

COMMITTEE ON LAND USE

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CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON LAND USE

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February 28, 2023
Start: 12:10 p.m.
Recess: 3:09 p.m.

HELD AT: 250 BROADWAY - COMMITTEE ROOM, 14TH
FLOOR

B E F O R E: Rafael Salamanca, Jr., Chairperson

COUNCIL MEMBERS:

Joseph C. Borelli
Ari Kagan
Shekar Krishnan
Farah N. Louis
Darlene Mealy
Francisco P. Moya
Kevin C. Riley
Pierina Ana Sanchez

OTHER COUNCIL MEMBERS ATTENDING:

Gale A. Brewer
Justin Brannan

A P P E A R A N C E S

Dan Garodnick, Chair of the City Planning Commission and Director of the New York City Department of City Planning

Brendan McLaughlin, Deputy Commissioner for Policy and Strategy at Housing Preservation and Development

Dan Garodnick, Manhattan Borough President

Mark Willis, Senior Policy Fellow at New York University Furman Center

Sean Campion, Director of Housing and Economic Development Studies at Citizens Budget Commission

John Sanchez, Executive Director of 5 Borough Housing Movement

Charles Yu, Vice President of Long Island City Partnership

Justin Rodgers, President and CEO of Greater Jamaica Development Corporation

Regina Myer, President of the Downtown Brooklyn Partnership

Avinash Malhotra, Avinash K. Malhotra Architects

James Colgate, partner at the law firm of Bryan, Cave, Leighton, and Paisner

Basha Gerhards, Senior Vice President of Planning at the Real Estate Board of New York

Rob Shaffer, Executive Vice President of Development, SL Green Realty Corp.

A P P E A R A N C E S (CONTINUED)

Kate Cunningham, Director of Government and
External Relations for New York Building Congress

David Wellspring, First Vice President of CIM
Group

Bill Murray, Vice President of the Metropolitan
Region of the American Council of Engineering
Companies of New York

Gerald Scupp, Vice President of the Garment
District Alliance

SERGEANT-AT-ARMS: Quiet, please. Once again, can the Zoom Host start the webinar?

ZOOM HOST: Webinar has been started. Thank you.

SERGEANT-AT-ARMS: Thank you. Good morning and welcome to the New York City hybrid hearing on the Committee on Land Use.

Please silence all electronic devices.

Chair, we are ready to begin.

CHAIRPERSON SALAMANCA: Thank you, Sergeant-at-Arms. [GAVEL] Good afternoon and welcome to the oversight hearing on the conversion of office buildings to residential units being held by the Committee on Land Use. I am Council Member Rafael Salamanca, Chair of this Committee.

I would like to welcome my esteemed Colleagues who have joined us today. We've been joined by Council Member Moya, Chair Louis, Chair Riley, Council Members Krishnan, Mealy, Sanchez, Kagan, Borelli, and Council Member Brannan, and we've also been joined by Council Member Gale Brewer.

This oversight hearing will begin with testimony from the Administration and then proceed

with three expert panels. Public testimony will be taken after these four initial panels.

Before we begin today's meeting, I recognize the Committee Counsel to review the hearing procedures.

COMMITTEE COUNSEL VIDAL: Thank you, Chair Salamanca. I'm William Vidal, Counsel to this Committee. This oversight hearing is being held in a hybrid format. If you have already registered but have not yet signed into Zoom, please do so now and remain signed in until after you have testified.

If you have written testimony that you would like the Subcommittee to consider in addition to or instead of appearing before the Committee, please email landusetestimony@council.nyc.gov.

Council Members who are physically present and who would like to ask questions should indicate so verbally after each panel is heard while Council Members joining remotely who would like to ask questions or make remarks should use the Zoom raise hand function. Chair Salamanca will recognize Members to speak.

The participants in the first four panels will each have five minutes to testify. Members of

the general public after the initial four panels will have two minutes to testify.

We ask all participants for your continued patience should any technical difficulties arise.

Chair Salamanca will now continue with today's agenda.

CHAIRPERSON SALAMANCA: Thank you, Counsel. As the City's economy continues to feel the effects of the COVID-19 pandemic, office vacancy due to remote work models remain a concern. With office space availability at a historic high of 25 percent and not expected to change soon, that challenge is concentrated in Class B and Class C office buildings that are having trouble attracting tenants. At the same time, as we all know, there is a housing affordability crisis in our city with rising rents citywide and low residential vacancy, especially in Manhattan. Even taking COVID job losses into account, the City is adding jobs far faster than it is adding housing. We need to produce more housing fast, and we need as much of that housing as possible to be affordable to the working-class New Yorkers who are seeing rents increase much faster than incomes. We

especially need to build affordable housing in high-opportunity neighborhoods with convenient access to well-paying jobs, high-quality schools, and other services instead of disproportionately building in outer neighborhoods, a pattern that perpetuates economic segregation. Manhattan neighborhoods should be accessible to more than just the wealthiest. The purpose of this hearing is to understand what opportunities there are to address these issues by converting underutilized office space into apartments for New Yorkers.

There has been a flurry of attention on the topic of office conversions recently, headlined by a report last month from the City's Office Adaptive Reuse Taskforce, a taskforce created by Council legislation last year led by Council Member Brannan. City agencies have been thoughtfully considering opportunities for conversion, and we've asked them to join us here to discuss their findings and how they intersect with recent City and State level proposals. Civic institutions like the Citizens Budget Commission and NYU's Furman Center have been conducting research on the feasibility of conversions and have an important voice in this conversation

today as well. Perhaps most importantly, they will be able to help us understand any pathways to affordable housing, including financial incentives that would be required to get there.

To be clear, today's hearing is not only about Manhattan. We will have representatives from several outer boroughs' business districts joining us to discuss what the landscape of the office vacancy looks like in their communities and the need to preserve office space for small businesses and non-for-profits.

Lastly, we know that there is a myriad of regulatory and design constraints to office to residential conversions. Our final panel, including experts in land use and building designs, will help us understand those constraints and how we might be able to overcome them.

We would like to thank all of our panelists for joining us today. After our discussion with the panelists is finished, we look forward to hearing testimony from members of the public.

Turning to our first panel which consists of the Administration and discussions of the City and State current proposal for facilitating the

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2 conversion of office buildings into residential
3 units.

4 Counsel, will you please call up the
5 first panel and administer the affirmation?

6 COMMITTEE COUNSEL VIDAL: Director
7 Garodnick and Deputy Commissioner McLaughlin, could
8 you please raise your right hand and state your name
9 for the record?

10 DIRECTOR GARODNICK: Dan Garodnick.

11 DEPUTY COMMISSIONER MCLAUGHLIN: Brendan
12 McLaughlin.

13 COMMITTEE COUNSEL VIDAL: Do you affirm to
14 tell the truth, the whole truth, and nothing but the
15 truth in your testimony before this Committee and in
16 answer to all Council Member questions?

17 DIRECTOR GARODNICK: I do.

18 DEPUTY COMMISSIONER MCLAUGHLIN: I do.

19 COMMITTEE COUNSEL VIDAL: Thank you.

20 CHAIRPERSON SALAMANCA: Thank you.

21 Director Garodnick, you may begin. Whenever you're
22 ready to have your presentation shown on the screen,
23 please say so, and our Staff will display it.

24 DIRECTOR GARODNICK: Great. Thank you very
25 much. It's a written presentation only. Thank you for

the opportunity, Chair Salamanca and Members of the Land Use Committee.

My name is Dan Garodnick, and I am Chair of the City Planning Commission and Director of the New York City Department of City Planning. I want to thank you for the opportunity to be here today to discuss the reuse of outdated office space in our great city, and I will make on a personal note, this is my first time testifying before the City Council in-person since I used to sit where you all sit today. It's good to be here. I never thought I would say it, but it's good to be back at 250 Broadway. Thank you very much.

I am joined here by Brendan McLaughlin, HPD's Deputy Commissioner for Policy and Strategy, to testify and answer questions on this topic.

I am going to speak briefly about why this whole issue is so important, the creation of the City's Office Adaptive Reuse Taskforce for which I served as the Chair, and our recommendations for easing regulatory barriers for converting office buildings to residential buildings and encouraging affordable housing in building reuse projects. I will mainly be talking about office conversions which is

also part of the larger agenda set by Governor Hochul and Mayor Adams through the Making New York Work for Everyone Action Plan. That plan seeks to imagine our central business districts, especially in Manhattan, which has been hit hardest by changing work patterns, by optimizing the mix and use of space to minimize vacancy, catalyze vibrancy, bolster the tax base, and create new opportunities for New Yorkers of all backgrounds to thrive in family-sustaining jobs.

Office conversions are one of 40 proposals outlined in the City and State Action Plan which was released in December just ahead of the taskforce report on office conversions. The Adaptive Reuse Taskforce was a critical part of these recommendations and highlights two challenges facing New York right now, high office vacancy and a housing shortage. Both can be partially addressed by converting underutilized office space into desperately needed housing. This idea of office-to-residential conversion makes sense and can be a win-win for the City. While we stand behind our commercial business districts and continue to believe that offices will play an essential role in our economy, providing greater flexibility to repurpose

existing but underutilized office buildings for alternative uses will enable us to build a more sustainable mixed-use city as we continue to evolve to changing work habits.

The New York City Council had the foresight to pass Local Law 43 of 2022, establishing a city taskforce to study and make recommendations regarding the potential conversion of underutilized office space to other uses. I want to praise the entire City Council and especially, and he's close enough for me to thank him almost without a microphone, Council Member Justin Brannan, for your thoughtful work in developing and adopting this law. Through it, you put the city in a forward-looking position smartly and rightly so. Consisting of 12 experts in architecture, development, law, economics, finance, and tenant advocacy, the job was to ensure a holistic approach to the issues and opportunities and, as a result, the taskforce dug into all relevant background and issues related to this topic. While the law gave us two years to develop recommendations, we did it in one. We did that because, as you know and as the Chair noted, the need for housing is urgent. We further wanted to publish recommendations

ahead of this year's executive state budget process as many of the topics we will discuss today require state action and are also recognized by the Governor as critical to address. Findings and recommendations included in the taskforce report were released by Mayor Adams in January of this year and are available on our website at the Department of City Planning. The report outlines the taskforce's findings in detail, and I'm going to speak to the key findings before discussing the recommendations.

First, a little background. Between 2010 and 2020, over 50 substantial office buildings were converted to approximately 4,000 homes and 4,000 hotel rooms demonstrating that conversion is possible under our current regulatory environment. However, it's also clear that converting office buildings can be challenging and that there is a web of interconnected regulatory, physical, and financial considerations. I am going to highlight several of these right now.

The taskforce found that the current regulations governing conversion work for some buildings, they work for some buildings, but they are complex, geographically inconsistent, and have not

been comprehensively updated for several decades. We also saw evidence that these outdated regulations are limiting the reuse of some office buildings, and the taskforce agreed that the regulations needed to be thoroughly refreshed. In New York, a variety of office building types have already been converted over the last decade, but early 20th century office buildings with shallow floor plates and individual operable windows are generally the easiest and most attractive to convert because they require less intense physical alteration and allow for relatively efficient apartment layouts. Office buildings of lesser commercial viability have been converted to residential rentals and condominiums without government subsidies over the last decade, demonstrating that office-to-residential conversion can be commercially viable in its own right for some buildings. Although conversion does happen, it is a niche pathway for office building owners renewing their options. For most office buildings, remaining as an office or renovating to become a higher quality office building will make more sense than a conversion. Only certain office buildings are actually suitable for office conversion. Looking

forward, divergent demand for office space versus desperately needed residential space may stimulate additional market-driven conversions, but current economic conditions like the high cost of borrowing, present challenges that might suppress some otherwise economically viable conversions. That is what is presented here.

Historically, office conversions only produced market-rate housing as they were not eligible for tax incentives that provide affordable housing like 421-A when it existed. A policy to support the adaptive reuse of unviable office space while generating affordable housing would require some government incentive to encourage developers to participate.

Now to the recommendations. The taskforce made 11 actionable recommendations. If implemented, they would provide more flexibility for the adaptive reuse of obsolete office buildings and incentive some affordable housing from those conversions. These opportunities we believe would create up to 20,000 new units of housing, approximately five times as many as created by office conversions in the past decade. The 11 recommendations include the following.

First, extending flexible conversion regulations to most office buildings built in the 1960s, 1970s, and 1980s which would ease the potential conversion process for an additional 120 million square feet of office space.

Two, expanding flexible conversion regulations to all high-intensity office districts which would ease the potential conversion process for an additional 16 million square feet of office space.

Third, finding opportunities to allow housing, whether through conversions or new construction in a centrally located high-density part of Midtown that currently prohibits residential development.

Fourth, allow office buildings to convert into various much-needed types of housing including supportive housing.

Five, providing flexibility for offices to convert all existing space into housing, eliminating limitations that incentivize only partial conversions or make conversion projects infeasible.

Six, exploring and pursuing a tax incentive program to support the production of affordable and mixed-income housing through office

conversions, adding to the city's affordable housing stock without deterring other private investment in conversions and housing creation.

Seven, creating a property tax abatement program to incentivize retrofitting office space for childcare centers.

Several other technical changes related to parking, recreation space, and courtyards are also outlined in this report and will make a broader range of conversions possible. We are trying to implement these recommendations as quickly as possible. One recommendation I will note has already been implemented, the property tax abatement program to incentivize retrofitting office space for childcare centers. As of January, that New York City program is now open for applications, and more information is available on the Department of Finance website by searching childcare center abatement. We encourage anyone interested in this opportunity for their building to reach out.

Of the remaining 10 recommendations, some require state changes and some require city-level changes. The five recommendations that require state action have been taken up by Governor Hochul and are

included in her executive budget in the form of two bills.

The first bill would remove the state regulatory barriers that we identified in the Office Adaptive Reuse Taskforce. The second bill would create an incentive to encourage affordable housing in these conversions. We support these proposals and we appreciate the Governor's leadership and partnership on this topic.

The remaining recommendations require local zoning changes. For example, the reexamination of the Midtown South areas that currently do not allow any residential. We were excited to have Mayor Adams announce this at his State of the City speech in partnership with Council Members Bottcher and Powers. We thank them for their leadership in this effort, and we look forward to working with the entire Council on these proposals as they develop.

In conclusion, the ability to repurpose underutilized office buildings will support the evolution of New York City's building stock and business districts into more dynamic places where a greater number of people live as well as work. Now is a critical moment to update state and local

regulations and provide the tools needed for our office districts to adapt for the betterment of all New Yorkers. We believe that these taskforce recommendations are supported by a wide range of stakeholders and are actionable, sensible, and needed. With these recommendations in place alongside current regulations, office conversions could create homes for as many as 40,000 New Yorkers over the next decade. We very much appreciate the opportunity to testify, we thank the Council for your leadership on this subject, and we welcome further discussions with you on this matter. Mr. Chairman, again, thank you for the opportunity to be here.

COMMITTEE COUNSEL VIDAL: Now we will hear from the Department of Housing Preservation and Development.

DIRECTOR GARODNICK: We're going to hold HPD for questions so if you have them you can pose them directly to them.

CHAIRPERSON SALAMANCA: There's no statement?

DEPUTY COMMISSIONER MCLAUGHLIN: No.
There's no testimony (INAUDIBLE)

CHAIRPERSON SALAMANCA: There's no testimony? All right. Thank you, Director Garodnick, for your presentation.

I will begin with my line of questioning here. How are the City's agencies prioritizing the implementation of the recommendations of the Adaptive Reuse report.

DIRECTOR GARODNICK: Thank you, Mr. Chairman. With our partnership with the State of New York, we are trying to implement some of these recommendations quite quickly. As I noted in my opening statement, there are couple of areas in which we believe the State can accelerate this process for us and, specifically, they relate to the date of eligibility for the buildings. Today, as the report outlines, most buildings that are eligible for conversion have to have been built before 1961. Some buildings, particularly in lower Manhattan and in a smattering of other places around the city, are eligible if they were built before 1977. The proposal from the taskforce is to remove the date of eligibility to 1990 and also to enable other types of typologies of units to be created through an office conversion like supportive housing for example. Those

two changes are changes which we can ultimately make ourselves here in the City in partnership between the administration and the City Council. However, with the State government's help we can expedite that change, and we can change the rules as soon as they pass the budget. As it relates to those first two pieces, we can do those as soon as the State acts. There are other recommendations that require local zoning changes which, of course, will take longer because they require environmental review, our public engagement process, etc., and we look forward to having that conversation with you all as we move forward.

