

**Note:** The Office Adaptive Reuse report published (Dec 2022) on the website below represents the final findings of the task force. This PowerPoint is from a task force meeting leading up to that publication. It was for discussion purposes only and does not necessarily represent the views of the task force or the Department of City Planning. These slides have been modified minorly.

<https://www.nyc.gov/site/planning/plans/office-reuse-task-force/office-reuse-task-force.page>

# OFFICE ADAPTIVE REUSE TASK FORCE MEETING 1

20 July 2022



# Introduction to Office Adaptive Reuse Task Force



**Dan Garodnick**  
Department of City Planning

# Introductions



**Dan Garodnick**  
Commissioner, CPC  
Director, DCP



**Adolfo Carrión Jr.**  
Commissioner,  
HPD



**Eric Ulrich**  
Commissioner,  
DOB



**Cecilia Kushner**  
Chief Strategy  
Officer, EDC



**James Colgate**  
Partner, BCLP



**Denis Johnston**  
EVP, 32BJ



**Basha Gerhards**  
SVP, REBNY



**Nicole LaRusso**  
Senior Director of  
Research, CBRE



**Wendi Shafran**  
Principal,  
FXCollaborative  
Architects



**Gary Rodney**  
Head of Affordable  
Housing, Tishman  
Speyer

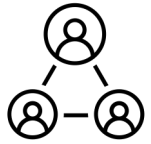


**Cea Weaver**  
Campaign  
Coordinator,  
Housing Justice for  
All



**Perris Straughter**  
Director of Land  
Use at the City  
Council

# Today's objectives:



Align on task force goals and process



Ground group in a common context



Establish path forward and priority research areas

1. **Welcome & introductions (20min)**
2. **Task force overview (10 mins)**
3. **Context setting - Office real estate & adaptive reuse (20min)**
4. **Discussion - Opportunities, goals, and objectives (20min)**
5. **Discussion - Future sessions & priority research topics (20min)**

# Task force overview

## **Scope**

- Council-mandated task force to “*study options and make recommendations for converting vacant or commercially unviable office space to other potential uses*” (Local Law 43 - 2022)

## **Membership**

- 12 members
- Supported by agency staff and consultant analysis

## **Duration**

- Anticipated to end Dec 2022
- Kick-off meeting + 4 subsequent sessions

## **Deliverable**

- Public report outlining recommendations



- 1 “Identification of [types of office buildings likely to be unviable as commercial office space](#) in the long term and that could be converted to other uses”
- 2 “The [feasibility of converting](#) vacant or commercially unviable office space to other uses”
- 3 “Under what circumstances commercially unviable office conversions to [affordable housing](#) units could be implemented, any costs or tradeoffs to the city associated with such conversions and proposals for how to fund or mitigate such costs”
- 4 “Any [zoning or other regulatory provisions that currently impede](#) the conversion of commercial office buildings to other uses such as housing”



**Context setting –**

**Office real estate & adaptive reuse**

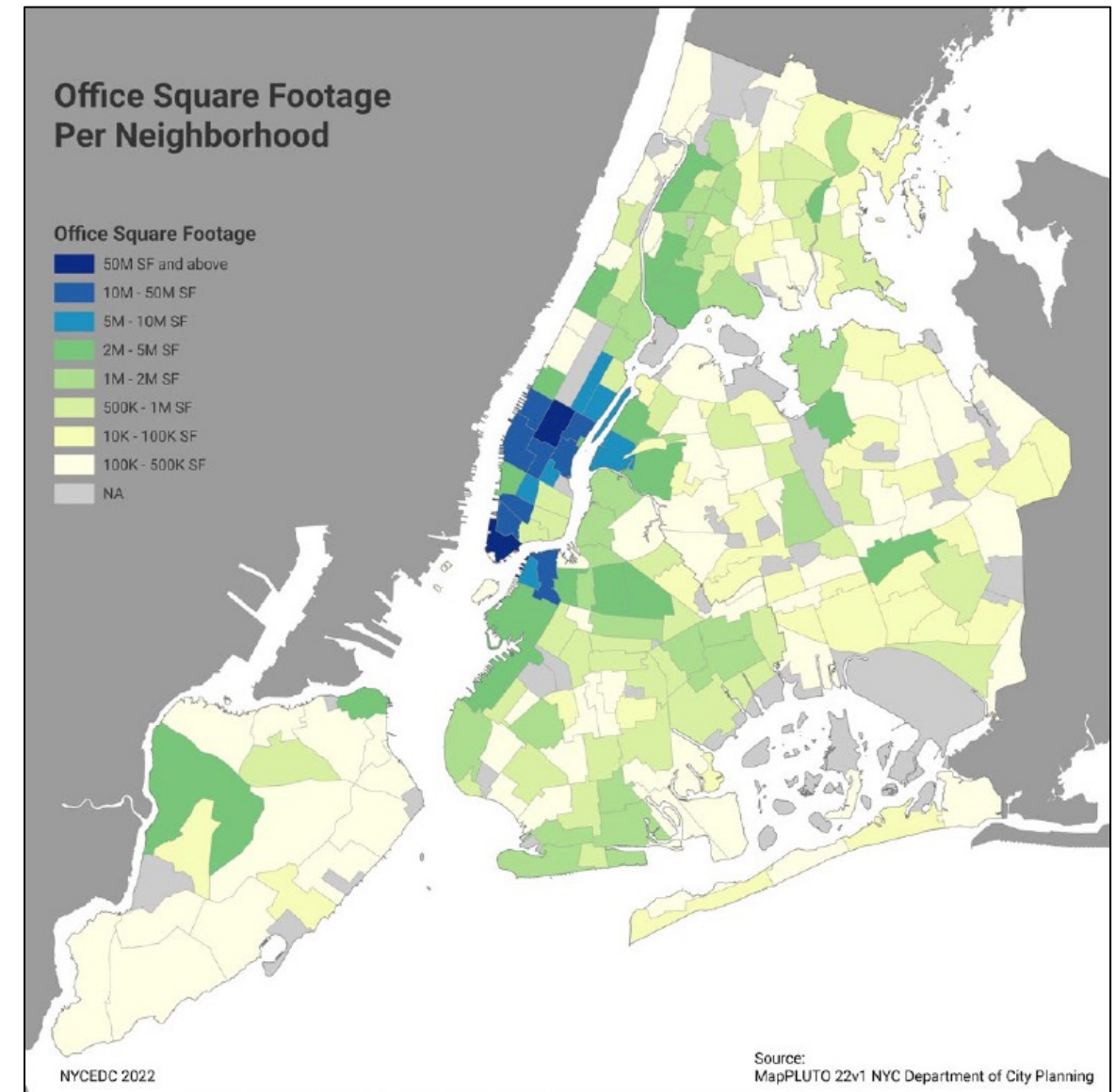
- NYC has the most office space in the country
- Midtown Manhattan has the largest concentration of office space, followed by Downtown Manhattan, Downtown Brooklyn, and Long Island City

