion/in-search-of-space-and-creativity-a-start-up-is-headed-to-brooklyn.html>

⁴¹ Laura Kusisto. “Gowanus Passes Sniff Test for Some Startups.” *The Wall Street Journal*. July 29, 2014. <http://online.wsj.com/articles/gowanus-passes-sniff-test-for-some-startups-1406683589>

⁴² Stephen Smith. “New Look: Williamsburg’s Futuristic 87 Wythe Avenue.” *New York YIMBY*. September 24, 2014. <http://newyorkyimby.com/2014/09/new-look-87-wythe-avenue.html>

retail-light industrial building that will occupy an entire block.⁴³ However, both developments are highly constrained by the M1-2 zoning that permits only 2.0 FAR.

Market demand for commercial space in Brooklyn and Queens for technology and creative economy businesses is rapidly growing and zeroing in on manufacturing zones. But with low densities, high parking requirements and so many competing uses like hotels, mini-storage, and retail malls allowed, the current manufacturing zoning is far from ideal for development of new space. In areas where such development will not threaten existing concentrations of industrial businesses, the City may be missing an opportunity maximize the potential of this growing sector and take advantage of potential synergies with advanced manufacturing.

“ENGINES OF OPPORTUNITY” ZONING RECOMMENDATIONS

In November 2014, the City Council’s *Engines of Opportunity* report recommended the creation of three new types of zoning tools to establish sufficient protections for the industrial sector, provide a framework for more productive development of employment centers across New York City, and take advantage of opportunities to potentially integrate housing development with industrial uses where appropriate and feasible.

- 1) **Industrial Employment District** –A new zoning district which reserves space only for industrial uses. In places where a concentration of manufacturing/industrial activity exists – in many of the existing “Industrial Business Zones” for instance – an “Industrial Employment District” overlay would add a new requirement for CPC special permits for non-industrial commercial uses such as hotels, large-scale retail and office use, restaurants, bars, entertainment venues, and self-storage. It would also increase the allowable FAR in order to facilitate increased industrial density and allow flexibility to

⁴³ Brownstoner. “New Office Building Planned for Kent Avenue in North Williamsburg. October 23, 2013. <http://commercialobserver.com/2014/02/a-spec-office-building-signals-wburgs-transformation-into-a-24-7-destination/>

upgrade and expand industrial buildings, and eliminate burdensome and unnecessary parking requirements.

- 2) **Creative Economy District** – A combination of industrial space and commercial office space that would significantly increase as-of-right commercial density to allow for office additions to existing industrial buildings and/or the development of new loft-style flexible industrial/commercial buildings. In exchange for the additional commercial density, a certain percentage of floor area would have to remain reserved for industrial use groups. Less job-intensive commercial uses like nightlife, retail, and mini-storage would require special permits. With the additional density, property owners would gain much more lucrative development opportunities than under the current zoning while growing the City’s employment base. Robust workforce development strategies will need to be implemented in tandem with these new districts to ensure a wide variety of New Yorkers will have access to these new jobs.

- 3) **A Real Mixed Use District** – New vertical mixed-use zoning designations that require a mixture of residential development with commercial and/or high performance industrial within new individual buildings. Such districts can provide a new tool for facilitating additional residential density while also maintaining space for important job-generating businesses. True mixed-use industrial-residential zoning might be especially well-suited for certain areas currently zoned M where there is consensus that new residential development may be appropriate, to improve the existing MX zones, and for upzoning of potential residential corridors that are currently industrial in character. *Engines of Opportunity* also recommended the study of a potential district-based flexible mixed-use preservation mechanism that would permit the transfer of residential development rights within mixed use districts in order to facilitate the preservation of industrial space.