CHAIRPERSON SALAMANCA: As it relates to the years that you mentioned, I know that the taskforce recommended the cutoff date be converting office buildings that were built prior to 1991, cutoff date meaning 1990. How was that year selected, and why not buildings that were constructed in the 2000s?

DIRECTOR GARODNICK: We took a close look at that with the panel of experts that we convened as part of the Office Reuse Taskforce. There were a couple of reasons that pointed this group to that

date. The first reason is that 30 years is a typical investment cycle. Many building owners will look to see what investments their property may need around that point so looking back approximately 30 years was a rational basis for us to look into 1990 or its environs, but what we also saw was that from 1991 to 1993 there was not very much office construction in New York City which made December of 1990 a very natural cutoff date, and if you take a look at the report you will see the chart showing the trajectory of the creation of office space in New York City, and you will see that there is a natural break at December of 1990 so between the 30-year financial investment cycle for commercial office buildings plus the drop-off of office construction after 1990, we thought that that date made a lot of sense.

CHAIRPERSON SALAMANCA: Okay. That makes sense. The State and the City proposals are mostly focused on the Multiple Dwelling Law and the City Zoning Resolution and do not discuss the City's Construction Codes. Do the Construction Codes need to be amended to make office conversions a reality?

DIRECTOR GARODNICK: I don't think so. We interviewed 35 conversion experts as well as the 11

taskforce members, and what we consistently heard was that the most important and impactful changes that were needed were to the Multiple Dwelling Law of the State and the City's own Zoning Resolution. We are hopeful that if we are able to make these changes in addition to the existing flexibility that the State affords for light and air and window placement for office conversions that we will allow for more offices to take advantage of this opportunity without amending the City's Construction Codes. That said, if the Council has thoughts on this and believes that we should be exploring other alternatives, we are all ears and certainly willing to have that conversation with you all.

CHAIRPERSON SALAMANCA: Is there someone here from the Buildings Department?

DIRECTOR GARODNICK: No, we do not have somebody here from the Buildings Department.

CHAIRPERSON SALAMANCA: All right. Thank you. In terms of affordability, the Governor's plan, the proposed AMIs under the State's tax incentive proposal only requires 5 percent of the units to be affordable at 40 percent AMI and the rest of the affordable units, 15 percent would be up to 100

percent AMI. Do you agree that AMI is not affordable, and, if so, what income bands does the Administration recommend?

DIRECTOR GARODNICK: I'm going to turn to Brendan McLaughlin for this question, but I will note that I believe that there may be a slight error in the premise of the question so I'm going to ask Brendan to go through what the State law does and how we can answer that properly.

DEPUTY COMMISSIONER MCLAUGHLIN: Sure. Thank you, Director, and thank you for the question, Chair. I want to take a step back and also just agree with your opening remarks around making sure that we have affordable units across the city and we think this is an interesting and creative tool for us to add to our toolbox to do that.

In terms of the affordability that would be created in this program, the 5 percent of the units, you're correct, or 25 percent of the set-aside would be for households at 40 percent AMI or below. The entirety of that set-aside though has to average to 70 percent AMI, and there is a maximum threshold of 100 percent AMI within that. There would be no units affordable above 100 percent AMI, and all of

the units within that set-aside would have to average to 70 percent AMI, and we believe that that mix is a good mix for these kinds of projects.

CHAIRPERSON SALAMANCA: Are there any plans for any homeless set-asides in that mix?

DEPUTY COMMISSIONER MCLAUGHLIN: It doesn't preclude the ability for homeless set-asides within there. I don't believe that the legislation as currently written speaks to it, but there would be nothing precluding that either.

CHAIRPERSON SALAMANCA: All right. Under the Governor's proposal, the size of the affordable units would only have to be proportional to the market-rate units, but if the market units are all studios and one bedrooms, this means that there will not be any two- or three-bedroom affordable units. From the Administration's perspective, what is the appropriate mix of unit sizes?

DEPUTY COMMISSIONER MCLAUGHLIN: Sure, and thank you for that question. The legislation actually provides two paths so one is exactly as you had outlined which is proportional with the market-rate units meaning that the owner will determine for that site, for that project, for that neighborhood what

seems like the appropriate mix of units that would lease up. In the event, though, where they choose to deviate from the proportional arrangement, we do have a pathway in there that would prioritize two-bedroom units for the reason, I think that you're outlining, is we want to make sure that these units are also available and affordable to a wide mix of New Yorkers across the city, and so it would provide for at least 50 percent of the units to be available at two bedrooms and no more than 25 percent of the units would be available for less than one bedroom. We think there's optionality embedded in there to make sure that we are hitting the right diversity and the right unit mix for New Yorkers to choose where they want to live across the city.

CHAIRPERSON SALAMANCA: Should this plan move forward and the State approve, these two bills, and we get the financing in order, will HPD require the developer to build the units on the square footage that you require affordable housing units?

DEPUTY COMMISSIONER MCLAUGHLIN: That's an interesting question. That's something that we could consider as we develop rules around the program if this were to pass. I believe that's something that we

would sort of think about through the rulemaking process but as of now it's not in the legislation.

CHAIRPERSON SALAMANCA: All right. I bring it up because I'm constantly visiting affordable housing units, construction is happening in my District, and one of the biggest complaints that I'm getting from my constituents, the developers, and what I see is that the units are too small, and I know that HPD is trying to maximize the amount of units that you're building, but the reality is that yes, we want to give families a place to stay, a new apartment, but I think that we need to revisit the requirements that HPD has on these developers in terms of the size of these apartments and these units.

DEPUTY COMMISSIONER MCLAUGHLIN: Thank you for the feedback. That's really helpful, and this is in some ways uncharted territory for us in looking at these kinds of conversions, and so that's helpful feedback that we can take and work with our partners to understand what the right size of unit should be for these kinds of projects.

CHAIRPERSON SALAMANCA: All right. I'm going to ask two more questions and then we're going to begin with questioning from the Council Members.

In terms of the incentives, the tax proposals, does the Administration support the State's tax proposal to incentivize the inclusion of affordable housing in office conversions?

DIRECTOR GARODNICK: We do. We think it's important. Today, there is no provision for the conversion of office to affordable, and we think that we should incentivize the creation of affordable that would be permanent, and it's something that is consistent with our city's fair housing goals, creating mixed-use housing, and affordable housing in an area which is well-served by transit which has high-income residents. We want to make sure that we are incentivizing affordable housing in this area.

CHAIRPERSON SALAMANCA: I agree with you on that position. The Governor's plan, the affordability requirements will end after 19 years. Is this consistent with HPD's other term sheets?

DEPUTY COMMISSIONER MCLAUGHLIN: There's two parts maybe to that question. It is not necessarily consistent with how we've administered

other tax incentive programs in that we don't really have any other programs that last for 19 years, but in terms of structure it is consistent with the way we've structured other tax incentive programs so there is a benefit that lasts for 15 years in this case, and then there is a period of time in which that benefit starts to evaporate, in this case four years for a total of 19 years of benefit. The other piece that I would say is different from our previous tax incentive programs that we've administered is that the affordability is actually permanent so while the benefit to the owner of the tax incentive lasts for that 19-year period. Those 19 years are creating permanent affordability in the program so those units will be permanently affordable once they're created.

CHAIRPERSON SALAMANCA: Who pays for after the 19 years? Who pays for that?

DEPUTY COMMISSIONER MCLAUGHLIN: That is part of the upfront benefit that is given to the owners to provide the affordability, and the way that this is structured that's the tradeoff here.

CHAIRPERSON SALAMANCA: So after 19 years, the City is no longer providing these tax incentives? The owner has to pay for this.

DEPUTY COMMISSIONER MCLAUGHLIN: Correct, and the way that a lot of projects are cross-subsidized by market-rate units, that's what would occur in these projects.

CHAIRPERSON SALAMANCA: What if the owner feels that they can no longer afford it? Can they convert those units now into market-rate?

DEPUTY COMMISSIONER MCLAUGHLIN: They would have a regulatory agreement that would provide for the permanence of the affordability and so there would be no way out, and those units would also be, I should also mention, rent-stabilized since they're regulated through HCR and stabilization.

CHAIRPERSON SALAMANCA: All right. These affordable units, will they fall under the lottery process that HPD currently has?

DEPUTY COMMISSIONER MCLAUGHLIN: That would be part of the rule-making process for us to determine how those units would be marketed, but we believe that like would be the case, yes.

CHAIRPERSON SALAMANCA: All right. I'm going to give my Colleagues an opportunity to ask questions. I'm going to start off with Council Member Brewer then Riley and then Mealy.

COUNCIL MEMBER BREWER: Thank you very much. Nice to see, Mr. Garodnick.

DIRECTOR GARODNICK: Nice to see you too.

COUNCIL MEMBER BREWER: The first question I have is just picking up on what the Chair was stating about permanent because sometimes it is the life of the abatement, sounds like it's not, but say for instance I'm in an apartment, it is, I guess, rent-stabilized, but then I leave to go die or move then is that continually to be affordable at the rent-stabilization rate under the regulatory agreement? Is that correct?

DEPUTY COMMISSIONER MCLAUGHLIN: That would be correct, yes.

COUNCIL MEMBER BREWER: Do you have succession rights under rent stabilization?

DEPUTY COMMISSIONER MCLAUGHLIN: Whatever rules exist under current rent-stabilization would apply as we put them in.

COUNCIL MEMBER BREWER: Okay. They do have succession rights. If you're there for two years then you better be there for two years.

The other question I have is I was under the impression, and I'm probably wrong, that many of

these buildings are hard to convert because, what do I know, but BNC, they often have windows on the outside, obviously not in the interior, etc., so it's more expensive to convert so how does that lend itself to affordability. Obviously, you're giving them a break, but that seems to be, from everybody I talk to, a challenge?

DIRECTOR GARODNICK: I think that's definitely right, and it's important to point out how difficult it is to actually convert an office to residential. You have a variety of factors at play including existing commercial leases that end over a variety of different dates, you have the existing financial structure of the building and debts that need to be paid, you have the question of how much money you're able to invest in changing the building over from commercial to residential, borrowing that, which, of course, at this moment of time is at a higher rate of interest, you're thinking about your own risk tolerance to make that change so there's a variety of play, and as a result while we are enabling or what we propose to do is to enable 136 million square feet to be eligible, we do not believe that 136 million square feet will take us up on the

opportunity for the reasons that you stated, but we do think it's important for us to incentivize because of its difficulty the creation of affordable housing here. We have an opportunity to do it, we should do it, and it is consistent with our fair housing goals and allows us to create something which further our overall goals as part of this process.

COUNCIL MEMBER BREWER: Okay. We all focus on SROs. I'm a big believer in SROs. Maybe I missed this, but Albany did something, HTC is involved, that's all good in my opinion, but do your statistics include the conversion of hotels or are you just talking about office buildings?

DIRECTOR GARODNICK: This would be the conversion of office buildings.

COUNCIL MEMBER BREWER: Okay, so the SROs are not included, those that are Midtown that are hotels that could be SROs, those are not included in this list?

DIRECTOR GARODNICK: They're not included in the calculation.

COUNCIL MEMBER BREWER: It was certainly something that the State has included money for, but nobody seems to be able to find one to convert.

That's my understanding. The other question I have is when you brought up businesses that have to be moved. I want to thank you, Mr. Chair, because last night you did an excellent on New York One and you mentioned the work that I did on the Garment Center, don't mess with the Garment Center, so what are you doing to not mess with the Garment Center because we need those jobs?

DIRECTOR GARODNICK: I like that question, Council Member, and I like the way...

COUNCIL MEMBER BREWER: It's pretty direct.

DIRECTOR GARODNICK: What the Mayor has proposed doing...

COUNCIL MEMBER BREWER: Has he been to the Garment Center?

DIRECTOR GARODNICK: And what the Office Adaptive Reuse Taskforce report proposes is to take a look at those areas of Midtown Manhattan where housing is strictly prohibited. It's not just Garment I should note.

COUNCIL MEMBER BREWER: It's called East Midtown...

DIRECTOR GARODNICK: Not just East
Midtown. Actually...

COUNCIL MEMBER BREWER: Which you and I
had something to do with.

DIRECTOR GARODNICK: It doesn't cover East
Midtown.

COUNCIL MEMBER BREWER: And so did
Bottcher sitting there.

DIRECTOR GARODNICK: It covers the area
between 23rd...

COUNCIL MEMBER BREWER: And so did Council
Member Sanchez. We worked at no residential in East
Midtown.

DIRECTOR GARODNICK: Now, what we didn't
do is we didn't incentivize residential in East
Midtown. Residential is allowed in East Midtown, but
we wanted to incentivize commercial development in
East Midtown and did, and we also, by the way, just
to congratulate those of us who worked on it, it's
actually been tremendously successful. We've seen...

COUNCIL MEMBER BREWER: For commercial?

DIRECTOR GARODNICK: For commercial,
exactly. As it relates to the manufacturing districts
between 23rd and 41st, between 5th and 8th Avenues,

that includes areas well beyond the Garment District, and we are studying this question as to what the proper rules should be and whether a conversion from a commercial building in any of those districts to residential should be enabled at all. Today, it is not enabled, and I will say that we think this is an important question, and we have not prejudged what the outcome is, but we do know that there are areas in the middle of Manhattan for which if you wanted to convert an office to residential you couldn't today and we think that that's worth a formal study.

COUNCIL MEMBER BREWER: Okay. I just want to make sure that we do not lose the commercial work done by the Garment Center because they're needed by Broadway, I don't need to go through the whole scenario because you know, and not have it all be residential and move to Sunset Park, with all do respect, or some other far-flung place where people on Broadway can't get to so I want the Garment Center to be continued. If we were really doing a great job, we would enhance the Garment Center while you're doing residential. Something that should be considered for your taskforce.

The final question I have is regarding the 12 FAR cap. That's a very controversial topic. What are you thinking about in terms of that issue? It's an Albany issue. I don't know if they'll lift it. Preservation groups do not want it lifted.

DIRECTOR GARODNICK: As it relates to 12 FAR and this particular conversation, the 12 FAR cap doesn't apply to the conversions from office to residential. That's always been the intention, and we hope and expect that will continue to be the case. The point about 12 FAR as its own conversation in a new residential building is a separate question here, one which we also support lifting because we think that you as the City Council of New York and we as the Administration of the City of New York should have the authority to make our own determinations on what the proper FAR should be for our residential buildings and not be told the answer to that question by Albany. I also will note, and it's an important point, that nothing would happen automatically even if the State were to lift that cap. 12 FAR is a cap. We do not enable anything north of 12 FAR today in our Zoning Resolution so to the extent that you and we saw occasion to do that, it would mean ULURP, it

would mean a process, it would mean local approval to be able to...

COUNCIL MEMBER BREWER: I'm familiar with ULURP.

DIRECTOR GARODNICK: I know you are, Council Member.

COUNCIL MEMBER BREWER: And I don't want, I am not supportive of that just so you know.

DIRECTOR GARODNICK: I got you.

COUNCIL MEMBER BREWER: And I think Albany will not necessarily be supportive of it either, but we'll see.

DIRECTOR GARODNICK: I got it. Let me just say the reason why I think it's important and I understand that you and I may have a difference of perspective on this is that I think we should have local control over this conversation, and we have a housing crisis. It is the moment for us to be able to make these determinations and, as somebody who, like you, Council Member, represented an area for which this was highly controversial, I also recognize that at the end of the day it would have to go through you, it will have to go through your Colleagues to get anything improved.

COUNCIL MEMBER BREWER: I know. I'll tell HPD when you give me in Manhattan subsidies and not just market-rate subsidy for my tall buildings then we can talk about this 12 cap. Until then, I want no part of it because it doesn't work. We only end up with 25 percent. Give me subsidies for at least up to 50 percent for Manhattan buildings and then we can talk about cap lifting. Thank you.

CHAIRPERSON SALAMANCA: Thank you, Council Member Brewer. We will move on with the panel, and if you have more questions we can do a round two.

COUNCIL MEMBER BREWER: Thank you.

CHAIRPERSON SALAMANCA: We'll have now Council Member Mealy.

COUNCIL MEMBER MEALY: Yes. I just have practically two questions. In this taskforce, did they think about houses of worship just as hotels that we could change them into some..