## NYC Office Space vs. Other Cities

Market	Size (millions of square feet)
Manhattan	463.8
Washington, DC	336.4
Chicago	256.2
Dallas	194.1
Los Angeles	189.7
Houston	173.7
Boston	168.6
New Jersey	155.3
Atlanta	153.5
Philadelphia	138.8

Source: Jones Lang LaSalle / Office of the New York State Comptroller

## Density of Office Space

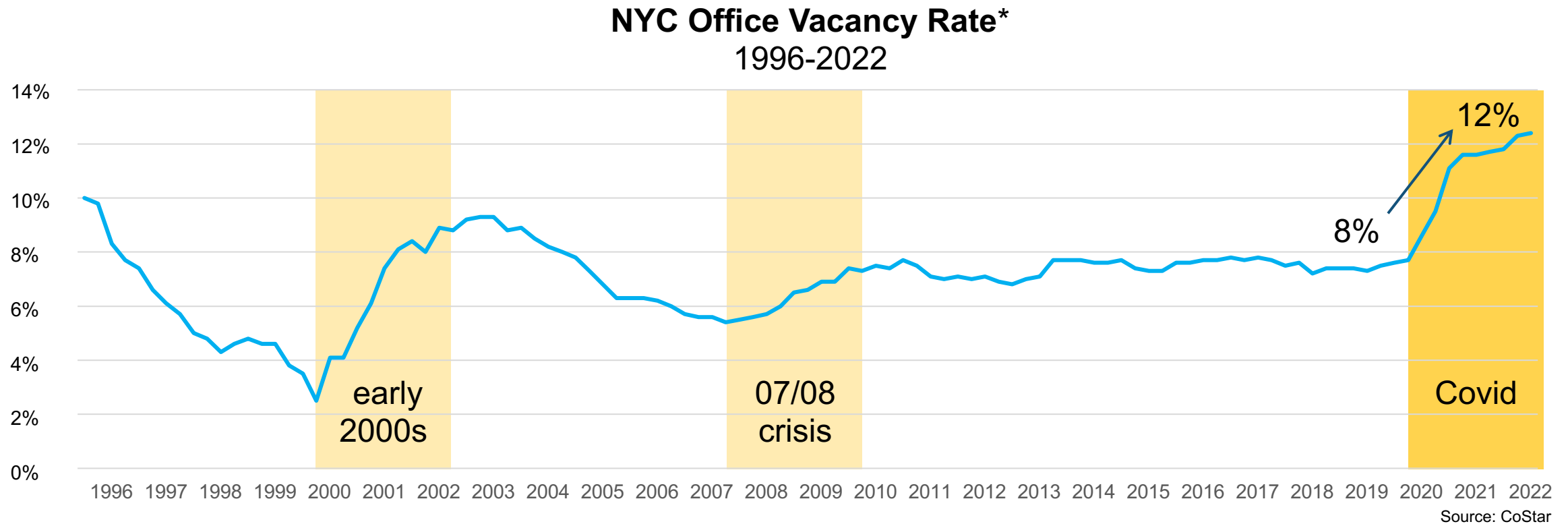


Source: NYCEDC analysis of DCP PLUTO data

# Task force impetus – A shock to the office real estate market

Office vacancy is at a historic high after:

- Firms delayed or downsized leases due to uncertainty around Covid, teleworking, and the economy
- A high number of new office buildings were opened in years preceding Covid



\* Vacancy Rate = Office space physically vacant divided by existing Rentable Building Area

Note: The Vacancy Rate is lower than the Availability Rate which is the % of space that is available to rent (typically over the next 12 months) which is currently around 17% to 21%.

