A. INTRODUCTION

According to guidelines in the *City Environmental Quality Review (CEQR) Technical Manual*, commercial development greater than 200,000 square feet (sf) has the potential to generate significant adverse socioeconomic impacts requiring analysis. The proposed project would introduce a commercial office building of approximately 2.8 million gross square feet (gsf) in the Single-Tenant Office Scenario and approximately 2.6 million gsf in the Multi-Tenant Office Scenario. Given that this is in excess of the CEQR threshold, this chapter provides an assessment of the proposed project's potential effects on socioeconomic conditions in the surrounding area.

The analysis follows the guidelines of the *CEQR Technical Manual* in assessing the proposed project's effects on socioeconomic conditions within a ½-mile study area. According to the *CEQR Technical Manual*, the five principal issues of concern with respect to socioeconomic conditions are whether a proposed project would result in significant impacts due to: (1) direct residential displacement; (2) direct business and institutional displacement; (3) indirect residential displacement; (4) indirect business and institutional displacement; and (5) potential effects on specific industries. As discussed in this chapter, the proposed project would not directly displace any residents or businesses because in the future without the proposed project (the "No Action" condition), the 15 Penn Plaza development site will be redeveloped with a commercial office building totaling approximately 1.6 million gsf. This building will be constructed under the existing zoning mapped on the development site. Therefore, the analysis focuses on the potential for significant adverse impacts due to indirect effects or effects on specific industries. The analysis specifically considers whether the introduction of a large amount of new commercial space on the project site would adversely affect socioeconomic conditions in the study area, including population and housing, economic activity, employment, and the residential and office real estate markets.

As demonstrated in this chapter, the proposed project (either scenario) would not result in significant adverse impacts on socioeconomic conditions.

B. METHODOLOGY

This chapter has been prepared in conformance with the assessment methodologies and impact criteria set forth in the *CEQR Technical Manual.*

CEQR OVERVIEW

Socioeconomic impacts can occur when an action directly or indirectly changes population, housing stock, or economic activities in an area. In some cases, these changes can be substantial, but not adverse. In other cases, these changes can be beneficial to some groups and adverse to others. The purpose of a socioeconomic assessment is to disclose changes that would be created by an action and identify whether they rise to the level of significance.

The CEQR socioeconomic assessment considers the potential for significant adverse impacts with respect to the following five issues of concern: (1) direct residential displacement; (2) direct business and institutional displacement; (3) indirect residential displacement; (4) indirect business and institutional displacement; and (5) adverse effects on specific industries.

According to the *CEQR Technical Manual*, direct displacement is defined as the involuntary displacement of residents, businesses, or institutions from the actual site of (or sites directly affected by) a proposed action. Examples include: a proposed redevelopment of a currently occupied site for new uses or structures; or a proposed easement or right-of-way that would take a portion of a parcel and thus render it unfit for its current use. Since the occupants of a particular site are usually known, the disclosure of direct displacement focuses on specific businesses and employment, and an identifiable number of residents and workers. As discussed above, absent the proposed actions, the Hotel Pennsylvania will be demolished and a 1.6 million-gross-square-foot commercial office building will be constructed; therefore, the proposed project would not result in direct displacement.

Indirect or secondary displacement is defined as the involuntary displacement of residents, businesses, or employees in an area adjacent or close to a project site that results from changes in socioeconomic conditions created by a proposed action. Examples include: rising rents in an area that result from a new concentration of higher-income housing introduced by a proposed action, which ultimately force out lower-income residents living in housing not protected by rent regulation; a similar turnover of industrial to higher-rent commercial tenancies induced by the introduction of a successful office project in an area; or the flight from a neighborhood that can occur if a proposed action creates conditions that break down the community (such as a highway dividing the area, etc.).

Even where actions do not directly or indirectly displace businesses, they can affect the operation of a major industry or commercial operation in the city. In these cases, the CEQR review assesses the economic impacts of the action on the industry in question.

DETERMINING WHETHER A SOCIOECONOMIC ASSESSMENT IS APPROPRIATE

Under CEQR, a socioeconomic assessment should be conducted if an action is reasonably expected to create substantial socioeconomic changes within the area affected by the action that would not be expected to occur absent the action. The following discusses the five circumstances that typically require a socioeconomic assessment in greater detail:

- The action would directly displace residential population so that the socioeconomic profile of the neighborhood would be substantially altered.
- The action would directly displace substantial numbers of businesses or employees, or would directly displace a business or institution that is unusually important in one or more of the following ways: it has a critical social or economic role in the community and unusual difficulty in relocating successfully; it is of a type or in a location that makes it the subject of other regulations or publicly adopted plans aimed at its preservation; it serves a population uniquely dependent on its services in its present location; or it is particularly important to neighborhood character.
- The action would result in a substantial new development that is markedly different from existing uses, development, and activities within the neighborhood. Such an action could lead to indirect displacement. Typically, projects that are small to moderate in size would not have significant socioeconomic effects unless they are likely to generate socioeconomic

conditions that are very different from existing conditions in the area. Residential development of 200 units or less or commercial development of 200,000 sf or less would typically not result in significant socioeconomic impacts.