DIRECTOR GARODNICK: We did not. It was not part of the mandate.

COUNCIL MEMBER MEALY: Could I ask why because, to me, houses of worship during the pandemic, no one was utilizing the churches and why

that was not offered to the churches first before we went to office buildings?

DIRECTOR GARODNICK: You are right to point out that there are a host of impacts from the pandemic that affected churches and other building typologies and interests in New York City. The charge of the taskforce was to study office conversions pursuant to the Local Law, and so that is what we studied.

COUNCIL MEMBER MEALY: Can that law be upgraded?

DIRECTOR GARODNICK: I defer to you, Council Member. You write them, we execute them. What I would say is to the extent that you believe there's further study necessary, we should certainly have that conversation. That was not part of the mandate of this group, and certainly as we see right now an 18 percent vacancy rate in office in Manhattan, we have a very particular and actionable issue on our hands and so we certainly do want to make sure that we move forward.

COUNCIL MEMBER MEALY: By facilitating office conversions and providing a tax incentive to

do, could it be argued that this incentive amounts to a bailout for private commercial property owners?

DIRECTOR GARODNICK: I actually think this is a lifeline, not a bailout.

COUNCIL MEMBER MEALY: The same way the houses of worship need a lifeline. If we're going to do, we have to do it for the whole city.

DIRECTOR GARODNICK: To me, we have an opportunity to act, the Governor has a proposal in her budget that will enable us to fast-track this change for commercial office buildings and to change the date in a way that we think is thoughtful and ratified by a number of experts and add new typologies for conversions, like for supportive housing. We think we should take this opportunity. Now, this does not take anything away from the point that you are making which is perhaps there are other types of buildings that could or should be eligible. That is certainly an open question, and one that we are very happy to take a look at with you. I would just note that even with other opportunities that are not being taken or have not been activated yet, we should embrace the opportunities that are present now for what it allows us to do for the creation of

housing and certainly for affordable housing as part of underutilized commercial buildings.

COUNCIL MEMBER MEALY: Okay. If conversions are not facilitated, what is the projected use of these partially empty office buildings?

DIRECTOR GARODNICK: I would suspect...

COUNCIL MEMBER MEALY: You'll start going to the houses of worship and build up.

DIRECTOR GARODNICK: They would continue to be underutilized office buildings, they would let market conditions determine how full or not full that they are, and we would not be affording them an opportunity which we think we should afford them, but, yes, it becomes a question of market conditions.

COUNCIL MEMBER MEALY: All right. My last question. With some of these office owners, they never went through this process. How can they be educated on doing it successfully?

DIRECTOR GARODNICK: That's a great question. We have resources available on our website, the Department of Buildings, Finance. We'll have more information available once the rules are known and written. I would note that the players that are most

interested in doing an office conversion with the level of complexity that Council Member Brewer was just noting, they tend to be pretty sophisticated on the rules and the opportunities and follow the changes minute to minute, but we are going to have plenty of resources available if there are questions or lack of understanding about what the rules provide and what the opportunities.

COUNCIL MEMBER MEALY: Thank you.

CHAIRPERSON SALAMANCA: Thank you. A quick question. In terms of the affordable units, normally when you're building affordable housing throughout the City of New York, normally you have property owner and many times they partner up with a non-for-profit to oversee the affordable housing units. Is that going to be a requirement here?

DEPUTY COMMISSIONER MCLAUGHLIN: As of now, in the legislation it is not a requirement, and oftentimes we do see, to your point, partnerships between for-profit developers, not-for-profits, or with M/WBE developers as well so that wouldn't be precluded here either. They can partner if they so choose.

CHAIRPERSON SALAMANCA: It brings up a point. Many of these property owners that have these commercial spaces, they've never really built residential. In reading some of these articles, many of them are saying that they may hire a third party to convert these units. Why not bring in non-for-profits that are building housing throughout the City of New York so that they too have an opportunity to build and be part of this investment that the City will be offering tax credits if we move forward?

DEPUTY COMMISSIONER MCLAUGHLIN: It's a great question. I think some of it, as I think the Director sort of mentioned as well, these are highly complex kinds of projects when you embark on adaptive reuse. Even with the tax incentive to create the affordable housing if they so choose to go down the path of converting to residential, there's still a lot of risk and a lot of expense in these projects and so wanting to make sure that folks are set up for success and being able to execute and make those conversions possible, but that doesn't preclude the ability for them to partner with whoever they think can actually pull off those transactions in the best way.

CHAIRPERSON SALAMANCA: But you can
require them to do that.

DEPUTY COMMISSIONER MCLAUGHLIN: That's
something we can certainly look into.

CHAIRPERSON SALAMANCA: All right. We're
going to move on with Chair Riley.

CHAIR RILEY: Thank you, Chair Salamanca.
How are you doing, Dan? Deputy Commissioner, it's a
pleasure to meet you today. The majority of my
Colleagues asked the majority of the questions I was
going to ask. I do share the same sentiment as
Council Member Mealy, but that's another conversation
that we could have another day.

With all this density, with being Chair
of Zoning, this is always talked about when we're
building affordable housing, does the Administration
strategize to ensure that the significant amount of
office conversions to much-needed housing will
require such amenities such as schools, libraries to
accommodate these new households.

DIRECTOR GARODNICK: It's a great question
and is informed in part by the fact that we are
hopefully going to change rules that will enable this
to happen. It's not something which necessarily will

happen just because we enable it so we have to watch very closely and see what changes actually occur. We project that we can create up to 20,000 units of housing over a decade, but they will not happen all at once, they will not happen all in the same place, so we at the Department of City Planning will keep a close eye on what buildings are converting and where, continue to study those areas as part of our ongoing efforts to ensure necessary infrastructure, schools, and make sure that no neighborhood becomes unduly taxed as a result of this. The short answer is because nothing will happen immediately, it becomes a longer term conversation and factors into our overall view of the City's infrastructure and how it can handle change and growth over time, something that we look at very closely on an ongoing basis.

CHAIR RILEY: Thank you. Do you know the timeline of an implementation like this?

DIRECTOR GARODNICK: If the State passes the budget and includes the Governor's proposals, we will be able within months to allow for an additional 120 million square feet of office space to be eligible for conversion. That's within a number of months. If the State does not pass it in the budget,

it becomes part of our own City process which is ULURP and is a text amendment and something that we will begin in earnest in conversation with you, Mr. Chairman, and think about how best to activate that ourselves. It takes much longer as a result of our city processes. The State can fast-track this for us within a number of months.

CHAIR RILEY: So I will have a lot more hearings, you're saying?

DIRECTOR GARODNICK: Always happy.

CHAIR RILEY: Thank you. Thank you, Chair.

CHAIRPERSON SALAMANCA: All right. Up next we will have Council Member Sanchez followed by Council Member Brannan.

COUNCIL MEMBER SANCHEZ: Thank you so much. I am here. I am just small. You might not be able to see me. Thank you, Chair, for this hearing on this important topic and thank you to members of the Administration for testifying.

My first point, it's not a question, my first point is just kind of piggybacking on what Chair Salamanca mentioned with respect to concerns to the AMI levels in the State proposal. My community as folks may well know has a median AMI that is below 30

percent. I need to see my community in these proposals. I'm excited about this. I'm an urban planner. Office conversions, let's build more housing, yes, but every single time that there is a major citywide proposal that leaves my community out, I'm starting on the offensive, and it happens every time. It's the Housing Blueprint in many ways, it's a lot of the Governor's proposals. I need to see our lowest income community in all of these proposals, and I hope that the Administration will join in pushing the State to change these considerations. 100 percent of AMI is not affordable. The federal government is messed up in their definitions. That's not a question. I mean, it's a question, will you support me and my community and communities that are income levels in this way because we need to see ourselves represented. We can't continue to go on like this. If that means that we add vouchers to these discussions and add that as a talking point, I need to see us reflected there.

Two, and this is the more technical question. It would've been helpful to have the Department of Buildings here today, but the Governor's proposal does not significantly amend or

suggest significant amendments for the Multiple Dwelling Law. Are there provisions in the Multiple Dwelling Law that the Administration would support there, and, in particular, could window requirements be modified to facilitate these conversions?

DIRECTOR GARODNICK: Thank you very much, Council Member, and I'm going to turn to Brendan to talk about AMIs, but as it relates to the MDL and the window requirements, right now in the context of office conversion, the State affords a fair amount of flexibility for light and air and for window placement, which we think is satisfactory to enable us to create more housing as part of office conversions and don't think that it needs changing. We looked at the question as part of the taskforce and concluded that the areas in which we are focused, specifically the date change, geography, unit typology, and incentive are the key points to enable this to happen, but certainly if this is an issue that presents or that you all see as something we should be taking a look at, we always can.

COUNCIL MEMBER SANCHEZ: Thank you.

DEPUTY COMMISSIONER MCLAUGHLIN: Thank you for the question on AMIs. This proposal I think, as

we mentioned before, this is going to be a niche product so this isn't going to be all office buildings and all buildings across the City and so, as the Housing agency, we want to make sure that there is housing available for everyone across New York City including your constituents and so we do a lot of work across New York City to create housing for 30 percent AMI, voucher holders being well below that, all the way to folks who make 100 percent AMI so this particular niche product for office conversions, of that set-aside 25 percent of them at 40 percent and no more than 100, we think is a good mix to get a good mix of New Yorkers and create housing available and opportunities for them across the city, but we hear you in terms of the production of trying to get to much lower levels of AMI across the city for all New Yorkers, we agree.

COUNCIL MEMBER SANCHEZ: Thank you for responding on that. I'm going to push back because this is a matter of fair housing. The bulk of low-income housing has been built in low-income communities. That makes sense, and there are so many reasons that we understand for that, but these are opportunities. The commercial districts can be high-

opportunity areas, job centers, transportation access, so many things. It's a fair housing discussion and fair housing matter as well so I look forward to further conversation of that, but every time, I want to see us in it every single time.

CHAIRPERSON SALAMANCA: Right before we go to Justin Brannan, question for HPD. Just because the State is proposing these AMIs, that doesn't mean that we as a City cannot propose our own AMIs and go deeper in affordability. Is that correct?

DEPUTY COMMISSIONER MCLAUGHLIN: With this proposal, we think this proposal is a good mix of AMIs for this niche product and for the opportunities that we'll see as office conversions and where those conversions will take place.

CHAIRPERSON SALAMANCA: But what you're doing is those families of color that we represent will not be able to qualify for these units because you're not going deeper in affordability when you can go deeper in affordability as HPD.

DEPUTY COMMISSIONER MCLAUGHLIN: It's certainly a recommendation that can be made.

CHAIRPERSON SALAMANCA: Okay.

DEPUTY COMMISSIONER MCLAUGHLIN: But as it stands, I think we believe that this is a good mix of affordability for the benefit that's being given.

CHAIRPERSON SALAMANCA: All right. Well, I'm going to stand with my Colleague, and I'm going to push back on that as well. I'm going to move forward with Council Member Brannan.

COUNCIL MEMBER BRANNAN: Thank you, Chair. Dan, it's good to see you. Deputy Commissioner, good to see you.

I think New York City is the greatest city in the world, but I think we shouldn't be afraid to steal ideas if other cities are doing things better than we are. Is there a city that has done this to any success or failure that we've learned from?

DIRECTOR GARODNICK: No. We have looked at the way other cities have dealt with this challenge, and in some cases they've looked at very narrow geographic areas or have taken a more ad hoc approach to the problem. Of course, we recognize that New York City, and while we're willing to take a good idea from other places, is also different in a lot of ways, and you take Midtown Manhattan has more jobs

per square mile than anywhere else in the country, and, as a result, we have particular concerns as it relates to high vacancy in a concentrated area. The short answer is no, we have not seen a precedent that we thought was useful for us.

COUNCIL MEMBER BRANNAN: So no other city has done as sort of a broad blueprint for how to get this done?

DIRECTOR GARODNICK: No.

COUNCIL MEMBER BRANNAN: Okay. You mentioned, are there different sets of challenges for converting, I guess like 180 Water Street, is that sort of the perfect profile for a building that meets the characteristics of this being "easy" or "easier" than other, like are all office buildings sort of created equal in that way? Are there certain characteristics or profile of the building that would be more feasible for this conversion?

DIRECTOR GARODNICK: It's a really interesting and important question. I think the answer is that on a building-by-building challenge here because even if you had the easiest physical structure for a conversion, so the individual windows and the layout which enables an easy change from

office to residential, you might have a financial structure in that building for which it is extremely difficult for you to make the change or you might not have the access to capital to invest in the building to make the change so I think when that confluence of factors happens together, that's where it happens, and our view, coming out of this study, is that there are so many challenges, let us not add one by making this so hyper-restrictive that only buildings before 1961 or 1977 are eligible, and so we are trying to lighten the rules here to create this opportunity while recognizing that that perfect mix is difficult to come by.

COUNCIL MEMBER BRANNAN: If money wasn't a factor, is there a physical building profile where this makes sense?

DIRECTOR GARODNICK: The one you cite is a good example of one...

COUNCIL MEMBER BRANNAN: 180 Water Street?

DIRECTOR GARODNICK: Yeah, and I mean there surely are others that we can cite, there were 50 buildings over the last decade that took advantage of existing conversion rules, and all of those would fit the bill in answer to your question. We created

about 4,000 units of housing over a decade out of those 50 buildings, and those for a variety of reasons fit the bill, but we can get you that full list so you can take a look.

COUNCIL MEMBER BRANNAN: Okay. Last thing would be the Governor's proposed tax abatement. Are there ways that that could be amended more to stimulate or facilitate more conversions or you think it's good as is?

DIRECTOR GARODNICK: We actually think that the State proposal hits the mark on facilitating the creation of affordable units in a conversion which is what we want to make sure it does, and that's a really important point here because, as you know, today there is no provision for the creation of affordable housing in an office conversion, and we want to make sure that's included, so we think that this is an important piece of the puzzle.

COUNCIL MEMBER BRANNAN: Great. Thank you. Council is always looking for ways to partner with the Administration. I think this is a good example of that, and we look forward to trying to make this a reality.

DIRECTOR GARODNICK: Let me again thank you for sponsoring the bill which made this all happen. We really appreciate it.

COUNCIL MEMBER BRANNAN: Thanks, guys.

CHAIRPERSON SALAMANCA: Council Member Brannan, do you have more questions?

COUNCIL MEMBER BRANNAN: Thank you. I'm good.

CHAIRPERSON SALAMANCA: I have a few more questions, and then I guess Council Member Mealy may have something and then we'll go on to the next panel.

Allowing single room occupancies, SROs, dormitories, and shelters. Would the State or City proposals facilitate the conversion of office buildings into shelters, or are such conversions already authorized under the current laws?

DIRECTOR GARODNICK: It would not. It would, however, expand to allow for conversion to supportive housing.

CHAIRPERSON SALAMANCA: So no SROs?

DIRECTOR GARODNICK: No.

CHAIRPERSON SALAMANCA: No SROs. When Council Member Riley was asking questions, you

mentioned if the State doesn't approve it then we may have to go through a ULURP process, correct? Would this be in individual rezonings in terms of applications or will the Administration pursue a citywide text amendment?

DIRECTOR GARODNICK: We would likely include this as one of our citywide text amendments which, as you know, they are currently in development and are coming your way, Mr. Chairman, so this would become part of our text amendment for housing opportunity and we would include it in there, and it would be a citywide proposal. It would change the dates, it would enable new geographies, and do the things that we can do within our power as a city, but it would take longer.

CHAIRPERSON SALAMANCA: All right. My other question, and I know I'm going to put you in the hotseat here, regarding the Governor's plan, the housing growth target requiring every Community Board to build at least 3 percent per Community Board based on the last census and should Community Board or that local Member oppose that project because the community doesn't want it and then the Governor, it's my understanding, will set a special board which will

override the City and that local Community Board to ensure that there is development. I know that this plan is not just for the City of New York but is a statewide plan. Is this something that the Administration supports? That's my first question.