# New York has reinvented itself many times



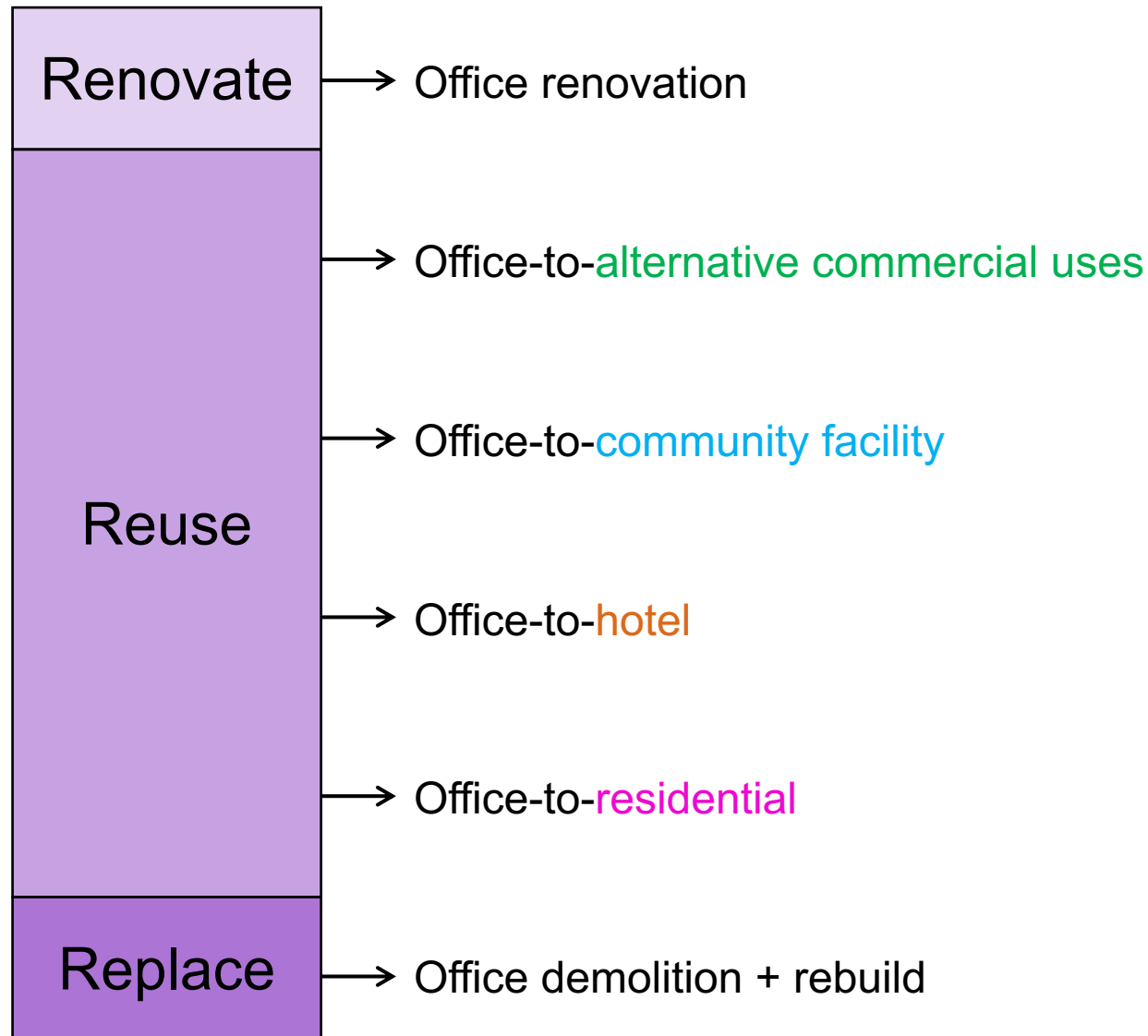
Puck Building, Nolita



John St, FiDi

**Adaptive reuse of buildings is part of New York's history and success**

# Office space reuse already occurs



Office-to-lab (345 Park Ave S)



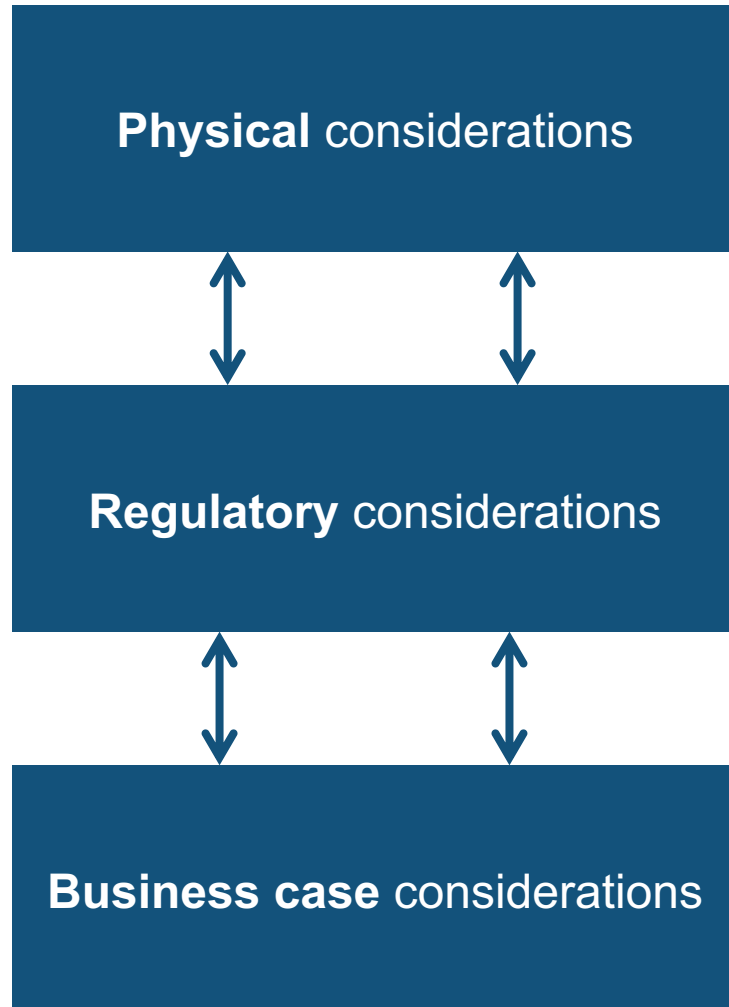
Office-to-middle school (75 Morton St)



Office-to-hotel (170 Broadway)