- Notwithstanding the above, the action could affect conditions in the real estate market not only on the sites anticipated to be developed, but in a larger area. When this possibility cannot be ruled out, an assessment may need to be undertaken to address indirect displacement. These actions can include those that would raise or lower property values in the surrounding area.
- The action could adversely affect economic conditions in a specific industry.

If an action would exceed any of these initial thresholds, an assessment of socioeconomic conditions is generally appropriate. The proposed project would allow for the introduction of up to 2.8 million gsf of commercial space. The allowable development as a result of the proposed actions triggers the need for a socioeconomic assessment.

ANALYSIS FORMAT AND DATA SOURCES

ANALYSIS FORMAT

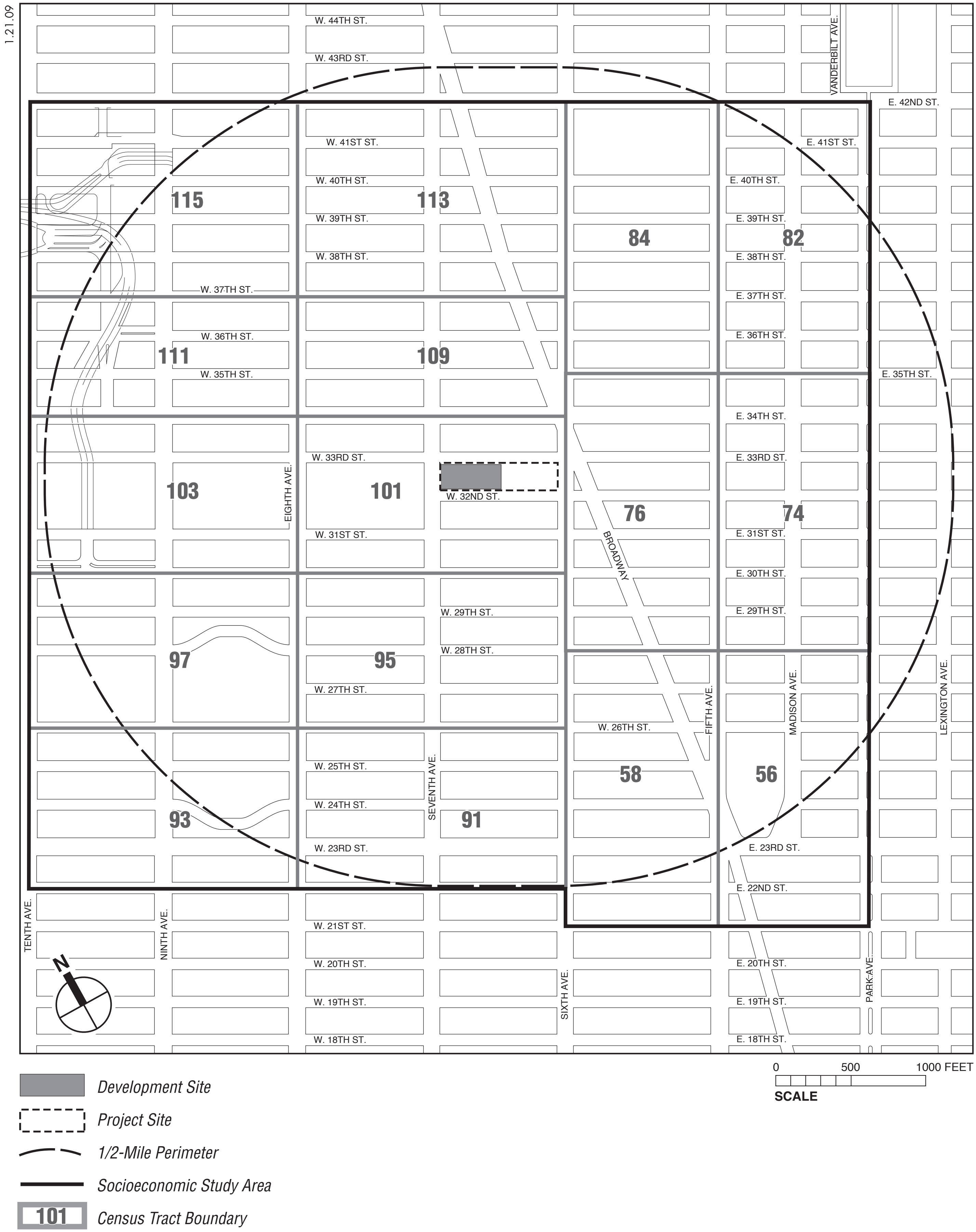
The socioeconomic analysis begins with a preliminary assessment. For each area of concern, the assessment responds to the screening questions in the *CEQR Technical Manual*; if it is determined that a significant socioeconomic impact is likely or cannot be ruled out based on the preliminary assessment, then a detailed analysis is conducted.