DIRECTOR GARODNICK: We really appreciate that the Governor is putting out not only targets but a path to get us to where we need to be as a city and a state. As you know, Mr. Chairman, we have failed over decades in New York City to keep up with the need for more housing. Over the last decade, some 900,000 jobs and just shy of 200,000 units of housing. We built housing at half the rate in the last 40 years than we did in the prior 40 years when we actually had lost population in contrast to the recent 40 where we gained 1.7 million people. The effects of that are real, the cost of housing, the concerns about gentrification, the imbalance of power between landlords and tenants, there are no tenants' rights in the imbalance that we have with the lack of supply of housing so to the extent that the Governor is stepping forward and putting forth a bold proposal to ask New York City and other municipalities to hit some goals that we, ourselves, know that we need to

hit, we think that that is the right concept, and we look forward to working with her and her team on this proposal.

CHAIRPERSON SALAMANCA: Thank you. I just have add communities of color cannot be the only ones building affordable housing. There needs to be fair share. Even more wealthier communities, you individuals who live there who qualify for these programs but yet the NIMBYism that's coming from some of these members or Community Boards, it's just not right and so I look forward to continuing to work with you on this.

Council Member Mealy, do you have a quick question?

COUNCIL MEMBER MEALY: Yes, I concur. You just hit a nerve. Just to think about it would be very fair if all across the city people develop properties properly. They come into neighborhoods and then do other things, which in Manhattan they wouldn't do, and that's why some of the Community Boards are now really, will be fighting back in regards to that proposal from the Governor.

The only thing I wanted to say, with these new conversions, how much parking will be included in these?

DIRECTOR GARODNICK: There is no parking requirement as part of the conversion.

COUNCIL MEMBER MEALY: Why not?

DIRECTOR GARODNICK: The reason is that we want to enable this to actually happen. When you start changing the physical configuration of a building to add parking, you're going even beyond what are the current difficulties for changing an office to a residential building, and I would also note that...

COUNCIL MEMBER MEALY: If the building already has parking, remember these are commercial...

DIRECTOR GARODNICK: That's right. If the building has parking...

COUNCIL MEMBER MEALY: So what kind of percentage would you put into that development?

DIRECTOR GARODNICK: We're not going to include a mandatory minimum percentage as part of an office conversion. I will note that this Committee even today has taken a look at parking and has taken steps to limit parking in Manhattan. We believe that

the vast majority of the opportunity to do office conversions will be in the Manhattan Central Business District and also in the Financial District in a place where you have high access to transit and where our current policy goals do not add minimum requirements for parking so we think that that is the right framework and that's the one that we should be looking at here.

COUNCIL MEMBER MEALY: Just for the record, just want to balance, I know green, we want to go on the bikes, we want to do everything, but sometimes we still need parking. Just for the record.

CHAIRPERSON SALAMANCA: Thank you, Council Member. I want to thank you both for joining us at today's hearing. I know that this is the beginning of many complex conversations that we will have as we move forward.

DIRECTOR GARODNICK: Mr. Chairman, before I go, I do want to respond to a point that you made about the need to have a balance citywide for the creation of housing because I think it's a really important one and it's one that animates not only the Governor's proposal but what will be the Mayor's proposal as it relates to housing opportunity in this

city. There are some neighborhoods that are meeting the target. Some, like yours, are meeting the target that the Governor has set. There are some neighborhoods that are not, and that is not the way our fair housing policies should be working. These proposals that take a look citywide, that enable housing and do it thoughtfully but enable density throughout all corners of the city is exactly the right approach for us to be able to animate our fair housing goals and make sure that we are creating affordable housing in higher-income neighborhoods and in neighborhoods that historically have not done their share so I think it's a really important point, and I'm glad that you made it, Mr. Chairman.

CHAIRPERSON SALAMANCA: Thank you. It's good seeing you both.

Next up, I will allow the Counsel to bring up the next panel.

COMMITTEE COUNSEL VIDAL: Thank you, Mr. Chair. I will now call Manhattan Borough President Levine and Mark Willis from the NYU Furman Center, Sean Campion from the Citizens Budget Commission. Could you please take a seat at the table?

COMMITTEE COUNSEL VIDAL: Panel is ready.

CHAIRPERSON SALAMANCA: We will begin with the second panel, and we will start with Mr. Manhattan Borough President, Mark Levine. Welcome.

MANHATTAN BOROUGH PRESIDENT LEVINE: Thank you so much, Chair Salamanca. This is City Council alumni homecoming week. You've got former Council Member Garodnick, did a great job on the panel. I'm proud to be here myself. Chair, you've been doing such a good job on this Committee and the way you've been leading on conversions is really important and effective. Thank you.

Council Member Brannan, thanks for kicking this off with your great bill and the taskforce which has done so much.

Great to see Council Member Powers and Council Member Brewer here as well and Chair Pierina Sanchez as well. Thank you. Great to see all of you. We have to work on the heat in here if you still need that hat.

Mr. Chair, your conversation about equity in development and land use is so important, and I strongly support this goal of 3 percent growth for every Community Board in the city, and we have not achieved that kind of equity in decades. Thank you

for shining a light on it. We're trying to do this in Manhattan. We scoured the borough for housing creation sites as you know and the Committee knows. We found 171 sites where we can create the housing that we need including affordable housing in every Community Board. We're going to push for that kind of equity in Manhattan, and that's before you focus on housing conversion opportunities in Midtown office buildings. That's a major challenge as well as an opportunity. It is a challenge right now. I think we're just above 50 percent in daily office occupancy. We are ticking up in the right direction. Maybe we can see getting to 60 percent, but it's going to be hard to go beyond that, and for the Class B and the Class C buildings, that is a real challenge. We're already seeing vacancy overall in the district of above 20 percent, but there's opportunity there as well, and as you asked, Council Member, about what we can learn from other cities. We can learn a lot from Manhattan. Midtown can learn a lot from what Lower Manhattan did in the years after 9-11. There was a program there that really started before 9-11, starting in 1995, that ultimately saw the conversion of 13 million square feet of

commercial space in Lower Manhattan, a move that created nearly 30,000 new units of housing, but big caveat there, almost none of it was affordable. We saw virtually the entire program in Lower Manhattan producing market-rate, aka, luxury units. There was a State program, 421-G, which helped facilitate that which was responsible for a big chunk, over 40 percent, of that, but there again it did not produce affordability and so our takeaway in Midtown has to be we have to do better on that front, and we have to be realistic about the challenges there. If anything, it may be a more challenging community because so many of the buildings are from the 1970s and 1980s and 1990s with very big floor plates that, as you had a very good discussion about before, are much more difficult to convert. It's going to need subsidy. I do think we should set very high standards on converting, at least at MIH levels. To me, it would be really a disappointment if we can't at least achieve MIH levels, but it's going to take subsidy, real subsidy. Otherwise, the owners are going to opt to keep them as commercial, and that would leave this goal unfulfilled so we need a program which sets very ambitious goals for affordability in the Midtown

conversions and which also puts in enough subsidy to make that happen, to make it realistic.

I know the topic of 12 FAR came up. This is definitely politically controversial, but many of the Midtown office buildings are already far more than 12 FAR, and so if there's not an option that you have a Council Members, that this Committee has, to go bigger than 12 FAR, you're going to leave thousands, maybe tens of thousands, of housing units off the table because you wouldn't have that tool of going higher than 12 FAR so it definitely has to be considered as part of the Midtown conversion plan. A lot of opportunity here. This is a huge priority for my office. I'm thrilled that we have great partners like your leadership here in the Council, Chair Salamanca, and all of you here on the Committee. Let's do this. Let's get this done, let's make Midtown a vibrant, 24-hour mixed-use community with all the economic potential that holds. Let's do the hard work now to unlock that potential. Thank you so much, Mr. Chair. Thank you to the Committee.

COMMITTEE COUNSEL VIDAL: Thank you. Next, we will hear from Campion.

DIRECTOR CAMPION: Thank you, again, for the opportunity, the invitation to testify. I'm Sean Campion. I'm Director of Housing and Economic Development Studies at the Citizens Budget Commission.

As the Manhattan Borough President mentioned, the last time the office market in New York City faced the uncertainty it's facing today was the early 1990s when City and State policymakers collaborated and created the 421-G tax incentive to convert office to residential as part of the broader Lower Manhattan revitalization plan. 421 provided both exemptions and abatements to convert functionally obsolete office buildings, and, as Borough President mentioned, it ultimately induced the conversion of 13 million square feet of commercial space into a little less than 13,000 residential units, mostly in buildings built before 1945 and sparked the transformation of Lower Manhattan. It's important to note that New York City's economy and real estate market both are much stronger than they were in the early 1990s, but still the history of 421-G can provide some insight into the current condition.

Just hitting on our recent report on 421-G, I think there's a couple of points that can inform the debate. We found that regulatory reforms in particular, such as at that point lifting the FAR cap and making Zoning Building Code changes, were essential to making conversion possible for some buildings that otherwise wouldn't have been allowed to convert or that would've been financially infeasible to convert.

Second is that allowing conversion as-of-right rather than through discretionary processes maximizes the potential number of conversions and also allowed the market to determine where conversions were the best option for that building moving forward.

Third, that a tax incentive might not be necessary for conversions for buildings (INAUDIBLE) market-rate units because, as Chair Garodnick outlined in his testimony, those conversions have continued without 421-G, but that tax incentives would be needed to support mixed-income rental conversions which haven't occurred, either under 421-G or without it since it expired.

In our report, we sort of outlined four questions to help the development of a future potential incentive program inspired or modelled on 421-G.

First, is whether the vacancy crisis is concentrated or widely disbursed. If vacancies as the market evolved tend to be concentrated in certain neighborhoods, the policy response including an incentive should probably be place-based as it was with the Lower Manhattan plan coming out of the 1990s, but if vacancies are concentrated in specific types of buildings instead, either by age, by size, or by class, a policy response should target those buildings in particular, but if it's all widely dispersed then we probably need a broad-based citywide response.

Second is what the goals of the conversion program actually are. In the 1990s, part of the goal was to reduce the supply of office space. If we're going to do that, redevelopment could also be an alternative to a conversion in a lot of cases. If it's to transform central business districts into mixed-use neighborhoods, we probably need to bake the incentive into a broader neighborhood rezoning. If

it's part of a fair housing strategy to build more affordable units in the Manhattan core, incentives will probably be needed to make it worthwhile for developers to convert to (INAUDIBLE) rentals instead of converting into market-rate rentals or condominiums.

Third is what incentives are needed to advance those goals in which circumstances and what levels. Any conversion program should really be based on a detailed financial feasibility analysis that looks at the types of conversions that would be feasible without subsidy and which ones would require subsidies and, for those that do require subsidies, estimating the level and duration of tax rates that are needed to incentivize projects and the amount of subsidy needed for different types of projects with different levels and shares of affordability.

Fourth is whether it's cost effective relative to other strategies. Conversions might be a more cost-effective way to generate mixed income units than new construction partly because many times, but not always, the total cost of conversion projects is less than new construction and, if office values fall far enough, it because financially

feasible to create rental housing where ground-up development particularly for mixed-income housing wouldn't be cost effective. It's important to note too that a lot of well-located office buildings, values and occupancy rates as well haven't fallen to the point where those conversions might become possible. Of course, some incentive will still be needed to induce developers to set aside units at below market-rate rents. Ultimately, some of those units may be able to be produced at lower cost through conversions than if the city were to subsidize the creation of new affordable units in those neighborhoods, either directly through capital subsidies or indirectly through tax expenditures.

We at CBC haven't modeled the impact of specific proposals or recommended a specific incentive. We think this framework can be used to evaluate proposals and like the incentives and relief proposed in the Governor's budget. Ultimately, market-rate conversions need regulatory relief more than they need incentives, and the Governor's proposal provides that through relief from the Multiple Dwelling Law, FAR cap restrictions as we have discussed already today so I don't need to get

into the details of what it does. Separately as well, we like to endorse the City's proposal for zoning changes to also allow more commercial buildings to convert to residential use as-of-right.

On the question of the incentive, the budget includes an incentive for mixed income rental conversions, partly because only a partial tax exemption and not a full exemption plus abatement, it'll be less than with 421-G while also requiring developers to set aside affordable units which 421-G did not. We haven't done a detailed feasibility analysis of that proposal, but we think the approach seems reasonable.

Ultimately, in conclusion, I think we have more discussion of the proposal itself. The history shows that conversions if done well can enhance the long-term competitiveness of New York, enhance and protect its property tax base, and improve the lives of residents, but it's really important to get the details right.

COMMITTEE COUNSEL VIDAL: Thank you. Last but not, Mr. Willis, who I have to say was my professor in graduate school when I was doing my

planning degree, and it's a real pleasure to have you here and have the Furman Center participate.

SENIOR POLICY FELLOW WILLIS: It's nice to see you here and you surviving so well here. Thank you.

Thank you to Mr. Chair and the Members of the Land Use Committee for inviting the Furman Center to join this panel to testify on the economics of converting office and commercial buildings to residential and of including an affordability requirement.

It will be no surprise given the great talents of people who have come before me and the comments from the Committee that my testimony will resonate with many of the issues and discussions that have already begun here.

First, there is no evidence that the City or State need to intervene in owner's choices of which buildings or how many buildings to convert. The City and State should remove the barriers to conversion that now exist in the Zoning Resolution, Multiple Dwelling Law, and other regulations, but there is no evidence that subsidies or other interventions are necessary to spur conversion.

But the conversions pose a once in a generation opportunity to bring affordable housing to midtown, a neighborhood that has very little affordable housing and is one of the least diverse of the city's neighborhoods, but it does provide incredible public amenities and opportunities. Securing affordable housing in the conversions will require both the imposition of MIH and some subsidy for the lower rents in the affordable units.

My brief remarks today can only touch briefly on some these key issues, but my written testimony goes into more detail about why conversions are appropriate, what some of the dangers of conversions are, and why intervention to spur conversions is not necessary at this point.

We learned from the experience downtown that conversions will not provide affordable housing unless required and incentivized to do so. It would be a terrible waste of what is really a generational opportunity to provide affordable housing in neighborhoods that now offer very little affordability to repeat those mistakes.

Under the City's MIH program, whenever zoning changes encourage the creation of new family

housing, MIH should be triggered to require affordability in the new, rehabbed, or converted buildings.

There is a danger that has been alluded to that the State could authorize conversions in such a way as to avoid MIH, but that would undermine the City's carefully crafted MIH program and undercut the City's and City Council's role in critical land use decisions. There is no question that affordable housing is needed and indeed is critical to providing the lively mixed-use neighborhoods that conversions are meant to create. My written testimony provides data on just how little affordable housing is in the neighborhoods that would likely see conversions, I'm not the first to point that out, but I trust that your travels through those neighborhoods gives you a good sense of just what a missed opportunity it would be if conversions result primarily in condos at the top of the residential and investment market.

To require and secure affordability without making conversions too expensive to go forward, the State will need to authorize and the City will need to craft some exemption from property taxes to make up the shortfall in rent in the

affordable apartments. MIH was designed to work with a tax exemption, but 421-A has not been renewed. Some exemption will be necessary. Otherwise, the affordability requirements of MIH would make the buildings unlikely to convert.

Why might some degree of conversions be beneficial to the city?

First, residential conversions could be an important way to help address New York City's housing shortage. Conversions could be cost-effective in bringing significant amounts of new housing to the marketplace, creating a more competitive marketplace that would benefit both renters and homebuyers.

Second, depending on the degree of demand for commercial space going forward, there is a risk that commercial space will be underused and may even become abandoned, imposing harm on surrounding neighborhoods. It is important that the city remain an attractive place for people to live, work, and/or raise a family, and office-to-residential conversions could help to achieve this. If some commercial-based neighborhoods are at risk of losing their urban vitality because of accelerated obsolescence due to

the pandemic, then transforming the area to a residential neighborhood or mixed-use neighborhood with attractive amenities would be much preferred.

Third, the underuse of office space could lead to a waste of the existing infrastructure in these commercial districts, not least of which is the extensive transportation system. Allowing these types of areas to go relatively unused and would in turn forfeit the full benefits of these investments.

Fourth, allowing buildings to languish would unnecessarily weaken New York City's tax base. These properties pay taxes according to their net operating income, and if that net operating income significantly declines, so will property tax revenue. Converting those buildings to a use that produces positive net operating income would clearly be preferable.

What should the city do? As the demand for office space changes over time, it seems quite likely that conditions will favor some degree of residential conversions. The shifts in demand for office space coupled with the type of regulatory relief that has been discussed at the State and Local level, such as changes to the Multiple Dwelling Law,

Zoning Resolution, Housing and Maintenance Code, and Building Code would likely mean that going forward, conversions will take place without any government intervention, simply because it will make economic sense to do so.