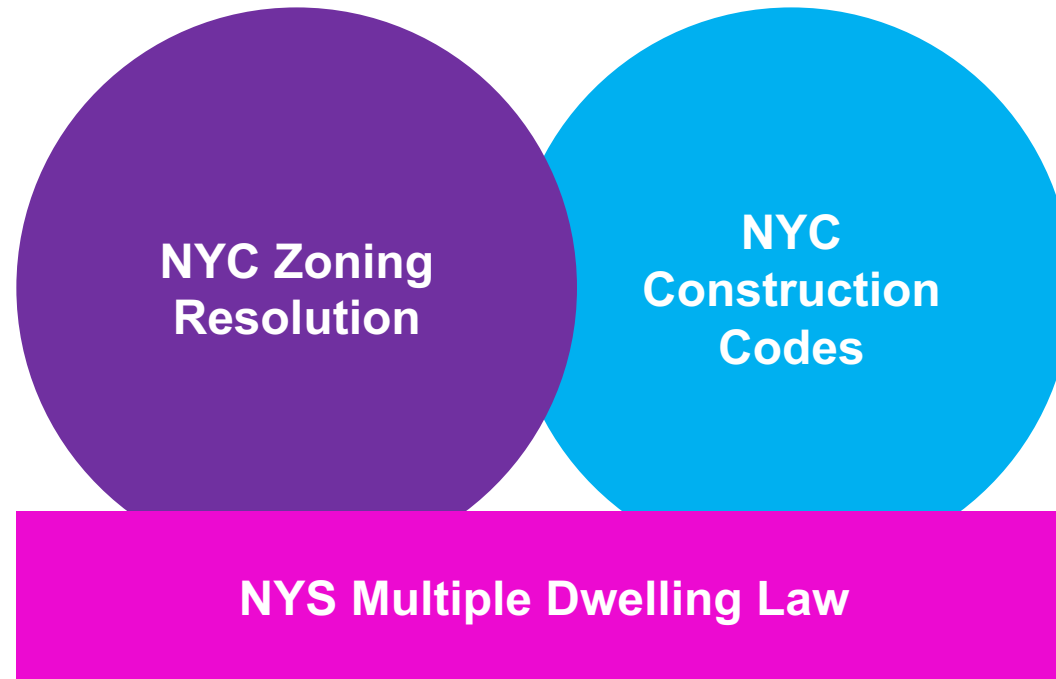
Office-to-residential (116 John St)



Layout and marketability for particular uses  
(e.g., floor plates/windows for residential)

Zoning Resolution, Construction Codes, Multiple Dwelling Law

Rents/prices, vacancy, capital investment, financing, tax,  
operating expenses



**Zoning** specifies primarily bulk and use regulations

**Construction Codes** specify other requirements (e.g., egress, plumbing etc.) based on occupancy

**Multiple Dwelling Law** includes regulations for the occupancy and alteration of buildings for residential purposes (regulations apply primarily to older buildings)

# Applicability of regulations allowing flexibility for conversion



Zoning and Multiple Dwelling Law contain provisions enabling greater flexibility for adaptive reuse

- 1 Building Age**

Generally, **more lenient conversion regulations for older buildings** built under previous regulations, more likely to be obsolete
- 2 Building Location**

Generally, **CBDs have more lenient conversion regulations**
- 3 Building Configuration**

Conversion standards conditioned on building characteristics (e.g., space between windows and other buildings, height)



**Discussion –**

**Opportunities, goals, and objectives**

## Opportunity

- Office districts serve a unique role in supporting the city's economy and fiscal health
- The pandemic has created new uncertainties about the future viability of some office buildings – reevaluating regulations for the reuse of buildings can help ensure success of our central business districts

## Goals

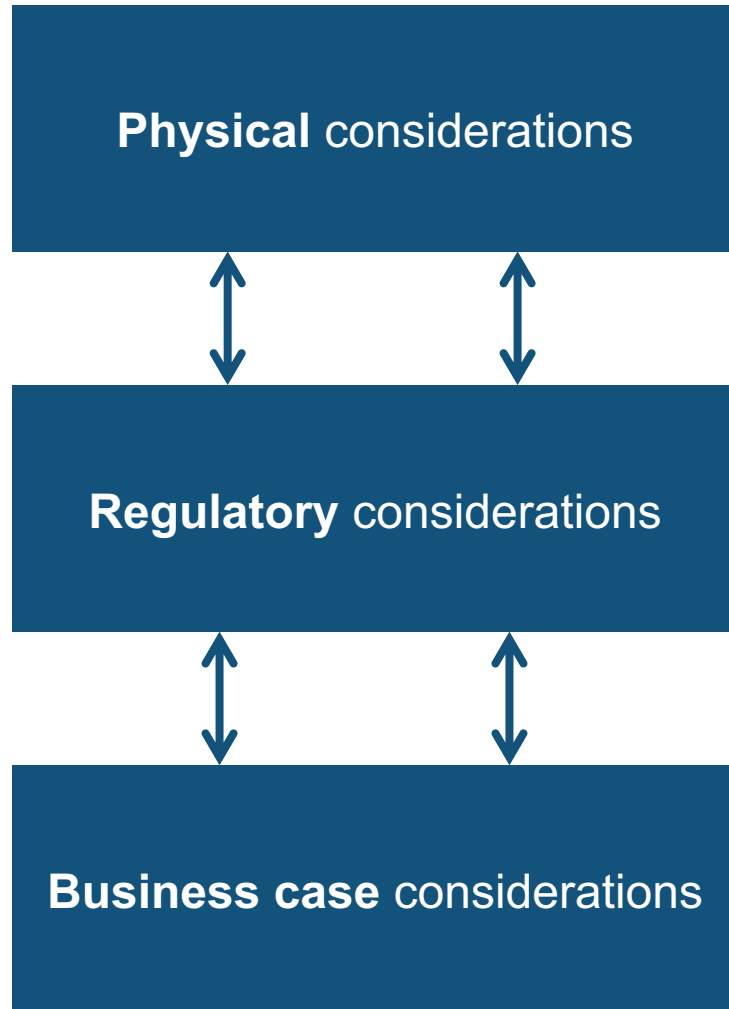
- Vibrant successful business districts and mixed-use neighborhoods

## Objectives

- Support the reuse of obsolete office buildings for other productive uses (including but not limited to housing)
- Identify opportunities to relax regulations that unnecessarily impede building reuse
- Support access to economic opportunity for residents at all income levels

**Discussion –**

**Future sessions & priority research topics**



What categories of office buildings are more likely to be unviable as commercial office space moving forward?

What regulations currently impede conversion of obsolete buildings?

What is the financial feasibility of including affordable housing within residential conversions?