As discussed in Chapter 1, “Project Description,” there are two development options being analyzed in this Environmental Impact Statement (EIS)—the Single-Tenant Office Scenario and the Multi-Tenant Office Scenario—both of which would be completed by 2014. This socioeconomic analysis focuses on the Multi-Tenant Office Scenario because it includes a greater amount of commercial office and retail space, and therefore has a greater potential for indirect socioeconomic effects. However, in order to examine the full range and scale of potential new uses, responses to some of the CEQR preliminary assessment criteria consider the introduction of trading floor space, as contemplated under the Single-Tenant Office Scenario.

Consistent with the framework for analysis described in Chapter 2, “Procedural and Analytical Framework,” this analysis assumes that in the No Action condition, the project sponsor will develop the 15 Penn Plaza development site under existing zoning regulations with a No Action building of approximately 1.6 million gsf.

STUDY AREA DELINEATION

A study area is defined as the area most likely to be affected by a project. Following the guidelines of the *CEQR Technical Manual*, the socioeconomic study area mirrors the ½-mile land use study area, which is described in detail in Chapter 3, “Land Use, Zoning, and Public Policy.” In order to more accurately present demographic information, adjustments were made to the land use study area boundaries to better reflect census tract boundaries. The following 16 census tracts are included in the socioeconomic study area (hereafter referred to as the “study area”): Census Tracts 56, 58, 74, 76, 82, 84, 91, 93, 95, 97, 101, 103, 109, 111, 113, and 115. The study area is generally bounded by West 42nd Street on the north, West 21st and West 22nd Streets on the south, Park Avenue on the east, and Tenth Avenue on the west (see **Figure 4-1**).



Socioeconomic Study Area

Figure 4-1

The employment analysis is based on data for zip codes 10001 and 10018, due to the limited availability of similar data at the census tract or smaller level. The study area for employment includes the areas known as Midtown South and the Fashion Center and is generally bounded by West 40th Street on the north, West 24th Street on the south, Fifth Avenue on the east, and the Hudson River to the west.

DATA SOURCES

As detailed below, the analysis incorporates a variety of data sources, including census data, employment data from the New York State Department of Labor (NYSDOL), and information obtained from internet real estate sites and discussions with real estate brokers.

Indirect Residential Displacement

The indirect residential displacement assessment considers the demographics and housing profile of the study area, including existing income levels, housing units, rents, and housing prices and trends. Sources for this data include real estate internet sites and market reports and data from the New York City Department of City Planning (DCP).

Indirect Business and Institutional Displacement

The assessment of indirect business and institutional displacement considers business and employment trends in the study area, Manhattan, and New York City as a whole. Employment data for these areas was obtained from NYSDOL. Because NYSDOL employment data are available at the zip code level, rather than smaller geographic areas such as census tracts or block groups, employment estimates for the study area are based on a slightly different geographic area than the actual boundary of the study area, but nevertheless is still representative of conditions in the study area given the proximity of the zip code boundaries to the study boundary. Sources for commercial trends and rents include the August 2006 *Farley Post Office/Moynihan Station Project Final Environmental Impact Statement* (FEIS); September 2004 Economic Research Associates' Final Market Analysis, Moynihan/Farley Redevelopment Project; and the November 2004 *Hudson Yards Rezoning Final Generic Environmental Impact Statement* (FGEIS). These studies contain valuable data relating to the study area's socioeconomic condition that is applicable to this CEQR analysis. Additional sources of data for the indirect business and institutional displacement analysis include real estate brokers' internet sites (e.g., Cushman & Wakefield), and discussions with real estate brokers. In addition, field surveys of retail concentrations were conducted in January 2009.

Potential Effects on Specific Industries

The analysis of adverse effects on specific industries utilizes information gathered as part of the socioeconomic data collection for the indirect business and institutional displacement analysis (described above).

C. PRELIMINARY ASSESSMENT

This section examines the five areas of socioeconomic concern in relation to the proposed project. The goal of a preliminary assessment is to learn enough about the potential effects of the proposed project either to rule out the possibility of significant adverse impact, or to establish that a more detailed analysis is required to determine whether the proposed project would lead to significant adverse impacts.

For each of the five areas of socioeconomic concern, the preliminary assessment concludes that the proposed project would not result in significant adverse socioeconomic impacts, and that additional detailed analysis is not warranted.

DIRECT RESIDENTIAL DISPLACEMENT

Direct residential displacement is the involuntary displacement of a residential population from the site of, or a site directly affected by, a proposed project. The project site does not contain a residential population; it contains a transient hotel and additional commercial uses. In addition, in the No Action condition the existing uses will be displaced and the site will be developed with an as-of-right commercial office tower. Therefore, the proposed project would not result directly displace any population or uses. The proposed project would not result in significant adverse impacts due to direct residential displacement, and no further analysis of this issue is warranted.