Should the conversions include affordable housing? Yes. Up to this point we have talked only about market-rate conversions, but policymakers should want to add an affordability component to the high-end housing that would otherwise be all that is created. There are many reasons for this.

One obviously is the fair housing perspective. The opportunity to add affordable housing to Manhattan which is such a well-resourced neighborhood would help fulfill the city's requirement to affirmatively further fair housing. The city recognized in its Where We Live analysis, and I leave you to review that.

Should the State and City subsidize affordability? Absolutely. Given public interest in creating more affordable housing and consistent with relying on the market to govern conversions, it would make sense to provide a subsidy to cover the costs of the affordable apartments so as not to affect a

developer's choice of use for the building. Such a subsidy would need to be sufficient to offset the effects of the loss of rental income on the building's gross revenue.

Lots more work needs to be done on how to provide a tax exemption for affordability that does not overly-subsidize the conversion's affordable units, and we have done some work with a simplified version of the type of real estate pro forma that developers would use to estimate how much the conversion would allow them to pay to purchase the building. We considered an affordability requirement of 25 percent of the units having an average rent affordable to households at 60 percent of AMI, and I emphasize that's the average rent. Our rough assessment is that an exemption of roughly half of the property taxes would be sufficient, but again, more public discussion of exactly how to craft an appropriate subsidy tailored to different rental markets is needed.

In conclusion, ensuring policies that lead to mixed-income residential buildings from conversions should be a primary focus of elected officials. There is no evidence that, save for re-

assessing code requirements that may be inhibiting conversion, that the government needs to intervene at this time except to include an affordable housing component with a property tax benefit to offset the decrease in income, thereby leaving owners to assess the potential advantages of a conversion.

Given the difficulty of predicting how different types of office buildings in different neighborhoods will fare over the next few years and over the longer run, the City will want to closely monitor how many buildings are being converted, in what neighborhoods, and what kinds of buildings to be able to make the most of the opportunity to maintain an alignment of the amount of office space with the potential to add both market rate and affordable residential units.

With that in mind, nimbleness should be a priority, which suggests that New York City should have as much flexibility as possible to adjust its taxing, zoning, and building code policies as more experience is gained and as the City's economy continues to evolve.

There are many aspects of conversions that require further thought. We appreciate the

Committee's attention to these important issues, urge the Committee to put affordability and fair housing at the center of the debate, and stand ready to provide whatever data and analysis could be helpful to the Committee.

I am happy to respond to any of your questions. Thank you.

CHAIRPERSON SALAMANCA: Thank you for your testimony. I would like to recognize that we've been joined by Majority Leader Keith Powers, and I will allow you to start your line of questioning, Council Member.

MAJORITY LEADER POWERS: Thank you. Thank you all for the testimony, and I'm sorry I missed my predecessor in the prior panel. I'm sure he did a great.

This is for the Borough President. First of all, you mentioned your housing report. I want to commend you for that. It's not easy task to try to compile all available opportunities in the best borough in the City of New York or the best place on earth, but you did do a very noble effort and also I think put skin in the game around the housing conversation which I think is something that we see

happen rarely and so I deeply appreciate that and I'm sure some of them will be happening in my District, and I'm looking forward to those opportunities.

We've been obviously engaged in one part of my District with Council Member Bottcher and now looking citywide and statewide although it does seem like most of the opportunities when talking about commercial conversions are going to be happening probably somewhere around my District, a lot of the discussion, and I'm very open to that. One of the biggest challenges it feels like, and all the incentives and affordable housing, well noted, how do we created affordable housing not just market-rate housing alongside it though I would note that I think downtown still being close to subways, being an area that was I think ripe for housing too, it was great to have opportunities down here, but there's a lack of affordable housing.

The big question, and we're looking at this in the Garment District and other areas as well, how do you balance that sort of ecosystem of the businesses that are there and now the sort of increasing vacancies and then offer what I see as opportunity, not mandate, for housing, but an

opportunity to create housing alongside that, and we've been discussing this, but I'm just curious on the record to hear your thoughts on how do you find that balance because, one, obviously you want to create incentives enough that people want to do it and create the opportunity and create affordable housing and provide those opportunities and second is you don't want to create an incentive that's so runaway that you really lead to displacement of businesses that are there, and that is like finding that sweet spot, have you thought about it, I know you have a lot of land use (INAUDIBLE) housing folks doing a lot of work on this, have you guys thought about this in terms of where you find that sweet spot or how you create those opportunities without leading to a perverse incentive on the other side for those who are there right now?

MANHATTAN BOROUGH PRESIDENT LEVINE: You just absolutely correctly articulated the challenge in a community with existing businesses and in the case of the Garment District, there still is some garment production being done there and that needs to be preserved. Those jobs matter. It's part of the fabric, the culture of that neighborhood. The last

analysis I saw put it at 2 percent of the space in the Garment District is currently being used for active production. Most of what is occupied today in the Garment District is more traditional office work, there are commercial uses, and then there's a lot of vacancy as well so we need a policy solution that preserves the sliver of manufacturing that's left without leaving so much potential for housing on the table, and there's huge potential for housing there in vast amounts of vacancy space and in office space which is not currently occupied because that really is Class B and Class C space. I know that the City Planning in their analysis is studying this exact question, and we're going to be working hand-in-hand with them and you to get that right balance, to preserve what makes the District special but to unlock the potential to address the severe housing crisis that we're facing in the city.

MAJORITY LEADER POWERS: Just one followup question, and then I'll, okay, just two. A lot of this discussion and a I see a lot of the public discourse around this is about how to convert a building that is currently being used as an office space to residential. You have the Woolworth Building

which is right across the street, they're doing that, others are doing that as well, and it's very tricky when you talk about windows and bathrooms. The other thing is creating flexibility so you can do ground-up too, like in areas we're talking about it's not even zoned residential so you actually could create a new opportunity just to build a new building that is residential, and I feel like that's being lost in the conversation. When you talk about the reasons for conversion, but really that's not creating opportunity to create new ground-up housing it feels to me, and that's lost in this too. When we talk about areas that do not even have the zoning for SRO. Is that being discussed? Do you think in this conversation as well it feels to me a little bit the focus is, and I've read op-eds, (INAUDIBLE) needs to be about how do you turn an existing office building into immediate residential versus creating opportunities to create ground-up?

MANHATTAN BOROUGH PRESIDENT LEVINE: I

think in the Garment District and the manufacturing areas of Midtown that we're not anticipating the need or the goal of teardowns, that these are buildings which can be converted to housing, they don't have

the same problems of floor plates on the scale of what you see in East Midtown, but I think in East Midtown there may be some teardowns and for older buildings that are emptying out quickly that don't work for conversion, I think we need to ask ourselves whether we want to incentivize that or whether we want to allow that to happen based the market, but I think there are going to be buildings which just do not work for a conversion, and we as a City have to grapple with what we're going to do with those. Mark.

SENIOR POLICY FELLOW WILLIS: If I may, I'd just like to comment. Perhaps this is a little bit of a dose of reality. I think that the idea that everything is put in place that we talk about and then tomorrow there will be lots of conversions, probably not very likely. We really have to have an empty building among other issues as well as many of the buildings may not even be suitable for it. That's why we combined this idea. Let's see what the market does but monitor it very closely because if it starts to develop in the way that people are worried then there will be time to do that, but if we make it so difficult to do it in the first place that we may lose this one-in-a-generation opportunity here.

Ground-up is great, but this is really an amazing opportunity if some of these buildings can be used for market-rate housing and, more importantly, for affordable housing.

MAJORITY LEADER POWERS: Agreed. Thanks.

DIRECTOR CAMPION: I just had one point too on the point between setting aside sort of the long decline in value that precedes a lot of these conversions, as buildings slowly vacant out and sort of become more financially attracted to convert to residential rather than to renovate and keep it as office space. The other advantage (INAUDIBLE) conversions is most of these buildings, particularly the older buildings, are denser than 12 FAR, and it's the ability to create more residential space than you'd be able to build back new so there are some opportunities where you have office buildings that are less than 12 FAR where they may become viable new development opportunities, but without lifting the FAR cap, in a lot of cases it becomes more financially feasible to do that conversion and even then with the experience of 421-A there really are very, very few 421-A rental buildings being built in the Manhattan core partly because just land values

don't make sense to do rental development over condos, and that may change in the future given everything going on in the world, but this presents an opportunity to do mixed-income rental development in neighborhoods that don't see it under 421-A whether that gets renewed or not. It's an opportunity to get that mixed-income rental housing in neighborhoods that otherwise really haven't seen any of that in the last decade or so, or at least in the last five years.

CHAIRPERSON SALAMANCA: Thank you, Council Member Powers. I will now recognize Council Member Brewer for questioning.

COUNCIL MEMBER BREWER: Thank you very much. I have a question about the MIH 25 percent or obviously what we would like would be even more. What do you think, the tax abatement that you mentioned, what is it that would get us to at least 50 percent or more if I had my way in terms of affordability because it does seem to me that, I've been through this for 20 years at least, maybe 40 years, and so if you don't get at least in Manhattan to that extra point, in my opinion, it doesn't add a lot so how do we get to the 50 percent? I'm always told by HPD, I

cannot get any subsidy, I have to go with the affordable being subsidized by the market rate. Is there any way we could get, even though I think it's going to be a slow process.

SENIOR POLICY FELLOW WILLIS: Thank you very much. I don't know if that was directed to me, but being the economist here I will simply say it's money.

COUNCIL MEMBER BREWER: Right, I agree.

SENIOR POLICY FELLOW WILLIS: So what we've talked about here with the 25 percent looks like maybe a partial tax exemption would be sufficient. You could look at (INAUDIBLE) total tax exemption might make possible in terms of affordability. I think there was a discussion here about vouchers. That's another way to increase the affordability, but if in the end, as has happened recently, affordability percentages goes up by taking money out of HPD's budget that goes to other things, we need to think about it's a fixed pie here unless the City starts devoting a lot more resources to housing so there's a tradeoff choice, but the choice is by and large money.

COUNCIL MEMBER BREWER: I certainly agree with that. Second, the issue of the Garment Center. I spent a lot of time saving the Garment Center. Mayor de Blasio wanted to send it to Brooklyn, and I said hell no, so I just want to emphasize that I think it still could be grown. Broadway's there. We need the manufacturing jobs. They pay really well, and it's a different type of garment being manufactures than the ones in Long Island City or in Brooklyn so I just want to put in a plug as we're, you know there are buildings there maybe that could be converted but I want to make sure the manufacturing continues and, if I had my way, enhance it. We did have money to buy a building. We couldn't find a building so many in this effort we could find a building that could also enhance some of the manufacturing because it's a very high-end, it's a Broadway, it's a different than what's going on in Sunset Park or Long Island City. I don't want to lose that manufacturing. Thank you.

MANHATTAN BOROUGH PRESIDENT LEVINE: I also don't want to lose it. It's a very important segment. I believe five years ago it was 4 percent, and now it's down to 2 percent so even just to preserve that so it doesn't go down to zero would be

2 a victory. As for the unfortunate lack of success on
3 buying a building, we should try again, but we're
4 going to need more money in the pot. It probably
5 wasn't enough at the time, but now...

6 COUNCIL MEMBER BREWER: It's 20 million
7 and we needed 60.

8 MANHATTAN BOROUGH PRESIDENT LEVINE: Yeah,
9 so I am all for making that part of this broader
10 agreement.

11 COUNCIL MEMBER BREWER: Okay, I' just
12 saying if we had more support it could go back up to
13 4 percent. The need is there. Bringing people back
14 from other countries to manufacture here is what is
15 desired. Thank you.

16 CHAIRPERSON SALAMANCA: Thank you, Council
17 Member Brewer.

18 I would like to thank this panel for your
19 testimony and your questions. I thank you, Mr.
20 Borough President, for coming down. It's always great
21 seeing you.

22 I will allow the Counsel to bring up the
23 next panel.

24 COMMITTEE COUNSEL VIDAL: Next, could we
25 please have John Sanchez of the 5 Borough Housing

Movement, Charles Yu from the LIC Partnership, Justin Rodgers from the Jamaica Development Corporation, and online I believe Regina Myer from the Downtown Brooklyn Partnership will be joining us.

COMMITTEE COUNSEL VIDAL: To kick us off, I will invite Mr. Sanchez to speak.

EXECUTIVE DIRECTOR SANCHEZ: Good afternoon, Chairman Salamanca and Members of the Land Use Committee. My name is John Sanchez, and I'm the Executive Director of 5 Borough Housing Movement, a coalition of business, labor, civics, and religious groups focused on expanding affordable housing supply across New York City. We support office-to-residential conversions as a part of the addressing the housing crisis. We also support Council Resolution 0503 which calls on the State to implement an office conversion program and have affordability as a component of that, but the Resolution itself highlights that the hands of the City are tied by decades-old state laws that prevent office conversions and more housing of all types, whether it be for-profit, non-profit, or social housing from being built. Currently, state law prevents office conversions based on the year a building was built or

the location that it's in. We support having a uniform threshold on when buildings can convert. Also, we have a 61-year-old law called the FAR cap, which was passed when New York City had 1 million less people. It limits how much affordable housing can be produced, and in fact hundreds of buildings ranging from NYCHA to Mitchell-Lama co-ops could not be built today because of the FAR cap.

It's also important to note that these initiatives will mostly impact Manhattan south of 96th Street. From 2014 to 2021, Manhattan south of 96th Street produced about 5,500 affordable units. With a reasonable tax incentive for office conversions, Manhattan could nearly double its rate of affordable housing production. Manhattan doubling its affordable housing production is crucial both for fostering neighborhood income diversity and also easing the housing pressures in the outer boroughs. Over the last two decades, nearly 200,000 black New Yorkers left for other cities. New Yorkers are rent-burdened, and our city remains segregated by race and income. Black and brown communities throughout the city have consistently produced higher levels of affordable housing compared to wealthier

neighborhoods in New York City that are transit, employment, and amenity hubs. The city wants to change this. Albany must let it. Nearly 70,000 New Yorkers sleep in homeless shelters daily. Voucher-holders can't find housing, and other cities are building more housing than us. The 5 Borough Housing Movement supports City Council Resolution 0503 and urges the city to continue its advocacy to the State Legislature to ensure that New York can be a national leader in providing housing and returning to the New York City that became the biggest and best city in the world by providing housing of all types for people of all incomes in all boroughs. Allowing office conversions and powering New York City by lifting the FAR cap and providing a reasonable tax incentive for affordability can be a part of making pivotal steps towards addressing the housing crisis. Thank you.

COMMITTEE COUNSEL VIDAL: Thank you.

VICE PRESIDENT YU: Thank you, Chair Salamanca and Members of the Land Use Committee. Good morning. My name is Charles Yu, Vice President of Economic Development at the Long Island City Partnership and thank you for this opportunity to

testify today. Long Island City has emerged as an authentic, vibrant mixed-use community which has proven to be an important attribute that enables us to better withstand and recover from the pandemic compared to other areas. People in businesses from all industries are moving to this great neighborhood to take advantage of the diversity in our neighborhood. It is important to preserve the mix of uses to ensure our community can continue to thrive and serve as one of the top regional production and employment centers. Although our neighborhood has not seen a pattern of office-to-residential conversions and current proposals focus primarily on Manhattan, local stakeholders have expressed some deep concerns over the potential impact.

First, conflicts between industrial and residential uses. Long Island City remains one of the most productive neighborhoods in the region. The experience of loft conversions in North Brooklyn suggests having residential near industrial uses may displace some industrial businesses.

Second, additional stress on aging infrastructure. Our infrastructure was built a long time ago, and the aging infrastructure no longer

serves the neighborhood's needs today. Significant investment is needed to match the continuing growth in population in our area.

We urge the Council to investigate pathways to mitigate the concerns our community and businesses have highlighted. We look forward to the opportunity to work with the Council to work out a plan that will help lessen the local impacts of office-to-residential conversions. Thank you.

COMMITTEE COUNSEL VIDAL: Thank you. Next, I will call Justin Rodgers who is online I believe.

PRESIDENT RODGERS: Yes. Good afternoon, can you hear me?

COMMITTEE COUNSEL VIDAL: Yes.

PRESIDENT RODGERS: Good afternoon, Mr. Chairman. My name is Justin Rodgers, and I'm the President and CEO of Greater Jamaica Development Corporation. Now in our 56th year of service to Downtown Jamaica and Southeast Queens, GJDC is in favor of the resolution to enable office-to-residential conversion and incentivize affordability in converted buildings.