## Future sessions (draft)

Sessions	Core Topic
1 (July)	Kickoff and alignment on goals
2 (Sep)	Physical and regulatory factors limiting adaptive reuse
3 (Oct)	Identifying categories of buildings most likely to be obsolete for office use
4 (Nov)	Affordable housing viability
5 (Dec)	Recommendations

## Supporting background research by city agencies/consultant

- A. Regulations governing conversions
- B. Office market conditions and outlook
- C. Historic office conversion activity
- D. Physical and financial considerations
- E. Affordable housing feasibility
- F. City revenue implications of conversions

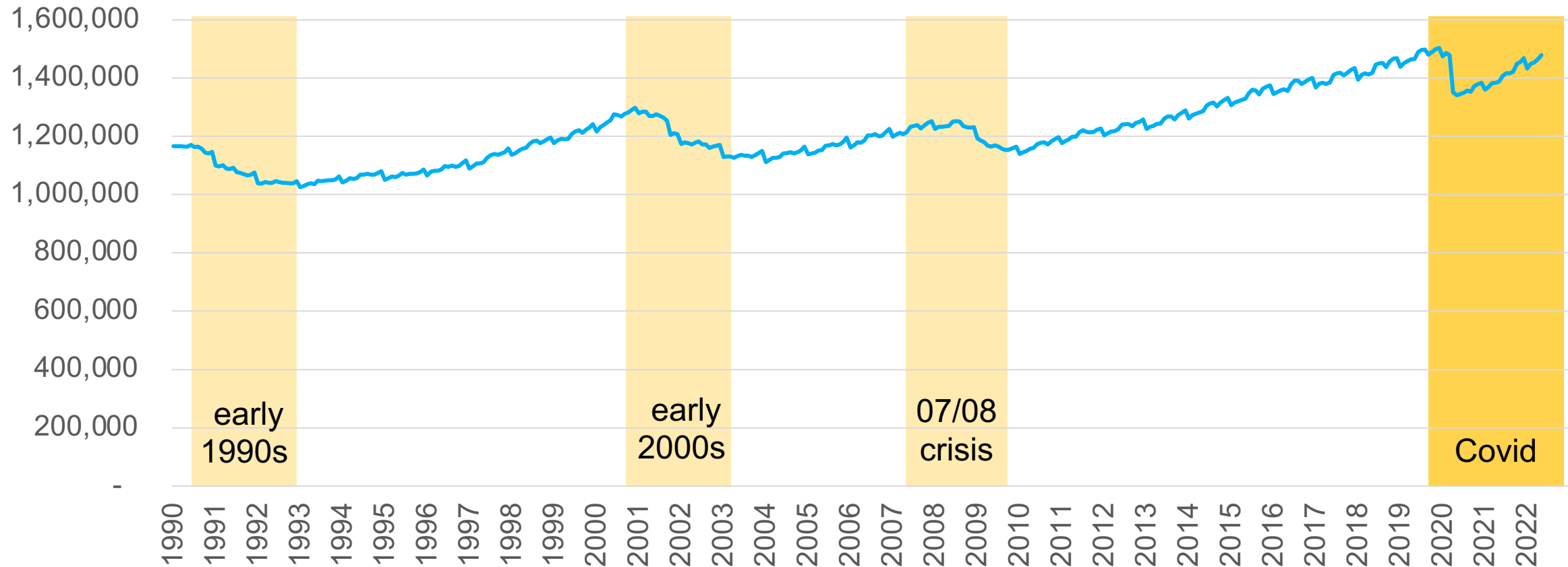
**Open Discussion**

# **Appendix**

## **Office Real Estate Market**

- Covid-triggered losses to office employment have mostly recovered
- However, the types of jobs have shifted slightly (less finance, more tech)

**Traditionally Office-Based Jobs \***  
NYC 1990-2022



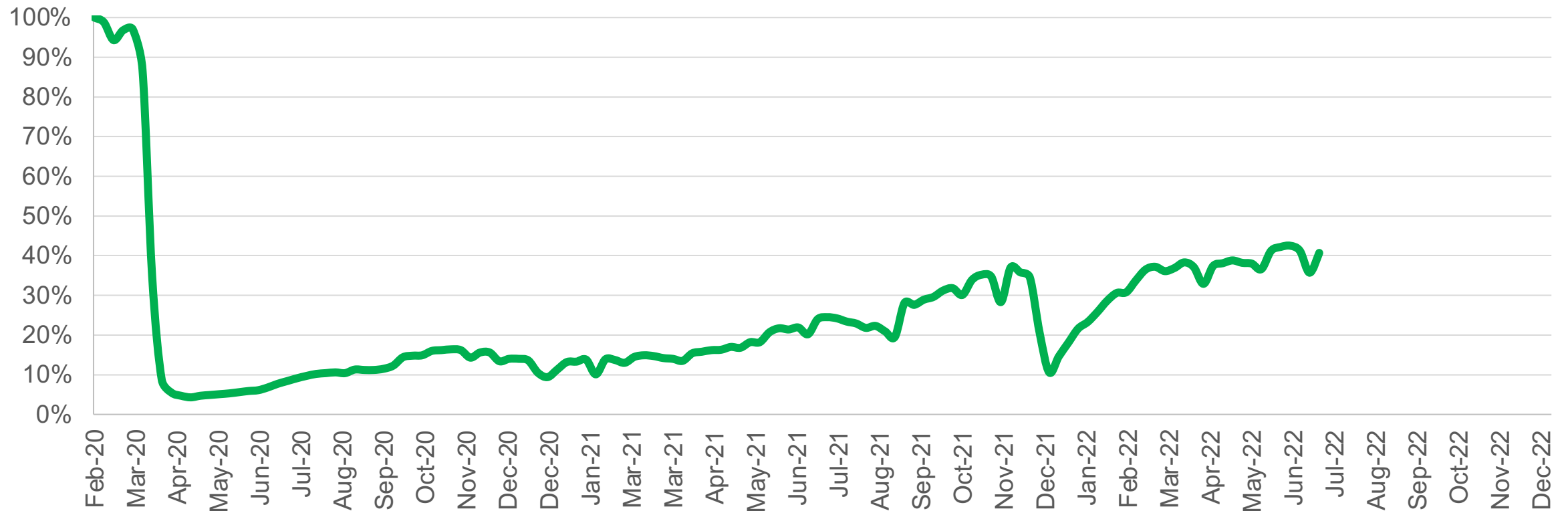
Source: NYS DoL Current Employment Statistics

\* Office jobs = jobs within the following NAICS-based Super Sector industries: 1024 Professional and Business Services, 1023 Financial Activities, and 1022 Information.  
Note: Other sources may use other definitions of office-based jobs



- Employee attendance in offices has been slowly rising and is currently at  $\approx 40\%$  of pre-covid levels.