DIRECT BUSINESS AND INSTITUTIONAL DISPLACEMENT

Direct displacement is the involuntary displacement of businesses or institutions from the site of, or a site directly affected by, a proposed project. The proposed project would not result in the involuntary direct displacement of any businesses, institutions, or employment currently located at the development site. Absent the proposed project, the development site will be redeveloped with an as-of-right commercial office tower. Therefore, the proposed project would not result in significant adverse impacts due to direct business and institutional displacement, and no further analysis of this issue is warranted.

INDIRECT RESIDENTIAL DISPLACEMENT

In most cases, indirect residential displacement is caused by increased property values generated by a project, which then results in higher rents in an area, making it difficult for some existing residents to continue to afford their homes. The preliminary assessment of indirect residential displacement evaluates the potential effects of the proposed project on the study area's population and housing characteristics.

CEQR ASSESSMENT CRITERIA

Based on *CEQR Technical Manual* guidelines, the preliminary assessment of indirect residential displacement evaluates the following criteria (in italics below):

(1) Would the proposed action add a substantial new population with different socioeconomic characteristics compared to the size and character of the existing population?

The proposed project under either development scenario does not include a residential component, and therefore would not add a new population with different socioeconomic characteristics compared to the size and character of the existing population.

(2) Would the proposed action directly displace uses or properties that had a blighting effect on property values in the study area?

As discussed above, absent the proposed project, the development site will be redeveloped with the No Action building (an as-of-right commercial office tower). Therefore, the proposed project would not result in direct displacement.

(3) Would the proposed action directly displace enough of one or more components of the population to alter the socioeconomic composition of the area?

The proposed project under either development scenario would not directly displace any residential or worker population from the development site since, absent the proposed project, the development site will be redeveloped with the No Action building.

(4) Would the proposed action introduce a substantial amount of a more costly type of housing compared to existing housing and housing expected to be built in the study area by the time the action is implemented?

The proposed project under either development scenario does not include a residential component, and therefore would not introduce more costly housing compared to existing housing and housing expected to be built in the study area by 2014.

(5) Would the proposed action introduce a critical mass of non-residential uses, such that the surrounding area becomes more attractive as a residential neighborhood complex?

The study area already contains a critical mass of commercial office, retail, and hotel uses such that any incremental effect of the proposed project's non-residential uses on the residential desirability of the area would be negligible. Residential rents in the study area are already influenced by the area's close proximity to the existing Penn Station, major retail concentrations such as One Penn Plaza between Seventh and Eighth Avenues and West 33rd and West 34th Streets, and Manhattan Mall located on the eastern side of the block between West 32nd and West 33rd Streets, as well as major office concentrations, including Penn Plaza and Midtown Manhattan's Central Business District.

Overall, the study area is already a desirable residential neighborhood, as evidenced by the addition of 4,677 new units since 2000 and the 5,936 housing units planned for the study area by 2014. The newer housing developments generally offer market rate and luxury rental apartments with monthly rents ranging from about $2,500 to $6,500 for one-bedroom units, $3,500 to $5,600 for two-bedroom units, and over $6,500 for penthouses with river views.[1] The lower end of the housing market is represented by older walk-up tenement buildings, generally located between Ninth and Tenth Avenues. Currently, the average monthly rent for walk-up apartments that are unregulated (without rent stabilization, rent control, or other tenant protection) ranges from $1,900 for one-bedroom units, to $2,500 for two-bedroom units, and to $4,000 for three-bedroom units.[1]

Based on recent internet listings provided by realtors that operate in the study area, the asking price for a one-bedroom co-op unit in Chelsea between Eighth and Ninth Avenues ranges from $465,000 to $635,000.[2] A two-bedroom co-op on West 24th Street between Ninth and Tenth Avenues is listed at over $1.5 million. Meanwhile, a one-bedroom condo unit on Tenth Avenue at West 24th Street is selling for nearly $1.8 million.[1]

Residential market data for the Midtown West/Clinton residential market indicate substantial increases in prices over the past decade. According to a Prudential Douglas Elliman Real Estate report[3], in 2007 the average price per square foot for condominiums in Midtown West/Clinton

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[1] Citi Habitats, www.citi-habitats.com, January 20, 2009.

[2] Douglas Elliman Real Estate, www.elliman.com, January 20, 2009.

[3] *Prudential Douglas Elliman Manhattan Market Report 1998-2007*. Midtown West/Clinton is defined as the area bounded by West 57th Street to the north, West 34th Street to the south, Sixth Avenue to the

was $1,188 compared to $345 per square foot in 1998, a 244 percent increase. Average price per square foot for co-ops was $814 in 2007, compared to $216 per square foot in 1998, a 277 percent increase. In Chelsea, the average price per square foot for condominiums was $1,138 in 2007, compared with $349 in 1998, increasing by 226 percent. In 2007, Chelsea co-ops sold for an average of $1,059 per square foot, compared with $301 per square foot in 1998, or an increase of 252 percent. For Manhattan as a whole, average price per square foot for condominiums was $1,225 in 2007, a 152 percent real increase from the 1998 average of $487 per square foot. Similarly, the price per square foot for co-ops in Manhattan increased by 211 percent from 1998 ($323) to 2007 ($1,006).