Organizationally, we have always prioritized economic development through a variety of

projects and programs. Accordingly, we have long advocated for increased affordable housing density, commercial expansion, and industrial development. Our efforts have resulted in significant construction of both residential and mixed-use properties over the last few years. A key to Downtown Jamaica is its proximity and access to a variety of transportation options. We are a regional transportation hub with Downtown access to Jamaica Long Island Railroad Station, the AirTrain to John F. Kennedy Airport, 49 bus lines, and four subway lines. Approximately 560,000 passengers pass through Jamaica on a daily basis.

Clearly stated, incentives which promote transit-oriented development benefit people who live in Jamaica. In addition, representing an underserved community of color, we are focused on ways to reduce the racial wealth gap which results in economic instability, reduced ability to deal with financial crises, and exacerbates societal divisions. We see home ownership as one critical tool in the struggle to close the racial wealth gap. Since this proposal will increase the amount of affordable housing stock in Jamaica and New York City, we are in favor of it.

Specifically, lifting the 12 FAR cap and facilitating office-to-residential conversions will increase housing inventory and should result in greater affordability on both the rental and ownership market side. As stated, ownership is a pivotal factor in building wealth and reducing the disparity of the racial wealth gap. As a technical assistance provider to our IBZ here in Downtown Jamaica, we appreciate that the proposal specifically protects IBZs from conversion.

Finally, the proposal strikes the right balance between office conversions and preserving Class B office space, especially with respect to the ability to continue a vibrant commercial corridor and small businesses to non-profits.

For all these reasons, we do support this proposal. Thank you.

COMMITTEE COUNSEL VIDAL: Thank you. Next, we will hear from Regina Myer, Downtown Brooklyn Partnership who is also online.

PRESIDENT MYER: Thank you very much, Chair and Members of the Land Use Committee and, of course, the Staff. I'm Regina Myer, President of the

Downtown Brooklyn Partnership. Thank you so much for giving me the time to testify.

The lessons of the last three years and the pandemic have hit many sectors of our economy as no doubt you all know, but today I want to address the issue of conversion of office space. As you know, a direct result of the pandemic has been a high vacancy rate in many of our commercial centers including Downtown Brooklyn. This has been the result of many factors that you've heard discussed already at this hearing including the success of remote work, more efficiency of the workplace and, sadly, some commercial users moving out of the city or downsizing their New York City presence.

As we confront this reality, planning for Midtown Manhattan is paramount. We need to keep Midtown as vibrant as possible. It's the center of our entire economy and our iconic center for global tourism. That's why we must address vacancy. One of the choices that should be available, and you've heard also this earlier, is the conversion of outdated stock to residential which would lower the playing field with Lower Manhattan starting to develop a mixed-use district that will support more

uses and more vibrancy. Just looking across the river to my district here in Downtown Brooklyn, you can see that it was the mixed-use nature that actually enhanced our district during the pandemic. We benefited from the mix of uses with the residential component in our district that kept our retail vital and our street life vital. Perhaps the best example in Brooklyn in terms of office-to-residential conversion in Downtown Brooklyn is the BellTel Lofts on Willoughby Street. This building happens to be located directly adjacent to Metrotech Center and has actually proven to really have a synergy between the residential at BellTel Lofts which includes office in the ground floor and residential above.

At this point, I'd like to say we do support what's before you today. We acknowledge because of the high amount of vacancy across the city, it is still going to be a good time for office tenants to continue to find office space. We're seeing that certainly here in Downtown Brooklyn, how much is available. There's plenty of space available across innumerable geographies and office classes.

We share the goals of protecting Class B office space across the city, but certainly we

support increasing flexibility to convert at this juncture will not in fact undermine it. It will just give options that we desperately need as we move forward in recovery. Thank you.

CHAIRPERSON SALAMANCA: Thank you for your testimony. Thank you all for your testimony.

I have a few questions for the Long Island City Partnership. I have your written testimony here, and it states here that it seems that your organization or your position, you mention conflicts between industrial and residential uses. I'm just a little confused because this plan is more commercial to residential. Industrial is more manufacturing so do you have, in terms of what you're referring to, are you referring to the industrial side of your district or are you referring to the commercial side, because they're two different things.

VICE PRESIDENT YU: Right, but I think what we're trying to say here is there could potentially be conflicts of uses between industrial users who also have office space in some of the industrial areas, particularly the IBZ areas...

CHAIRPERSON SALAMANCA: But we're not planning on rezoning the IBZ areas.

VICE PRESIDENT YU: Right, but also industrial users have office space outside of the IBZ and other manufacturing...

CHAIRPERSON SALAMANCA: You're referring to outside of the IBZ areas?

VICE PRESIDENT YU: Right, but even areas outside of the IBZ that are very close to the IBZs or adjacent to the IBZs could potentially introduce some conflicts like noise or pollution or truck traffic that seems to be in conflict between the two different users.

CHAIRPERSON SALAMANCA: I don't see how. I represent Hunts Point so I have an IBZ there. Hunts Point, half of it is industrial, the other half is residential. There are concerns in terms of truck traffic and pollution, of course, right, because I have the world's largest market, but that is a choice that those residents choose if they want to live there in that part of the district. I was just trying to get clarity because I was just not understanding what you were referring to there.

I have a question for both the Brooklyn BID and the Jamaica Development. Vacancy rate, how big is your vacancy rate right now in your commercial districts?

PRESIDENT MYER: Our vacancy rate is actually tracking Manhattan's, between 18 and 20 percent.

CHAIRPERSON SALAMANCA: Okay, and in Brooklyn?

PRESIDENT MYER: That is Brooklyn. I'm sorry. Justin, did I say the wrong thing?

PRESIDENT RODGERS: No. That was Brooklyn, but in Queens, and specifically here in Jamaica, I think we're a little lower. We're probably about 10 to 15 percent roughly.

CHAIRPERSON SALAMANCA: All right. In speaking to the property owners, is there an appetite to actually convert from commercial to residential give the fact that the City and the Governor are advocating for affordable housing to be attached to this conversion?

PRESIDENT RODGERS: Do you want to start, Regina?

PRESIDENT MYER: Sure. I think certain owners will consider it, and I think like the example that I stated, BellTel Lofts, there are certain buildings that would be attractive. I think honestly there will be certain buildings that will have huge hurdles going back to Commissioner Garodnick's testimony, it really is going to be a case-by-case basis in Brooklyn, which it really lines up with that assessment that this is going to depend on so many individual decisions as well as, honestly, as was also previously discussed, whether or not there are incentives and requirements for affordable housing so this is going to be very complicated moving forward but our perspective from our owners has been that the choice is important.

PRESIDENT RODGERS: Specifically for us, we are actual landlords here in Downtown Jamaica. We own an 80,000 square foot commercial building. I would say that we are right now about 85 percent occupied, but I can tell you that about 90 percent of our tenants are not-for-profits, but, that being said, there's a commercial building across the street which is probably about 50 percent vacant, and I do

know that the owner would be definitely interested in affordable housing in that building.

CHAIRPERSON SALAMANCA: All right. Thank you. Council Member Brewer, do you have any questions? No.

All right. I want to thank this panel for your statement, and I want to thank you, John Sanchez, with your 5 Borough coalition really pushing this agenda forward. Thank you.

COMMITTEE COUNSEL VIDAL: Next, we will invite our fourth panel of experts consisting of Avinash Malhotra from Avinash K. Malhotra Architects, Steven Paynter from Gensler, James Colgate from Bryan Cave Leighton Paisner.

Mr. Malhotra, if you would like to begin, and I believe you have a presentation, correct?

AVINASH MALHOTRA: Yes, I do.

COMMITTEE COUNSEL VIDAL: Just give us one minute to post your presentation.

CHAIRPERSON SALAMANCA: Just to be fair, after this panel, we have quite a few individuals who want to give public testimony so we're going to ask that your presentation be within five minutes if possible or less.

I'm sorry. If you could just turn on your mic. Just press the button there until you see it's red there. Thank you.

AVINASH MALHOTRA: Hi. Good afternoon. My name is Avinash Malhotra. I'm an architect. I've converted a few buildings downtown, and I'm here to tell you what are the biggest challenges in converting an office building. As a case study, I'm displaying 180 Water Street, which was converted about five years ago. This building is about an 18,000 square foot floor plate. It fronts on three streets as you can see. It's about 100-feet deep on John Street and 180-feet deep on Water Street and Pearl Street, but it does not lend itself to apartment-type layouts. In order to make this building work, we looked at some of the other we had converted which were different building types and, as you can see in the next slide, next please, these were three loft buildings on Broadway and Mercer Street. They were through the block. My client bought these buildings, and he wanted to convert them to residential. In order to get light, I had to create a courtyard in the middle so as you can see the building on the top of the page gets light from

courtyard and Broadway, and the building at the bottom of the page gets light from courtyard as well as Mercer Street, and the building that goes through the block gets light from all three places, Broadway, Mercer Street, and the courtyard so the courtyard became a way of getting light into buildings that were too deep. We have another building that we did that was a totally different building type, which is the Federal Archive Building on the next slide, please.

 This was the Federal Archive Building. It was built in the 1890s. It became available for development, and the developer before my client could not get financing because his scheme did not make enough revenue to command the financing so my client became involved with it, and we did a minor modification of the special permit to create more units and, as you can see, we got light from the courtyard. This is a 40,000 square foot building which fronts on four blocks, but still you need a courtyard to get light for the apartments. Otherwise, they'll be too deep so it has a courtyard. The area that we carved out of the courtyard we tried to put on top of the building because, since it's a landmark

building, we had to stay within the 400-foot vision line so we could not use all of the floor area there was on top of the building. The building has challenges, but it also gives you opportunities so here when we put in the courtyard, if you can go to the next slide, please, we were able to get skylight in the courtyard that brought light to the middle of the building where the lobby was and on top of the building we created a pedestrian street that gave entrance to the apartments so these apartments are like townhouses built 200 feet up in the air.

These are the kinds of things that conversions, they offer you opportunities and you can use them in a positive way so I used the concept of courtyard to deal with 180 Water Street. Can we go to the next slide, please?

This is the same floor plate that you saw at the beginning of the presentation. I put in a 30 by 40-foot courtyard in the middle of the building, and this courtyard, the floor area that we carved out of this courtyard, we put on top of the building. This is a delicate balance. You don't want to have too much area to put on top of the building because then you have to modify the structure, you have to

reinforce the footings and the columns, so we were able to put this floor area on top without having to reinforce the basic structure of the building. In addition to that, you don't want this courtyard to be so deep that there would be no light at the bottom of the courtyard so what we did was we started the courtyard on the floor, and on the second and third floor we put in mechanical spaces, electrical rooms, pump rooms, hot water rooms, and places like that which don't count as floor area but occupy the area that is not lit naturally. That is how we were able to solve this probably. If you use the 680 square foot per dwelling unit factor, this building should have had 657 apartments, but because of the constraints on the depth and how we got the light, we were able to get about 581 units so the average unit came out to about 769 square feet, which causes a hardship for the owner because the more the number of apartments, the higher the rent you get per square foot. Also, the courtyard costs you money. You have to first demolish the area, you have to create a new exterior wall, then you have to take this area, put it on top of the building, have new framing, new floors, new exterior wall so all of that costs money,

and I think as you go and look at newer buildings that I've been looking at in Midtown Manhattan, some of my clients brought me a building to study, they are even more challenging than this because in those buildings the elevator shafts, elevator (INAUDIBLE) is in the middle of the building so you can't even put a courtyard in the middle of the building so as designers and architects we can solve all these problems. For every problem, there are many, many solutions, but it's a question of economics. Does it make economic sense to put that money to convert the building into a residential building.

Having said that, any kind of subsidy that the developer gets makes these things happen. If there's a tax abatement, then it becomes, because the fixed cost of construction is not changeable. The cost of acquisition is what it is.

On the other side of the equation, your rent can only be so much, whatever the market base, and on maintenance side there's real estate taxes and there are labor charges. Labor changes, you can't change. If you can get a tax abatement then these projects become economically feasible.

In addition to planning challenges, there are some other challenges we face. If you can go to the next slide, please. This is 200 Water Street. This is on the adjacent block to 180 Water Street. I converted this building in 1995, 1996 probably. This was a tower on a base. The base was big but not that big that we couldn't deal with the layout, we laid it out, but the tower was rather slender so when we did a structural analysis we found out the building used to sway too much. On an office building, it doesn't really matter because you're not sleeping so you don't perceive the movement of the building. In this case, the developer did not want this to become a marketing nightmare where people will not rent the building because when they sleep at night they perceive the movement of the building so we had to put in structural bracing within the building, so if you go to the next slide, you'll see that we had these bracings running through the apartments and rather than hiding it, we used it as an element to promote the marketing. For every problem, there are many, many solutions, but it's a question of economics. If it pencils in, every developer will convert any building that comes his way, but if it

doesn't make economic sense, it's going to stay partially occupied.

COMMITTEE COUNSEL VIDAL: Thank you. That was a very helpful (INAUDIBLE) so we're going to go to Mr. Colgate to give us some more applied challenges in relation to regulatory challenges.

JAMES COLGATE: Hi. I don't have any slides, and that's because it's been too many years since I've been an architect. I've been a lawyer for too many years so I have no slides.

I'd like to thank the Committee Chair, the Committee Members, and the Council Staff for affording me this opportunity to talk and say a few words.

My name is James Colgate, and I was honored to be included in Mayor Adams' Office Adaptive Reuse Taskforce. I'm a partner at the law firm of Bryan Cave Leighton and Paisner where I practice land use law and, prior to my arrival at that firm, BCLP, I was Assistant Commissioner at the Department of Buildings where I was responsible for technical affairs and code development so in my time at DOB I drafted many, many bills that were eventually enacted including bills that amended the

Construction Codes, the Housing Maintenance Code, the New York State Multiple Dwelling Law, and I worked a lot with City Planning as well. Prior to DOB, I was an architect at HPD, the housing department, where I worked on affordable housing developments, and before that I worked at City Planning so all to say if you have questions about the regulatory and design challenges I'm happy to answer anything you might have. I'll also say that I can't represent the Department of Buildings but, if you have questions about the Construction Codes, I'll do my best.

Mayor Adams's Office Adaptive Reuse Taskforce's report issued last month makes recommendations which, if enacted, will greatly increase options for owners of office buildings that are underperforming and it can be a vehicle to increase housing production. By expanding the pool of eligible buildings eligible for Zoning Resolution Article 1 Chapter 5 to buildings constructed as late as 1990 and by expanding the geographical reach of this chapter, more buildings will be eligible. Not all will be suitable, but more will be eligible. You heard 136 million, 120 of this, 16 of that earlier in the testimony from Garodnick, but the reality is a

very small number of them will be able to get through the other end and actually happen, but it's necessary to do these steps in order to provide even some of them to happen. So this first recommendation will require changes to the Multiple Dwelling Law. As you know Governor Hochul has already proposed those changes in her budget. It will also require changes in the Zoning Resolution which I understand are being prepared by the Department of City Planning, and I have full faith that they will come up with some great proposals in the actual text in the months to come. The recommendation that will allow office buildings to be converted to supportive housing and dormitories will help greatly. I represent several non-profit housing providers, and several of their projects over the last couple of years were ruled out, were impossible to construct because they could not access the provisions of Article 1, Chapter 5 for their conversions and they gave up. I can't speak about tax abatements, that's not my expertise, but I am happy to answer any questions you have. Thank you.

COMMITTEE COUNSEL VIDAL: Thank you, Mr. Colgate. Now, shifting our perspective to a more national scale, we have Mr. Paynter.

STEVEN PAYNTER: I think I have a presentation deck as well, but while that's coming up, I'm Steven Paynter. I'm a partner at Gensler which is the largest architecture firm in the world, and I've been working on an approach to conversion projects for the last three years and working with many cities across North America to put incentive programs in place so someone sat here earlier and said that there wasn't any good cities to look to. I would heavily dispute that. We're working with over a dozen cities right now to do these types of programs.