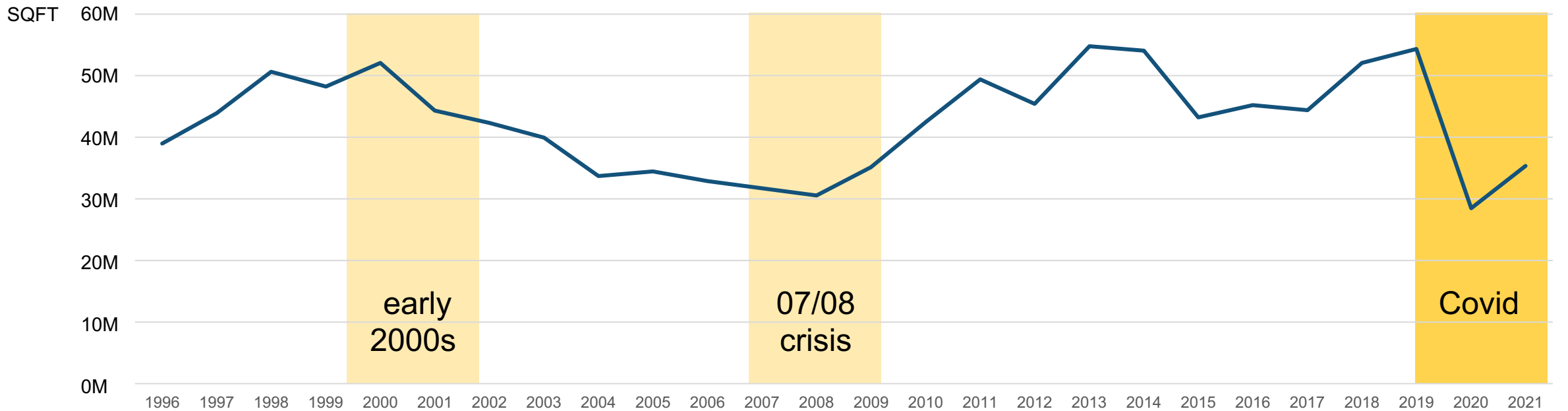
**Percentage of employees in office relative to pre-covid baseline**  
NYC 2020-2022



Source: Kastle

- Many firms delayed or downsized leases beginning in 2020
- Leasing activity has rebounded somewhat but is still below pre-covid levels