Over the past 15 years, the study area has experienced a dramatic increase in household incomes, conversions of renter-occupied units to owner-occupied units, and an increase in the amount and cost of the residential housing stock, particularly since 2000. These trends indicate that the study area has been and continues to be a desirable residential area, with high rents and high incomes. The introduction of the proposed project's commercial uses, in the context of existing and planned commercial uses in the study area, is not expected to have an effect on the residential desirability of the area.

(6) *Would the proposed action introduce a land use that could have a similar effect if it is large or prominent enough, or combines with other like uses to create a critical mass large enough to offset positive trends in the study area, to impede efforts to attract investments to the area, or to create a climate for disinvestment?*

The proposed project would not offset positive trends in the study area, impede efforts to attract investments to the area, or create a climate for disinvestment. The proposed project seeks to create a new commercial office and retail development opportunity in the study area that supports planning and development policy for Midtown Manhattan. The proposed project would be compatible with land use patterns and policies in the surrounding neighborhood (see also Chapter 3, "Land Use, Zoning, and Public Policy").

CONCLUSION

Based on the information provided above, a detailed assessment of indirect residential displacement is not warranted.

INDIRECT BUSINESS AND INSTITUTIONAL DISPLACEMENT

Similar to the analysis of indirect residential displacement, the preliminary assessment for indirect business and institutional displacement focuses on the issue of whether the proposed project would increase property values—and thus rents—throughout the study area, making it difficult for some categories of businesses or institutions to remain in the area. The preliminary assessment is based on a characterization of the study area in terms of conditions and trends in employment, physical and economic conditions, existing conditions and trends in real estate values and rents, zoning and other regulatory controls, the presence of categories of vulnerable businesses/institutions or employment, land use and transportation services, and underlying trends in the City's economy.

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east, and the Hudson River to the west. Chelsea is defined as the area bounded by W. 34th Street to the north, West 14th Street to the south, Sixth Avenue to the east, and the Hudson River to the west. All prices are represented in constant 2006 dollars.

The preliminary assessment of indirect business and institutional displacement begins with a description of existing employment and business conditions and trends in the study area and commercial real estate trends, followed by an analysis of criteria related to this issue as outlined in the *CEQR Technical Manual*.

EMPLOYMENT AND BUSINESS PROFILE OF STUDY AREA

To better understand economic patterns in the study area, it is useful first to examine employment trends in the City as a whole. From 1970 to 2000, the economy of New York City remained strong, despite three significant downturns triggered by the global oil crisis of the mid-1970s, the stock market crash of October 1987, and the precipitous slide of the technology sector that began in early 2000. Despite these cycles, total employment in New York City during this 30-year period remained relatively stable, with two peaks in 1989 and 1999. However, in both of these years, employment did not exceed the City's all-time high, which occurred in 1969.[1]

While total employment in the City was relatively steady from 1970 to 2000, the mix changed significantly during this period. The manufacturing sector, the leading employer in the City in the first half of the 20th century, gave way to more service-oriented industries, such as financial and business services, tourism, and entertainment. The most recent economic boom in the late 1990s was driven largely by the financial services sector, along with other key industries such as advertising, motion pictures, publishing, media, tourism, and business and computer services. The boom was also heavily influenced by high-tech or dot.com industries, which are represented by the telecommunications, business, and computer services sectors. Meanwhile, manufacturing employment showed a steady decline from 1970 to 2000, during which time the manufacturing sector, particularly the apparel industry, moved to other parts of the U.S. and overseas in search of lower operating costs, including labor, utilities, and rent. Between 1969 and 1999, New York City lost more than two-thirds of its manufacturing jobs.[2]

Table 4-1 provides second quarter 2000 and 2008 private sector employment data for the study area as well as for Manhattan and New York City as whole, compiled by NYSDOL. The study area contained approximately 226,002 private sector jobs in 2008. The geographic distribution of employment varies widely, but the largest concentration of jobs is located east of Ninth Avenue. The area between Ninth and Tenth Avenues from West 34 to West 38th Street is largely residential, with a mix of commercial and retail uses along the avenues. Additional concentrations of employment are located to the west at the Eastern Rail Yard and at the Jacob K. Javits Convention Center (the "Convention Center").

In Manhattan and New York City as a whole, private sector employment increased slightly from 2000 to 2008 by 0.8 and 3.1 percent, respectively.

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[1] Bram, Jason. "New York City's Economy before and after September 11." *Current Issues in Economics and Finance: Second District Highlights.* Federal Reserve Bank of New York. February 2003.

Bram, Jason et al. "Has September 11 Affected New York City's Growth Potential?" *Federal Reserve Bank of New York Economic Policy Review.* November 2002.

