

Civic Alliance Meeting Notes  
November 10, 2004  
Center for Architecture  
9:00 – 10:45 AM

Bob Yaro opened the meeting at 9:00 and thanked Rick Bell for hosting the Civic Alliance at the Center for Architecture. He then introduced Chris Jones, Director of Research at Regional Plan Association, who gave a presentation on Lower Manhattan and the Region's Office Market.

### **I. Office Market Discussion**

Chris began by noting several issues that are central to understanding how Lower Manhattan's office market may fare in the future. They include: the strength of the office market recovery from the recession, competition of Lower Manhattan with Midtown, Far West Side's impact on Downtown, the relationship of Lower Manhattan to outer boroughs and northern New Jersey, the space needs of growth industries, and the role that Downtown will play in the 21st century economy.

Before delving into these issues, Chris pointed out several caveats about the challenges of predicting office market trends, from inconsistent data between sources, to the dependency of office market trends on economic forecasts, and the changing relationship between employment data and office use in terms of how much space is used by each worker. There are also often dramatic swings in the office market, which make its behavior even harder to predict.

The traditional central business district of Manhattan, concentrated in Lower Manhattan and Midtown is no longer confined to those two areas, as office employment has grown to other districts such as Downtown Brooklyn, the Hudson River waterfront including Jersey City, Long Island City, Jamaica, and in the future, the Far West Side. Historical data of office market trends shows that these districts tend to grow and decline together, and that growth in Manhattan benefits growth in other parts of the City and Region. One significant change that has taken place in the last twenty years is the continued decline in manufacturing jobs, corresponding with a growth in office industry jobs and an even greater growth in non-office service industries. Finally, Chris pointed out that the office market since the 1970s has undergone dramatic swings in vacancy rates, and that office construction tends to follow the market and regulate itself to build more space when vacancy rates fall.

Recently, he noted that building prices have held up during the recession, and that leasing has been strong in 2004, with recovery led by law firms and professional services. Financial service firms are also starting to lease up again, particularly in Midtown, but

Downtown's performance continues to lag. One interesting detail he noted about Downtown's performance is the very small price difference in rents between Class A office space and non-Class A office space. While there is an \$11 per square foot difference in price on Class A office and non-Class A office space in Midtown, there is only a \$3 spread between the price for Class A and non-Class A office space Downtown.

To understand how much office space is likely to be available in Manhattan in the near future, Chris added up total vacant space on the market, total space under construction, and total space planned, which equals 62 million square feet. The City needs to add approximately 135,000 jobs to fill this space with an 8% vacancy rate. How long will this take? If we saw a repeat of the kind of growth that occurred during the 1990s, it will take until 2009. According to Economy.com's projections, it will take until 2014, and according to NYMTC's recent projections, it will take until 2011.

Chris concluded with several observations:

- New city office development is unlikely to be needed until between 2010-2015.
- The Far West Side could delay Lower Manhattan's recovery in 2010-2020.
- Downtown will continue to rent at a substantial discount from Manhattan.
- Downtown should be able to support some additional Class A space, but the timing is uncertain.
- More attention is needed for how to best utilize Downtown's Class B space.

As the presentation concluded, there was some discussion about the role of Lower Manhattan's Class B space, which some participants noted could be an advantage for the district because of its potential to attract small start-up firms interested in low-cost space, historic architecture or other characteristics of Class B space downtown. Chris noted that the rapid conversion of Class B space to residential is positive because it creates a larger residential community in Lower Manhattan, contributing to a more 24/7 neighborhood, but it poses the question of how much office space should be sacrificed to residential.

In response to a question about how much office space was needed at the World Trade Center site, Chris replied that some office space was surely needed at the WTC site, but the trade off was whether you want to hold some parcels open for 10-15 years.

David Dyssegaard Kallick brought up the issue of the abundance of Class B office space in Lower Manhattan and whether this couldn't be turned into a competitive advantage to attract firms that may seek this office space for some reason.

Joan Byron observed that the use of Class B space seemed to complement the projection that employment growth will be in professional services and "creative" industries, and that these people may also not care about improvements like the proposed JFK/LIRR link to Lower Manhattan.

Ken Lustbader noted that currently tax credits facilitate the conversion of old office building, some historic, to residences whereas no credits exist to continue their existence as office buildings or for their renovation in their present use.

## **II. Community Development Block Grant Discussion**

Councilmember Alan Gerson arrived at the meeting during Chris's presentation, so he was invited to speak about his recent work advocating the LMDC to improve their process for spending the CDBG funds.

The councilmember explained his thinking about the CDBG funds as boiling down to three essential questions.

- Should the funds all be allocated to one or two projects or seeded out to a variety of grass roots initiatives?
- Should the funds be spent on site or off site?
- Should the process for the remaining funds be the same as the LMDC's process to date? Or, should there be a more transparent and democratic process for the remaining funds, of which there are only \$825 million or so left.

To answer his own questions, he stated that he tended to favor the latter options. Several weeks ago, the Councilmember held a press conference to present his "Renaissance Plan" to the LMDC, created in consultation with many local community groups. The plan proposed a variety of grass roots initiatives and recommended that the process for spending the remaining funds should follow a normal budgetary process, including public hearings and an attempt to reach consensus.