### Office Leasing Activity NYC 1996-2022

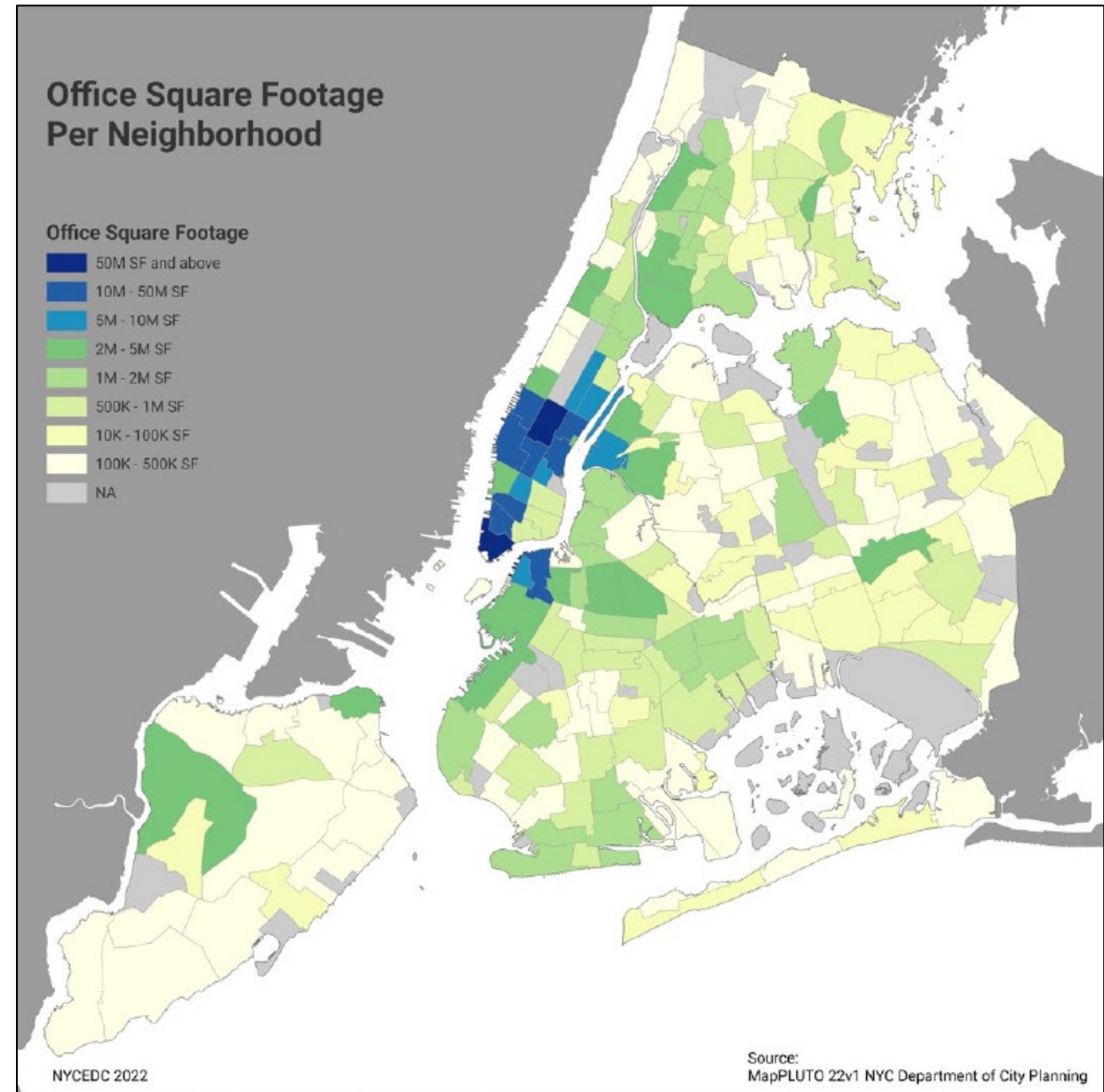


Source: CoStar

- New York City has the greatest concentration of office space in the country.
- Manhattan has more office space than Los Angeles and Boston combined
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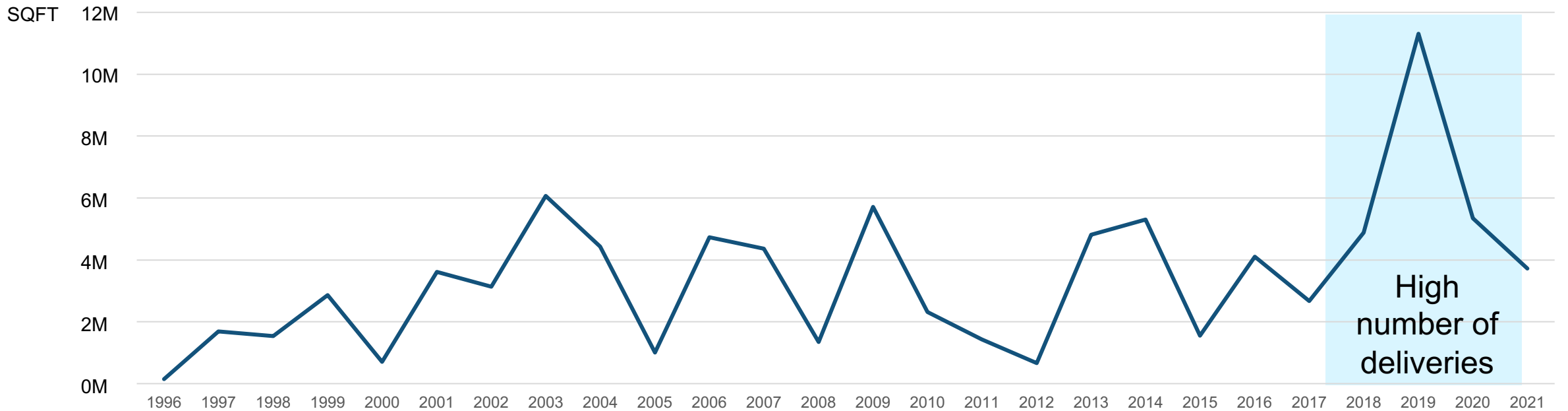
Source: Jones Lang LaSalle / Office of the New York State Comptroller



Source: NYCEDC analysis of DCP PLUTO data

- A high amount of new office space was opened in the years preceding covid
- This exacerbated vacancy rates when combined with a sharp decline in demand in 2020

### Office Space Deliveries NYC 1996-2022



Source: CoStar

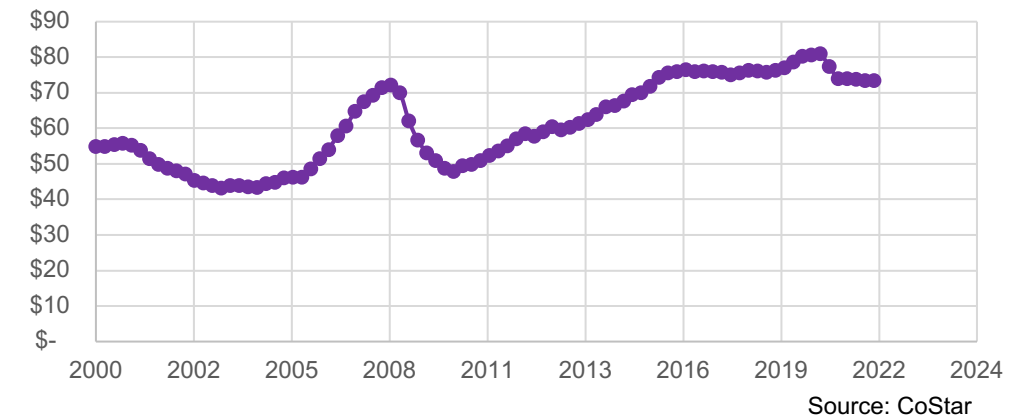
## Asking Price

- Manhattan asking prices fell in 2020 and then have generally stabilized.
- Decreases in asking prices have been less severe than in past recessions
- However, negotiated discounts and perks are not captured in the asking price and may be a significant part of the story

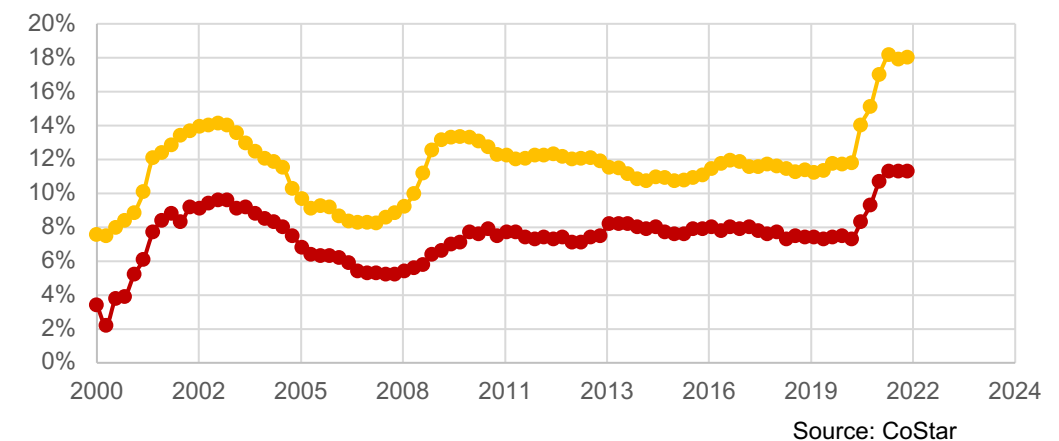
## Vacancy and availability rate

- Vacancy and availability rates are at historic highs
- Significant variation between market segments and neighborhoods not captured in graphic