[2] Bram, Jason and Michael Anderson. "Declining Manufacturing Employment in the New York-New Jersey Region: 1969-99." *Current Issues in Economics and Finance: Second District Highlights*. Federal Reserve Bank of New York. January 2001.

Table 4-1
2000 and 2008 Private Sector Employment in the Study Area[1]

Sectors	Q2 2000 Jobs	Q2 2000 % of Total	Q2 2008 Jobs	Q2 2008 % of Total	% Change 2000-2008
Construction	5,763	2.9%	8,158	3.6%	41.6%
Manufacturing	27,711	13.9%	15,417	6.8%	-44.4%
Transportation & Warehousing	4,601	2.3%	3,498	1.5%	-24.0%
Wholesale	28,710	14.4%	29,129	12.9%	1.5%
Retail	20,496	10.3%	21,346	9.4%	4.1%
Finance, Insurance, and Real Estate	14,615	7.3%	19,260	8.5%	31.8%
Professional, Scientific, Technical, and Information Services	34,647	17.4%	45,502	20.1%	31.3%
Business Management and Administration	22,806	11.5%	33,320	14.7%	46.1%
Educational Services	7,742	3.9%	3,999	1.8%	-48.3%
Health and Social Services	18,522	9.3%	22,853	10.1%	23.4%
Food, Hotel, and Entertainment Services	8,667	4.4%	15,558	6.9%	79.5%
Other Services	4,410	2.2%	7,387	3.3%	67.5%
Unclassified	191	0.1%	575	0.3%	201.0%
Study Area Total	**198,881**	**100.0%**	**226,002**	**100.0%**	**13.6%**
Manhattan Total	**1,917,022**	**N/A**	**1,933,267**	**N/A**	**0.8%**
New York City Total	**3,046,605**	**N/A**	**3,141,403**	**N/A**	**3.1%**

Notes: [1]The study area for employment includes zip codes 10001 and 10018, due to the limited availability of similar data at the census tract or smaller level. The study area for employment includes the areas known as Midtown South and the Fashion Center and is generally bounded by West 40th Street on the north, West 24th Street on the south, Fifth Avenue on the east, and the Hudson River to the west.
Source: New York State Department of Labor, January 2009.

Meanwhile, employment in the study area increased by 13.6 percent between 2000 and 2008, with large gains in jobs in the Food, Hotel, and Entertainment Services sector (79.5 percent), the Business Management and Administration sector (46.1 percent), the Construction sector (41.6 percent), the Finance, Insurance, and Real Estate industries (31.8 percent), and the Professional, Scientific, Technical, and Information Services sector (31.3 percent). The Health and Social Services sector also increased substantially, by 23.4 percent. The study area experienced significant losses in jobs in the Manufacturing and Transportation and Warehousing industries, which dropped by 44.4 and 24 percent, respectively, following long-term trends throughout Manhattan. The Educational Services industries also experienced a significant decline in employment from 2000 to 2008, dropping 48.3 percent.

An important employment concentration is the Convention Center, which has an in-house staff of about 350 employees (administrative staff and in-house electricians, engineers, etc.), which would be included in the data in **Table 4-1**. However, in addition, 1,200 or more workers are brought in for events on an as-needed basis.[1] Furthermore, of the 3 million people who visit the

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[1] Convention Center Operating Corporation. August 11, 2003.

Convention Center each year, about 15 percent (or 450,000) are employees who work at the exhibits.

Public transportation jobs associated with such facilities as the Quill Bus Depot, Lincoln Tunnel, West Side Yard, and Pennsylvania Station are also important employment concentrations in the study area. Other public sector employment is generated by the U.S. Postal Service, which as of 2007 employed about 895 workers in the Farley Building.[1] Smaller clusters of public sector employment can be found in several police and fire stations and at the Hunter College Voorhees Campus, which houses the college's Masters in Fine Arts (MFA) program.

There are several non-profit employers in the study area, the largest of which is Group Health Incorporated, a statewide non-profit health insurer. This organization has its headquarters on Ninth Avenue between West 34th and West 35th Streets, where approximately 1,400 workers are employed.[2] Public television broadcaster WNET (Thirteen) is also based in the study area at the Daily News building on West 33rd Street and Tenth Avenue. Smaller non-profit organizations include St. Michael's Academy, West Side Jewish Center, and several churches.

Although not specifically identified in the table above, the study area contains a considerable number of automotive businesses, including repair shops, gas stations, towing services, car and truck rental facilities, a car dealership, and numerous parking facilities (both surface lots and multi-level garages). Parking facilities are located throughout the study area and serve major attractions, such as the Convention Center, as well as Midtown in general. The remaining automotive businesses are concentrated west of Ninth Avenue. In general, these businesses are ancillary to the uses they support, are characterized by low levels of property investment, and are not major employment generators. Many of the properties are occupied by open parking lots without buildings, or small one-story buildings that are in disrepair.