Gerson then outlined some of the major initiatives proposed in the Renaissance Plan. They include:

- Preservation of existing affordable housing in Lower Manhattan;
- Opening up the waterfront on the East side and the West Side
- Seed money for off-site cultural projects
- Two new community facilities
- Schools and a new Chinatown cultural center project
- Restoration of the cross town bus service
- \$20-30 million for human services and employment retraining
- The Restaurant Opportunity Center (ROC), which is led by some of the former employees of Windows on the World;
- Continuation of youth and senior services.

Gerson stated that they made the submission of the plan a few weeks ago, and had a good showing at the press conference. In response to several questions about the position of the City and the LMDC, he replied that he thought the City was supportive of the waterfront project, and the creation of affordable housing, which had been one of the goals of the Mayor's Vision. Regarding the LMDC, he speculated that they may be saving some of the CDBG funding for onsite uses.

### III. Civic Alliance Policy Platform

After Gerson left the meeting, Petra Todorovich introduced the next topic of discussion, the Civic Alliance policy platform for the coming year. She noted that RPA had recently released a report, A Civic Assessment of the Lower Manhattan Planning Process, which was intended to inform the Civic Alliance and take stock of how the planning process had measured up to the goals of the civic community shortly after 9/11. In the report, there is a list of six recommendations for Lower Manhattan, which includes recommendations to open up the planning process to more public participation, renegotiate the Silverstein lease at the WTC site and revisit the WTC program, meet the Mayor's goal of creating 2000 new units of affordable housing in Lower Manhattan, etc.

She also brought the group's attention to a three-point proposal that was distributed in advance of the meeting, entitled, Year Three Agenda for Action. This proposal listed three major action points:

1. Renegotiate the Silverstein Lease to reflect reduced insurance proceeds and commercial office market realities, and open up sites 2, 3, 4 and 5 for new interim or permanent uses that can be built more quickly than office space for which there is no demand.
2. Ensure unified and excellent architectural and landscape design. Release draft WTC Design guidelines for public review, set a deadline for their adoption and implement them with a structure for their administration, to meet the public's high expectations for innovative design at the WTC site.
3. Open the process for allocating CDBG funds. Develop a timeline, criteria, and list of options for spending the remaining \$825 million in CDBG funding, with an emphasis on off-site planning initiatives as described in the 2002 Mayor's Vision for Lower Manhattan.

Petra invited comment on the two different documents regarding whether either could function as a new policy platform for the Civic Alliance. She also stated that she hoped the Civic Alliance could use this three year road mark as a reason to mount an aggressive push to see the goals of the Alliance realized by reaching out to as many partners as possible to achieve consensus on the desired outcomes for Lower Manhattan, and working together to see them happen.

Roger Herz opened comments by recommending that there be greater specification in the document about who should do what, i.e., what agency or entity was responsible in each case for making the desired outcome happen.

Bettina Damiani pointed out that there are currently four vacancies on the LMDC board – two mayoral and two gubernatorial -- and that the Civic Alliance might wish to press for certain people to be nominated to those slots.

Paul Nagel of Councilmember Gerson's office recommended that the Civic Alliance have 5-6 representatives go the New York Times editorial board to sit down with them and advocate our position.

Ethel Sheffer brought attention to some of the ambiguities of the first point in the three-point statement. Is our goal really the renegotiation of the lease, and what about the interim uses of putting up retail “taxpayers” on sites 2,3,4,5?

Peter Marcuse suggested that one way to revise the first point is to recommend no subsidy for office space on the WTC site of any kind.

Bob Yaro stated that the lease will need to be renegotiated, especially at the conclusion of the Silverstein’s lawsuits, which should occur shortly. He noted that we may wish to change the focus of this statement on changes in site planning and uses on sites 2,3,4 and 5.

Jeff Zupan observed that we could most effectively focus on points two and three, and that point one may play out over a long period of time.

Ethel Sheffer summarized this line of discussion, suggesting that we request the maximum amount of flexibility in the use and design for sites 2, 3, 4 and 5. The point should also call for a structural and continuing dialogue between the Port Authority and the Civic Alliance.

Rick Bell offered that New York New Visions would be a willing partner in collaborating on the second point regard Design Guidelines and that Jordan Gruzen, who leads the site design committee, is the best contact.

To conclude, Petra stated that over the next couple weeks she would accept comments on the three-point statement, to refine it before putting it out for adoption by the Civic Alliance at the end of the comment period. From the meeting’s discussion it seemed that the Alliance participants tended to favor the three-point statement over the six recommendations in the Civic Assessment report, with which most people at the meeting agreed.

#### IV. Announcements

David Dyssegaard Kallick announced that LCAN was planning an “unmet needs” conference for early January to address unmet needs in the Lower Manhattan planning process with a focus on CDBG funds. Anyone interested in helping to shape this forum is welcome to contact him.

Roger Herz called on participants to endorse peak hour pricing on the Triborough Bridge, where EZ Pass already exists, and to recommend this to the MTA during their current budget hearings.