Average Asking Price (\$/sqft)  
Manhattan CBD Office Space  
2000-2021



Vacancy and Availability Rate\*  
Manhattan Office Space  
2000-2021



\*Availability Rate = Percentage of office space available to rent (directly or thru sub-lease). Space may not currently be vacant, there may be an existing tenant whose lease is coming to an end in the coming months.

- Anecdotal evidence that trophy office buildings faring better than lower quality office properties

## Media coverage:



The Intelligence Lab  
Global property market insight

The flight to quality and ease: How occupier demands are changing

Forbes

Aug 26, 2021, 12:18pm EDT | 780 views

## Manhattan's Recovery Is Defined By A Flight To Quality

REAL ESTATE

## Fasten Your Seat Belts: Commercial Real Estate Is Taking a Flight to Quality

# **Appendix**

**Permissibility of office-to-residential conversion under zoning**

# Permissibility of office-to-residential conversion under zoning

Easiest



= More permissible conversion zoning for pre-1977 buildings



= More permissible conversion zoning for pre-1961 buildings



= Most conversions must meet new residential building zoning standards

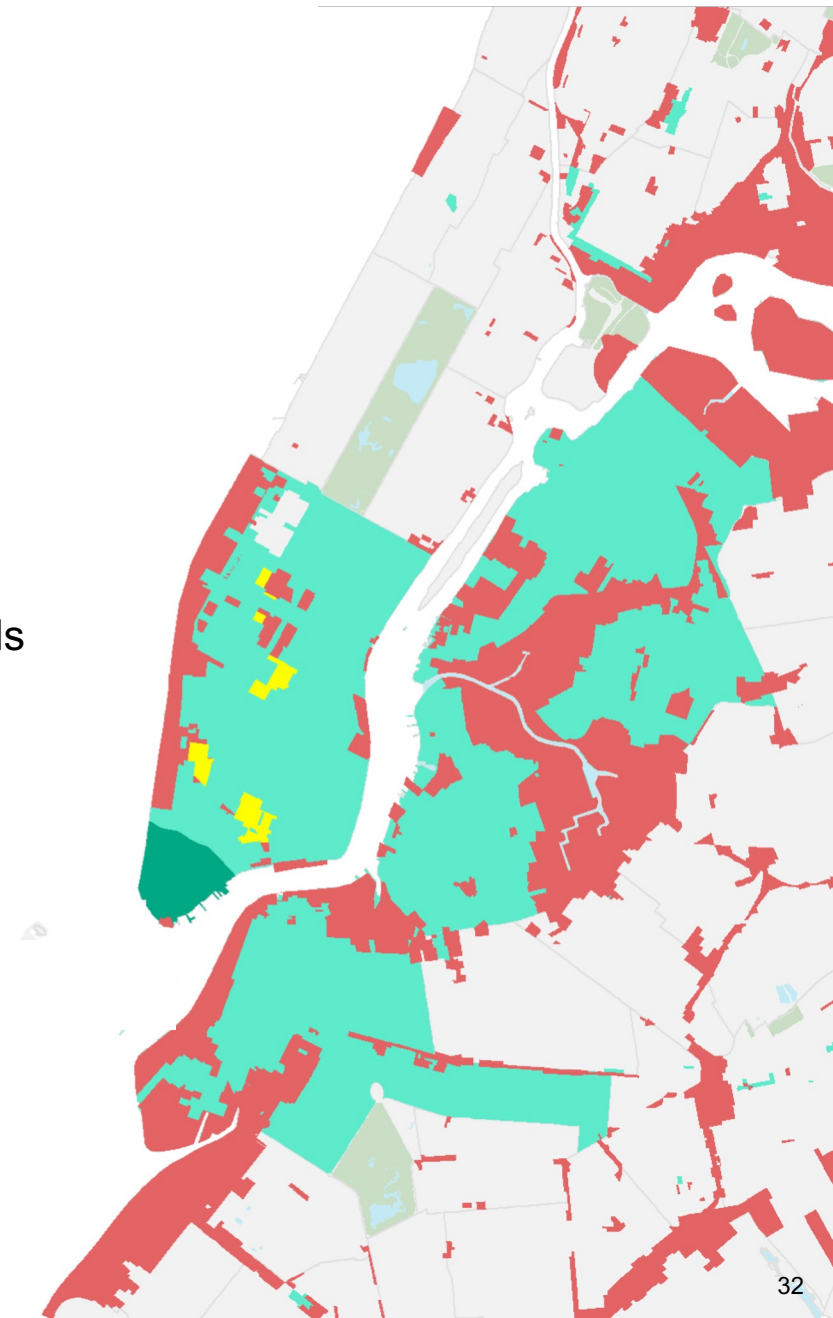


= Special permits or additional requirements to convert\*



= No residential permitted (Most M-Districts/parks/piers etc)

Hardest



\*Parts of Chinatown, Garment District M1-6D area, Flatiron, Special Hudson Square District

Note: Additional conversion paths exist in MX districts and for non-complying or non-conforming buildings looking to become conforming and complying.

The map does not reflect recent changes resulting from the SoHoNoHo rezoning.

In some red areas, residential may be allowed under special circumstances, for example under a New York State General Project Plan that overrides local zoning.