As bit of a background, if you go to the next slide, I'll go through this very quickly. We started this program that we've been looking at, as I said, three years ago. We started it in the city of Calgary which pre-pandemic had a 38 percent vacancy rate because it's heavily tied to the oil industry, but every single city since the pandemic started has had a 5 to 10 percent raise in vacancy, and you can see the line in the middle there. That's Detroit when Detroit declared bankruptcy. They had about 14 percent vacancy so the City of New York are above the ghost town kind of threshold of Detroit. Next slide.

That's massively biased toward Class C office buildings. The image on the left there is leased and signed in the last quarter of last year in trophy class buildings so the top 10 percent of the market. The image on the right is the lease is signed in Class C buildings so the bottom 30 percent so even though there's three times the amount of buildings in the right image, there's only 10 percent of the number of leases signed so we're really seeing the vast majority of tenants who are looking for new space going to high-quality buildings and taking less space so it's going to densify those buildings and new office buildings and really empty out the Class C ones pretty rapidly as well. Something like 85 percent of all leases will turn over in the next five years for those buildings so they will empty out naturally pretty quick. Next slide.

To study this quickly, we came up with an algorithm that looks at several things. Site context which is basically if you build it, do people want to live there. The building form, as my Colleague next to me was saying a second ago, what do you have to do to the building to make the access to light and air work and the floor plate. The envelope and servicing

as well. All of those are weighted by how much they impact the pro forma so that allowed us to take about eight minutes per building to look at hundreds and hundreds of buildings. Go to the next slide.

In doing that, I know this is kind of small, but we currently studied over 700 buildings across North America, about 200 in Manhattan alone, and we ranked them to how easily it would be to make the deal pencil out, could you convert this and then make money with or without subsidies, and we actually found that only about the top 25 to 30 percent of projects we looked at would ever make sense for conversion so that 136 million square feet that we were talking about earlier, you might get about 30 million square feet if you're lucky physically able to make a viable conversion.

If you go to the next one, it's really kind of focused on Manhattan and the buildings we looked at there. You can see that the average compatibility score for Manhattan is 63. I've shown our Gensler office on Broadway, the upper end of Broadway on there as well, but a lot of these buildings are scoring below the 80 percent threshold that we really need to make these projects viable so

we're talking about a smaller market but potentially a very high impact. When we did this analysis on the city of Calgary, which is as I said the first one we did, they put an incentive program in place which is 75 dollars a square foot the developer gets at the end of construction so once they've finished the building and they've rented it out they get the 75-dollar incentive and they've also took the zoning and entitlements process away as long as you don't make the building larger. What that meant was in the first six months of 2021, they were able to approve enough projects with a budget of about 140 million dollars and approve enough projects to increase the downtown population by 23 percent. They are now going into the next round of that budgeting, and they're hoping to get another 10 to 15 percent population increase in the downtown as well. The real success of that program was making it incredibly simple. You get approved, you do the project, you get 75 dollars. Very easy for any developer or economist to figure out the benefit of that versus a more complicated tax abatement program, and they were able to do it very, very quickly because of that as well. They had an affordable housing component in that, they had some

limits on unit sizes and an encouragement to build larger units as well.

We then saw, by contrast, cities like Chicago introduce a program about a month ago, two months ago, which was just incredibly complicated and really limited the number of people applying to it so I'd really encourage you as you look at this and look at which areas are viable for incentives in conversion programs to keep it as clear as possible. Architects and developers have a very simple mind. We design something cool, and it has to make financial sense. That's kind of it so if you can target that, then the program will be a success as it has been in the dozen other cities that we've done this.

CHAIRPERSON SALAMANCA: I want to thank you for your presentation. This was extremely informative. My question here then is the Mayor's plan, the Administration's plan proposes 20,000 units that would create homes for 40,000 families. How realistic is that plan, that 20,000 mark?

STEVEN PAYNTER: I'm not sure I can do the math. If you take 20,000 units times 750 roughly on the average unit size, how many square feet that ends up to. If it ends up over the kind of 15 million

square feet mark, it's probably not viable because you really need I think only 15 percent of the buildings in that Class C band will really be convertible, 30 percent physically and then you kind of whittle it down by the ones that have tenants, are in the right location, etc., etc. If I had my phone on me, I could work it out.

CHAIRPERSON SALAMANCA: In terms of buildings, are there any reforms to the Building Codes that are not included in the State or the City proposal that you saw that immediately pop in your head?

JAMES COLGATE: You mean that are necessary to facilitate conversions?

CHAIRPERSON SALAMANCA: Yes.

JAMES COLGATE: I don't think because the Construction Codes currently provide accessibility, the fire protection, sprinkler, standpipes, fire alarms, smoke detectors, room sizes. It has all that stuff already, and you really don't need that much more than that. There are certain provisions that are necessary to be relaxed for conversions, and those are already covered in Article 7B of the Multiple Dwelling Law, it's 277 of the Multiple Dwelling Law,

and the Governor's proposal will allow those buildings up to 1990 to utilize those relaxed provisions that deal with egress, that deal with light and air, court sizes, window sizes, and the flexibility of the Building Commissioner to modify those provisions. That's already there so basically with 1980s on that's already been covered for conversions. All the relaxations you need are there. The difficulty is to access them. You need a state law which is in the Governor's budget right now if it gets through which will make those relaxations available. There is an existing Building Code that's going through the DOB process, and that's going to come, I don't know if that's your Committee or a different Committee...

CHAIRPERSON SALAMANCA: That's a different Committee.

JAMES COLGATE: So there are some changes happening in the Construction Code world for existing buildings which are ripe for change, but for conversions, I don't see anything that's necessary to be included. If you get these changes that are in the Adaptive Reuse Study through, both the MDL provisions and the zoning provisions, it latches on and grabs

those MDL provisions that already exist in a way that affords you that flexibility for the light and air, for the court and yard sizes, for the window relaxations, and for the egress you need (INAUDIBLE)

STEVEN PAYNTER: It's worth adding to that the occupancy of an office building is designed normally at about one person per 100 square feet so the exit stairs, the floor loading, all of that is designed to accommodate that many people. In a residential building, you end up with about one person per 300 square feet so the stairs are already kind of oversized, the floor loading is already above capacity as need, generally the floor-to-floor heights are taller, the amount of air and duct work and all that that you need is greater for an office buildings...

STEVEN PAYNTER: And too many elevators too. Take away elevators.

JAMES COLGATE: Yeah, so all of that actually makes these conversions more positive, and the one that's on the screen now, I won't walk you through it in the interest of time, but it created really nice units because you have that extra ceiling, you have the ability to be flexible in the

floor plan as well so the code changes are really minimal. It comes down to the economic metrics of it.

CHAIRPERSON SALAMANCA: With the amount of funding that's needed to convert these buildings, is it realistic to say that we can actually build affordable housing?

STEVEN PAYNTER: I think it comes down to the incentives. The 75 dollars a square foot in Calgary was able to fund affordable housing into that. They also took the approach that if they build the units at market and increase the housing supply, that will encourage a less steep incline in rent increases and therefore make some of the other units more affordable too so increasing housing supply is one of the biggest ways of increasing affordable units without specifically incentivizing them because you get rid of that crunch. I think earlier we said there was only half the number of units created as there were jobs over the last 10 years. You fix that balance, you fix the affordable housing problem.

CHAIRPERSON SALAMANCA: Okay. Council Member Brewer.

COUNCIL MEMBER BREWER: No, thanks.

CHAIRPERSON SALAMANCA: No? Okay. All right. I want to thank you for this very informative presentation. Thank you for presenting this.

We'll move on with the next panel.

COMMITTEE COUNSEL VIDAL: Now, we are going to move on to the public testimony. Chair Salamanca, there are approximately 10 public witnesses who have signed up to speak.

Members of the public will be called in panels of four. If you're a member of the public signed up to testify, please stand by when you hear your name being called and prepare to speak when the Chair says that you may begin.

As a reminder, in the event that Council Members have questions, witnesses are asked to remain online or to stay seated here at the microphone after their testimony until excused by the Chair.

Once you or your group has been excused following any questions, participants may continue to view the livestream broadcast of this hearing on the Council website.

If you have not yet registered in-person, please do so now. Online registration is closed.

Members of the public will be given two minutes to speak. Please do not begin until the Sergeant-at-Arms has started the clock.

Our first panel will consist of Basha Gerhards from REBNY, Robert Shaffer from SL Green, David Marks representing Silverstein, and Nathan Berman from MetroLoft.

Then the next panel will be Nicole La Russo from CBRE and Kate Cunningham from Building Congress.

Could you please introduce yourself for people who are here in the room?

BASHA GERHARDS: I'm Basha Gerhards, Senior Vice President of Planning at the Real Estate Board of New York.

ROBERT SHAFFER: Rob Shaffer, Executive Vice President of Development, SL Green Realty Corp.

COMMITTEE COUNSEL VIDAL: Okay. Why don't we start with Miss Gerhards.

BASHA GERHARDS: Okay, thank you. Thank you to the Chair and the Committee for the opportunity to provide feedback today. Twenty years ago, New York City was 302.6 square miles with a population under 8 million. Today, it is still 302.6

square miles with a population of 8.8 million people, a number we were not projected to reach until 2030.

Given our production rates over the past decade, New York City is 10 years ahead of our supply of people and 10 years behind in our supply of housing. Density is how housing growth can be accommodated in land-constrained geographies. Currently, the New York State Multiple Dwelling Law freezes the eligible age for buildings to convert and establishes a floor area cap of 12 to residential use in New York City. No other major city in the country has a residential density cap set by the state. Meanwhile, we have older office buildings that are struggling. Working with HRNA advisors and REBNY's leading commercial brokerage firms, analysis of CoStar data reveals a divide between Class A and Class B/C occupancy levels, leasing, and vacancy rates. Supporting this finding, REBNY recently released an analysis of location data from the firm Placer AI finding that Class A+ and A properties had a higher visitation rate than Class B properties in 2022. The challenges in the office market today represent an opportunity to address the housing crisis and the lack of housing production occurring in high-income areas,

particularly in Manhattan below 96th Street.

Fortunately, the Governor's executive budget on conversion supports these goals by proposing to amend the State Multiple Dwelling Law so that buildings built before 1990 can convert to residential use and to create a tax incentive so that affordability can be financially feasible in complicated and costly conversions. Additionally, the Governor's proposal would allow the City to subsequently amend the 12 FAR cap which would then allow for new residential construction subject to the City's Mandatory Inclusionary Housing program. We appreciate the Council's leadership on the issue of conversions as one of a variety of tools to face the significant housing crisis we are facing. If the State Legislature can come to an agreement in enacting the Governor's proposals, we look forward to working with the City Council to effectuate the local zoning changes that will also be necessary.

ROBERT SHAFFER: Great. Thank you for allowing me to testify this afternoon.

At SL Green our business is 100 percent here in New York City, primarily in Midtown. Our belief in the future of office space has never

wavered, and we continue to see enormous demand for the well-located, Class A office space that comprises our portfolio.

Nonetheless, there is a subset of the office market that is struggling to attract and retain tenants, leading to record vacancies near 18 percent. As well, a recent C and W report found that by 2030 nearly 25 percent of the country's office space will be obsolete. New remote work policies have only exacerbated that problem. Public policy interventions are needed to help struggling owners stabilize these assets in a way that will support neighborhoods and local businesses suffering from a large drop in pedestrian traffic, to stave off drops in commercial tax revenue collection, and address the city's ongoing housing crisis.

We support the Governor's proposals to broaden the age of buildings eligible to convert, to create a meaningful tax incentive for affordable housing, and to allow the City to revise the 12 FAR cap in appropriate neighborhoods, like Midtown and Garment Center, where that level of density already exists. However, we don't think these interventions go far enough, not to create the desired number of

residential density and residential units that are the goals of both the Mayor and the Governor.

First, we should make more buildings eligible for conversion by entirely removing the limitation based on the age of the building as well as revising and eliminating the FAR cap. In appropriate neighborhoods, we shouldn't force owners to continue existing office use simply because the building they own was built on or after a certain date and was built to an allowable FAR in that commercial district.

Second, we must not limit conversions to the tower portions of office buildings. We must find a solution to address the biggest physical challenge to conversion, which lies in the podiums of office buildings and was highlighted in the presentation that you just saw. Podiums are where most of the square footage of these buildings is located. It is possible through modern technology to eliminate the 30-foot rule and to allow for internal windowless bedrooms with modern technology, but far and away most importantly, we urge the City and State to provide for a full tax abatement to overcome the cost

of conversion and the cost of providing affordable units.

Thank you for your time and consideration.

COMMITTEE COUNSEL VIDAL: Thank you. I just want to confirm that David Marks from Silverstein and Nathan Berman from MetroLoft are no longer present.

ROBERT SHAFFER: Correct.

COMMITTEE COUNSEL VIDAL: Thank you.

CHAIRPERSON SALAMANCA: Question. How big is your vacancy rate for SL Green?

ROBERT SHAFFER: We stand at 91 percent occupancy.

CHAIRPERSON SALAMANCA: 91 percent occupancy so 8 percent.

ROBERT SHAFFER: Correct.

CHAIRPERSON SALAMANCA: What about REBNY, for your clients in total?

BASHA GERHARDS: We represent a large cross-section of the commercial ecosystem including leading commercial brokerage firms, commercial owners. What we are seeing, both the gentleman from Gensler and I think others have spoken to this as

well, is this divide between I would say the Class A, the newer construction buildings, and buildings that were built 30 years or previously, and in those older buildings, also known as Class B and C office space, we are seeing much higher vacancy rates so closer to 20 percent depending on the corridor, sometimes higher, so that translates to an occupancy of closer to 70 to 80 percent, depending again on the individual building.

CHAIRPERSON SALAMANCA: Do you think that your members that have Class B or C office space, they can financially support the conversions?

BASHA GERHARDS: For each of these buildings, it's going to be an individualized choice dependent on the physical building characteristics so we've talked about floor plate a lot. It's also a function of the windows, whether they have operable windows or not. That's a function of the Building Code. The Building Code requires you to have operable windows for residential use. That can become not necessarily cost-prohibitive but certainly an extra cost. The location of the elevator cores. These are again building-specific considerations. How vacant or occupied the building is is also a consideration both

in terms of timing to either have everyone run out their lease and vacant the property, whether you have other properties in your portfolio you can buy out or incentivize or move someone to. Every architect and engineer I speak to definitely says I prefer an empty building. Once you do phasing, that becomes more complicated. Then there's the, I want to say the financial considerations by an individual basis. This is both the ownership structure, whether there's existing debt, how long someone has held the building, whether they are planning on staying in the office market so they can use different federal tax tools available to them. All of this factors in. I know this is a very long answer to what should be a simple question. The main takeaway from all of this is it is complicated. There is no single answer for the entirety of the office stock here.

CHAIRPERSON SALAMANCA: I agree. This is one of the most complicated issues that I think that the Council will take if they move forward with this.

My last question is when we spoke about the affordability with City Planning and HPD, their tax incentives, they mentioned that it'll be a 19-year tax incentive. After that, the property owner

will have to sustain itself. Is that something that's sustainable?

BASHA GERHARDS: Again, it's going to be a question of math. The tax incentive that the Governor has proposed is an optional program, and something to note about the State process, the Assembly and the Senate have the opportunity to reject, accept, or modify similar to our ULURP recommendations here, but it's all happening within a much different process and a different timeline. That 19 years, in theory, yes, at the end of that 19 years, the owner would be financially responsible for the, I want to say, in perpetuity upkeep of those affordable units. They would be income-restrict in perpetuity so permanently affordable. Again, what really allows for something like to occur historically is the mixed-income model where the market rate rents will cross-subsidize the operating expenses.

CHAIRPERSON SALAMANCA: All right. What about for SL Green?

ROBERT SHAFFER: We think it's going to be a challenge to be perfectly honest with. Affordable New York was a 35-year exemption and a full exemption of real estate taxes, and that found to be from a

real estate development perspective a workable model. A couple of things that make this specific proposal a challenge, with 19 years and the last five years of those 19 are ramped down to full market taxes. You cannot capitalize the abatement in your asset valuation. As you look at that forward exemption or abatement, you're going to basically run a discounted cashflow and take that present value and reduce it from your asset value but not take a full capitalized value increase based on that so that's first and foremost what really puts pressure on our ability.

Second, I would say that at 50 percent exemption or abatement, we on our financial models don't see enough of an incentive so combined with a 50 percent exemption or abatement and the 19-year term we're seeing this as a challenging proposal to make work.