The following sections describe the major economic activities and trends in the study area.

Industrial Employment

As shown in **Table 4-1**, the industrial-based sectors (construction, manufacturing, transportation and warehousing, and wholesale) represent about 25 percent of the total employment in the study area. Among the industrial sectors, wholesale makes up the largest share of industrial employment, with 29,129 jobs. Approximately 50 percent of this employment is attributable to apparel wholesale trade in the Garment Center District (see "Potential Effects on Specific Industries," below), which is located in the study area (generally north of West 35th Street, south of West 40th Street, east of Ninth Avenue, and west of Broadway).

The next largest proportion of the study area's industrial jobs is the 15,417 workers in the manufacturing sector. However, the overall share of manufacturing jobs has been declining as manufacturers have moved out of the study area and other industrial employers (namely construction and wholesale) have grown. Following a continuing borough-wide shift from a manufacturing to a service-based economy, between 2000 and 2009 the manufacturing sector in the study area saw a marked decrease in employment of 12,294 jobs (a 44.4 percent decline). The remaining manufacturing businesses in the study area generally specialize in the production of apparel and textiles, paper and printed materials (i.e., publishing), and fabricated materials.

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[1] Jamie Cohen, USPS, August 16, 2007.

[2] www.Manta.com – Manta is a respected online source for company profile data and provides current site specific data regarding employment.

Two notable publishers include McGraw Hill in Two Penn Plaza and the New York Daily News at West 33rd Street and Tenth Avenue.

Following the wholesale and manufacturing sectors are the construction and transportation and warehousing sectors, which provide a lesser number of industrial jobs in the study area. The construction sector accounted for 3.6 percent of total private sector employment in 2008. The construction employment base in the study area is not related to heavy construction but rather to the office-based functions of construction activity, as well as to special trade contractors who are brought in for events at the Garden (e.g., electricians, carpenters, acoustical contractors, etc.). As of August 2007, Madison Square Garden, LP (which owns the Garden, the Knicks, the Rangers, the Liberty, MSG Network and Radio City Music Hall) employed 988 full-time workers and an additional 1,128 part-time workers in the study area.[1] Smaller clusters of construction employment are generally located in the vicinity of Madison Square Garden, to the south. Transportation and warehousing employment, which accounts for just 1.5 percent of 2008 private sector employment in the study area, is primarily generated by private sector transportation companies, such as Amtrak, Greyhound, Federal Express, and DHL, and by trucking and warehousing.

Non-Industrial Employment

The office-based sectors (professional and information services, business management and administration, and finance, insurance, and real estate) are the largest private employers in the study area, collectively accounting for 98,082 jobs, or about 43.3 percent of total private employment. Most of these jobs are located east of Ninth Avenue, which includes One Penn Plaza (a 55-story office tower) and Two Penn Plaza (a 30-story office tower). West of Ninth Avenue, the largest number of office-based jobs is located in the Starrett-Lehigh Building at 200 West 27th Street and in the IAC Building at 555 West 18th Street. Other office-based employment is located in the Daily News building and on Tenth Avenue between West 36th and West 37th Streets, where the corporate headquarters of Affinia Hospitality is located. Between 2000 and 2008, study area employment grew by 10,514 jobs in the business management and administration sector (46.1 percent), 4,645 jobs or 31.8 percent in the finance, insurance, and real estate sector, and by 10,855 jobs in the professional and information services sector (a 31.3 percent increase). Collectively, there was a net gain of 26,014 jobs (36.1 percent growth) in the office-based sectors between 2000 and 2008, most likely due to the addition of new office buildings constructed in the study area since 2000.

There were 21,346 retail jobs in the study area in 2008, representing about 9.4 percent of the total private sector employment. A variety of goods and types of retail stores are located in the study area, including major retail concentrations such as the One Penn Plaza block between Seventh and Eighth Avenues and West 33rd and West 34th Streets and Manhattan Mall located on the eastern side of the block between West 32nd and West 33rd Streets. The One Penn Plaza block includes a retail arcade and 1-story retail buildings that include a Kmart, other national chain retailers, and several small restaurants. The Manhattan Mall contains stores such as Victoria's Secret, Express, and the Body Shop. The north side of West 34th Street between Seventh and Eighth Avenues includes continuous retail frontages consisting mainly of discount clothing, jewelry, and accessories stores and chain-style restaurants. The portion of the study area east of Seventh Avenue is solidly commercial, especially north of West 29th Street. Macy's

[1] Employment data provided by Andrew Lynn of Madison Square Garden, LP, August 28, 2007.

flagship department store occupies the full block between West 34th and West 35th Streets and Sixth and Seventh Avenues.