BASHA GERHARDS: I would also just add to that that I've asked a number of our members who are undergoing conversions today at this moment in time as-of-right, absent regulatory relief, is this something they would use, and they've all told me no so I think from a public policy perspective the questions that were raised earlier by the Citizens

Budget Commission are the right ones, how much affordability do we want to incentive. There's going to be a cost there. The good thing is in this moment in time it's really excellent that the City Council is holding this hearing and we're able to have these conversations and ask these questions. What is in the Governor's budget does not mean that will be the ultimate or final proposal. It's really meant to be informed by conversations like this, which are also happening at the State level.

CHAIRPERSON SALAMANCA: For SL Green, should the Governor approve this plan as written, does your organization plan on breaking ground immediately after that to move forward?

ROBERT SHAFFER: We do not have any projects in the pipeline for sure.

CHAIRPERSON SALAMANCA: Okay.

ROBERT SHAFFER: Look, again, we strongly suggest that we relook at both the percent of exemption and the length of the exemption or abatement for the reasons that I stated earlier. I would also note that we really should be focusing on full building conversions. I think the complications of converting parts of buildings are enormous as some

of our other respondents have spoken to. There are ways through technology and through changes to the Building Code and through changes to the MDL where we can incorporate more portions of office buildings, especially in the challenged podiums of those buildings. We're going to continue to advocate for a larger abatement with more length and more freedom to convert more of the building.

CHAIRPERSON SALAMANCA: Okay. Thank you. If you can please share your written testimony statement with the Sergeant-at-Arms so that we can have it.

ROBERT SHAFFER: Absolutely.

CHAIRPERSON SALAMANCA: I want to thank you both for staying this long to give your public statement. Thank you.

COMMITTEE COUNSEL VIDAL: The next public panel will be Kate Cunningham from the Building Congress, David Wellspring from the CIM Group, Bill Murray from American Council of Engineering Companies, and Gerald Scupp from the Garment District Alliance.

Then last but not least, the next person we'll close out with is Nicole La Russo from CBRE.

CHAIRPERSON SALAMANCA: You may begin.

KATE CUNNINGHAM: Chair Salamanca and Members of the Committee on Land Use, we thank you for the opportunity to testify today on this important topic. The New York Building Congress is a broad-based membership organization that consists of more than 500 constituent organizations and 250,000 skilled tradespeople and professionals including architects, engineers, contractors, developers, and labor.

We want to start today by also thanking Director Garodnick and the Office Adaptive Reuse Taskforce who outlined 11 sound recommendations to guide this process. Specifically, we want to highlight the following recommendations that we consider are crucial when exploring the adaptive reuse of office space.

The first one is expanding the number of buildings that can access the most flexible reuse regulations including buildings built before 1990 and in all high-density office districts.

Two, rezoning manufacturing districts in Midtown West to allow new residential uses.

Three, pursuing tax incentive programs to include affordable housing.

At the State level, Governor Hochul proposed multiple changes in her executive budget to support these. Specifically, Alpha Part J which would expand the eligible buildings authorized to convert to residential uses and exempt those buildings from the 12 FAR cap. The FAR cap was instated 60 years ago, is largely arbitrary, it limits affordable housing construction, job creation, and the economic growth of New York City. Removing this for office space conversions and as a whole is a step in the right direction to combat the City's archaic zoning laws and spur sustainable development in central districts and near public transit.

Additionally, Alpha Part P which would provide the tax incentive benefits for affordable housing units to be included in these conversions. It promotes the equitable component to these potential conversions as we've heard today. The Governor's proposal would call for a tax incentive to include a certain percentage of permanently affordable units at varied AMIs. Although not perfect, incentivizing affordable housing not only helps the City and State

meet the affordable housing goals, it correlates directly to the creation of jobs and the overall health of our economy. Specifically, for every 1 million dollars spent on construction, eight jobs are created in New York City.

The Building Congress will continue to advocate for these policies in Albany, but we strongly encourage the Council to accept and support these proposals and our members will appreciate your continued support and stand ready to build new and affordable housing that will be yielded by these changes. Thank you.

DAVID WELLSRING: Good afternoon. Thank you for the opportunity to testify before you today. My name is David Wellspring, and I have been a New York City resident since 2011. I'm a First Vice President of CIM Group, a community-focused real estate and infrastructure owner, operator, lender, and developer. My role at CIM is to oversee major renovations and ground-up projects in New York City and several other markets.

Today, I'm speaking to you on behalf of CIM which was founded in 1994 and has completed many adaptive reuse projects in New York City, Los

Angeles, Chicago, Austin, Atlanta, and others, many of them underutilized office buildings that were converted to residential use. Examples include 100 Barclay in Manhattan, the Tribune Tower in Chicago, Seaholm Residences in Austin, and the Gas Company Lofts and Sunset Vine Tower in Los Angeles. To date, CIM has delivered and has in the near-term pipeline approximately 1,500 units of housing created by renovating underutilized office buildings. We enthusiastically support expanding office-to-residential conversion legislation across all five boroughs and as new housing units are needed across the city. We urge City Council and its partners in this initiative to consider the following.

Future conversion opportunities should be expanded beyond central business districts from the get-go. Empty office space and shortage of available housing stock is not a problem unique to Midtown Manhattan and, according to recent studies, the amount of underutilized office space is expected to continue to increase through the rest of this decade. Moreover, many commercial buildings in Midtown Manhattan would years to vacate due to existing commercial tenant leases which stand in place despite

actual occupancy rates. However, buildings that are already vacant or partially vacant, which may lie anywhere the city, could be repurposed for residential use more quickly. We propose that there be an expedited residential conversion approvals process for buildings that are already completely vacant upon applying into a future conversion program. Office-to-residential conversion will require a change to underlying zoning districts that may currently allow for office use but are not strictly zoned for office. For instance, office buildings in manufacturing districts that are no longer predominantly occupied by manufacturing uses may make good candidates for conversion. Despite high demand for residential units, Council and its Colleagues in the City should consider the appropriate incentive programs to accompany conversions. The cost of construction remains exorbitantly high and is a major challenge to development. Without sufficient incentives, the conversion initiative is unlikely to be successful in producing the pipeline of residential units the City is seeking.

Finally, consider the benefits of a robust office-to-residential conversion program. For one, conversion that is an environmentally strategy to put back underutilized buildings and creates a lower waste, lower carbon solution in producing new housing versus new construction. As a real estate professional and a New York City resident who has experienced the challenges of competitive housing firsthand, I know how important this issue is to New Yorkers, and I know that the success of the office-to-residential conversion program lies in the details, and CIM would really appreciate the opportunity to participate in the ongoing conversations about this important initiative, and I believe that our experience in this area could be beneficial. Thank you.

BILL MURRAY: Good afternoon, Chair Salamanca and Committee Council. My name is Bill Murray. I'm Vice President of the Metropolitan Region of the American Council of Engineering Companies of New York, or ACEC New York for short. Like some of our prior panelists today, I have had the privilege and the pleasure of once working at the City Council myself. It was the experience of a lifetime, both

working for a Member and then on Committee Staff so I greatly appreciate the work that y'all do here and your dedication to a long, substantive hearing like this. It's not lost on me so thanks for sticking it through.

I also just want to say I'm a lifelong constituent of the City Council. My member is Julie Won. I've been born and raised living in Queens my whole life. My father's from the Bronx, my mother's from Queens so when you talk about something like residential conversion or housing supply, this is bread and butter issue for lifelong, through-and-through New Yorkers. It's something that affects my parents, myself coming from a middle-class background, my sisters, their young families, keeping New Yorkers here so this is very real, it's very meaningful, and I thank you for giving attention to it today.

Putting back on my association cap, ACEC is an association of nearly 300 engineering firms with roughly 30,000 employees across New York. We have a concentrated presences in New York City because this is the greatest city in the state I might say.

Our members have a proud history of providing the technical expertise as professional engineers to update and amend the city laws and building codes to address modern needs such as sustainability goals, resiliency preparations, and in this case creating housing supply. Again, we represent the professional engineers throughout the city. Our members design the structural, electrical, mechanical, plumbing, civil, environmental, and other systems for buildings across the city. We testify today to say that substantial meaningful conversions of commercial buildings into residential is not only possible from an engineering point of view but will also have myriad benefits, which we've been hearing about today, not the least of which is adding to the housing supply, increasing affordability, and job creation, a great deal of job creation.

I won't rehash everything that others have said previously. Just to say we endorse the Office Adaptive Reuse study, the concepts it put forward, namely adjusting the floor area ratio caps, expanding the range of buildings eligible for the most flexible conversion regulations, and providing financial incentives for conversions to take place.

We think all of these ingredients are necessary to make the meal complete. Otherwise, this won't happen in a significant way. We are aware that this requires State government action first and then it will come to you as a our local representative leaders to make decisions, to have these conversations that the Members had today about affordability rates and all these conversations. Again, it's just about removing barriers at this point, and we thank you for spending time on this. We have your back on this and thanks.

GERALD SCUPP: Thank you. Good afternoon, Chair Salamanca and Members of the Land Use Committee. Thank you for holding this hearing on the topic of converting office buildings to residential uses which, as referred to several times today, is of critical importance to our Midtown neighborhood.

My name is Gerald Scupp, and I am the Vice President of the Garment District Alliance, a BID that encompasses the area between 35th to 41st, 5th to 9th Avenues. We strongly support the efforts being made at the City and State level to incentivize the creation of residential uses in neighborhoods that will benefit from a mixed-use environment while providing the City with much-needed housing.

Our central business district is at the nexus of one of the most robust transportation networks in the world including Penn Station, Port Authority, PATH, Grand Central, Times Square Subway Hub, buses and trains to area airports. However, despite all these amenities, with few residents per acre than anywhere in the five boroughs this area is undervalued, underutilized, and does not function as a 24/7 neighborhood despite its highly accessible and centralized location.

The Garment District is experiencing outsized challenges as we recover from the pandemic exacerbated by an onerous and outdated manufacturing zoning that was only partially modified in 2018. Historically, most of the underlying zoning in the district has been M1/6 manufacturing which precludes the opportunity for residential and acts as a disincentive for investment in the aging building stock. In 2005, through the Hudson Yards Rezoning, the City allowed for some residential conversion but, without an incentive for housing, that option was overwhelmingly utilized by developers to create 57 hotels in our neighborhood.

Struggling to recover from the pandemic, social disorder in the district has also profoundly impacted the willingness of office tenants to return to the neighborhood. Many tenants are operating hybrid, crippling our retail and restaurants, but even more troubling, many are ending their leases to move their businesses elsewhere. Lack of residential creates a dead zone in Midtown, especially at night which allows for a proliferation of crime, rampant drug use, and other social disorders. The current manufacturing zoning in New York's central business district disregards a 60-year trend as fashion industry-related jobs, which one time comprised over 90 percent of the district's employment, has now dwindled to less than 10 percent of the workforce. This is a fortuitous moment in time where the City can both reinvent and revitalize this critical New York district while helping to ameliorate their housing crisis. We urge the City Council to pass legislation and to work with the Administration and State to expedite enacting legislation that will enable office-to-residential conversions, lift the floor area ratio cap, and incentivize conversions

that will allow for a mix of market rate and affordable housing. Thank you.

CHAIRPERSON SALAMANCA: Thank you.

COMMITTEE COUNSEL VIDAL: Thank you. The last person signed up to testify is Nicole La Russo from CBRE online, but I don't believe I see here. Just one minute, Chair.

CHAIRPERSON SALAMANCA: While we wait, I have questions. First, thank you all for your testimony.

Mr. Scupp, first, you have a big advocate for the Garment District here which is, obviously you heard, Gale Brewer. In 2018, I went with her and we visited, we walked around, and I got to see firsthand the work that they do there. I'm a kid from the South Bronx. I've never really been there, but to see how close they are to Broadway, to the theaters, I'm hearing stories from those individuals that work in the theater if they need to make any adjustments to any of their costumes, they know where to go. She also took me to another part of the area where they buy the cloth, and so I was extremely impressed with what I saw. Now, I can imagine that when the pandemic hit, Broadway was shut down, and so it had a very

crippling effect on the businesses there. What is your vacancy rate now?

GERALD SCUPP: Our vacancy rate is, I think, around 20 percent, but I think what's more troubling is, and our occupancy, like people coming to work, is like 40 or 50 percent so there's not a lot of people coming back to the office buildings in our area. What's more troubling is not like the vacancy rate now, it's the amount of renewals which is way down because a lot of the leases which were signed pre-pandemic are just now coming up so we expect that that vacancy rate will probably rise. It is also anecdotally speaking to a lot of property owners, there's not a lot of people coming around. I think that what you may have seen pre-pandemic when you visited the district has been reduced greatly. The Broadway argument is interesting, but it constitutes such a small percentage of business in the Garment District. I don't think Broadway is going to close down because a glove manufacturer moves a few blocks away.

CHAIRPERSON SALAMANCA: Okay. What is the Alliance asking for here?

GERALD SCUPP: The ability for the conversion of buildings in the district to residential.

CHAIRPERSON SALAMANCA: The alliance is formed of who, property owners and business owners?

GERALD SCUPP: Yes.

CHAIRPERSON SALAMANCA: Who has the majority, property owners or business owners?

GERALD SCUPP: By large, property owners.

CHAIRPERSON SALAMANCA: Property owners. It's like a BID?

GERALD SCUPP: Yeah, it's a BID.

CHAIRPERSON SALAMANCA: It's a BID. Okay.

GERALD SCUPP: It's more like the devil's in the details in terms of the incentives and the ability to convert these spaces, but I'm not a real estate expert, I'm a Garment District expert, I've been there for 30 years, and we have gotten slammed by the pandemic, and it's been really dismal. It's like in a doom cycle where less and less people are coming, and it's like a real unfortunate, that leads to less people wanting to be there. The experience on the street is really unfortunate because, as I mentioned, this is like in the middle of Manhattan,

you have every major transportation hub located right there. You also have 57 hotels just in our district, and what people have to see first thing in the morning and last thing at night when they're coming to their hotels is really just unfortunate. We think that having residential will bring more of a 24/7 feel to the neighborhood, more bars and restaurants, more retail.

CHAIRPERSON SALAMANCA: You want to rezone that entire Garment District, that's what you're asking for?

GERALD SCUPP: Not exactly. I think that there's a couple of proposals which would affect us. We actually did our own study on the residential potential for the neighborhood about a year and a half ago.

CHAIRPERSON SALAMANCA: I would recommend before you leave today if you can just share your information with the Land Use Division and maybe if you can send us that information so we can have it.

GERALD SCUPP: Yeah. There's a couple of adjustments that we feel would add 5,000 units within 10 years and 10,000 units, I think, within 20 years.

CHAIRPERSON SALAMANCA: Who's your Council Member there?

GERALD SCUPP: Eric Bottcher and, in part, Keith Powers.

CHAIRPERSON SALAMANCA: Have you spoken to both of them?

GERALD SCUPP: They're both very supportive.

CHAIRPERSON SALAMANCA: Okay.

GERALD SCUPP: As Borough President Levine and the Community Boards. We finished our report last fall, and we started shopping it around just to see if there was any interest in this, and there's overwhelming support within the community. Again, this is not addressing issues of how much incentive is going to be needed for those conversions to take place or how quickly they would take place, but everybody recognizes that this would be a win for the neighborhood, which is our concern, but for the city.

CHAIRPERSON SALAMANCA: Okay. All right.

Thank you. I want to thank you all for your testimony and thank you for staying until the end of the hearing today. It was a long hearing today. Thank you very much.

COMMITTEE COUNSEL VIDAL: If I may, Chair, I just wanted to confirm that representative from CBRE, Nicole La Russo, is not available.

In that case, Mr. Chair, we can go ahead and close this meeting.

CHAIRPERSON SALAMANCA: I want to thank everyone. Obviously, the pandemic has had a devastating impact on Commissioner. We now have an opportunity to create and generate a benefit for our communities by transforming empty office space into much-needed housing and, more importantly, create affordable housing in high priority areas. However, as we heard today, to make these conversions a reality is technically and financially challenging. Today's oversight hearing helped better identify the precise actions that the State and City can take to unlock office conversions and create affordable housing that our communities need.

I want to thank the Administration, the experts who testified, members of the public, my Colleagues, Land Use Staff and Council Staff and Sergeant-at-Arms for organizing, participating, and attending today's oversight hearing.

This hearing is hereby adjourned. [GAVEL]

C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.



Date March 9, 2023