There is an abundance of retail stores found within Penn Station as well. The corridors surrounding the Metropolitan Transportation Authority-Long Island Rail Road (LIRR), New Jersey Transit (NJ Transit), and Amtrak terminals are mostly comprised of fast food restaurants, such as McDonald's, Dunkin Donuts, and TGI Friday's. There are also a few convenience goods shops located in the terminal such as a book store (Penn Books) and a Duane Reade. Just southwest of the Farley Complex on Ninth Avenue, there is a mix of neighborhood retail shops and services including a cleaners, a few restaurants, pubs, delis, and a stationary store. In addition, B&H, a photo, video, and pro audio shop that has been in business for over 30 years, occupies an entire Ninth Avenue east side blockfront between West 33rd and West 34th Streets. The West 34th Street shopping district is one of the city's most competitive retail areas. According to the 34th Street Partnership, 100 million pedestrians pass through the four corners of 34th Street and Broadway annually. This volume of shoppers is so large that a number of retailers have opened more than one store in the district. Demand for real estate has pushed up rents as high as $300 per square foot, making West 34th Street the seventh most expensive street in North America, on par with rents charged on Rodeo Drive in Los Angeles.[1]

In addition to office- and retail-based employment, health and social services comprise a significant percentage of the study area's private sector employment base. There are 22,853 private jobs in the health and social services sector, accounting for about 10.1 percent of the study area's private employment. The 15,558 food, hotel, and entertainment services jobs in the study area are generally associated with Times Square.

RECENT EMPLOYMENT AND BUSINESS TRENDS

Current economic conditions in New York City indicate that the City is experiencing a significant downturn; and the National Bureau of Economic Research announced that the nation entered a recession in December 2007. From October 2007 to October 2008, total employment in New York City increased from 3,779,100 to 3,786,400 jobs. Growth was seen in sectors such as professional, scientific and technical services, with a 2.3 percent increase in employment from 337,100 employees in October 2007 to 344,900 in October 2008. Employment in the educational and health services sector also increased slightly, by about 1 percent, from 719,000 to 725,000 employees. While certain industries saw employment increases, employment in the financial sectors decreased dramatically. Overall, employment in financial activities declined by 2.8 percent, from 470,000 employees in October 2007 to 456,900 in October 2008. The finance and insurance sector decreased by 4.9 percent, from 348,600 employees in 2007 to 331,700 employees in October 2008. Securities and commodity contracts employment had the greatest decrease in employment (a 13.2 percent decline), from 129,800 employees in October 2007 to 112,700 in October 2008.[2] The Office of the Comptroller indicates that New York City lost 65,000 payroll jobs in the last three months of 2008. Finance and Insurance declined by 21,000

[1] WWD Real Estate in Depth, April 5th 2004.

[2] NYSDOL. Current Employment Statistics Survey. http://www.labor.state.ny.us/workforceindustrydata/cesemp.asp [Accessed December 3, 2008.]

in December-to-December payroll employment, with 17,500 of the jobs lost coming in the securities industry.[1]

COMMERCIAL REAL ESTATE TRENDS

The proposed project would be developed in Manhattan, the nation's largest and most important center of commerce and real estate. Its size has helped it to survive numerous economic cycles of recession and recovery and the attacks of September 11, 2001, which destroyed about 13.4 million square feet of Class A[2] office space.[3] Manhattan now has about 395.0 million square feet (msf) of commercially available office space[4], as compared to 392.1 million square feet in 2001.[5]

The study area is mostly contained within the Midtown office district, with a small portion extending into Midtown South. Midtown Manhattan is the core of the New York region's economic strength and is renowned for its supply of high-quality office space, both Class A and Class B.[6] With just over 1 million jobs and approximately 241.3 million sf of office space[7], Midtown is home to the largest concentration of Fortune 500 corporations in the nation (31 out of 55 headquarters statewide). As an indicator of its national dominance, Midtown's total office inventory is roughly the equivalent of those of downtown Chicago, San Francisco, and Boston combined.[8]

The majority of that inventory is located in Class A office buildings and is typically in demand by prestigious national and international firms, particularly in the business, legal, and professional services and the finance, insurance, and real estate sectors. According to Cushman & Wakefield, Midtown South contains another 64.8 msf of office space, although much of it is in smaller, older buildings that lease at rates below that seen in Midtown.[9]

Manhattan has repeatedly overcome record vacancies following economic recessions. After overbuilding during the late 1980s, new office construction was nearly non-existent for a decade as the vacant space was slowly absorbed. This occurred during the economic boom of the late 1990s and lowered Manhattan's peak office vacancy rate of 18.5 percent at year-end 1992 to about 7.4 percent in 1999. Consequently, rents increased sharply in response to a lowering of the

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[1] Office of the New York City Comptroller William C. Thompason, Jr. "Economic Notes," Vol. XVII No. 1 January 2009.

[2] Class A represents the most prestigious buildings competing for premier office users with above-average rents. Buildings have high-quality-standard finishes, state-of-the-art systems, exceptional accessibility, and suggest a definitive market presence (Cushman & Wakefield).

[3] *World Trade Center Memorial and Redevelopment Plan Generic Environmental Impact Statement*, 2004.

[4] Cushman & Wakefield, Marketbeat: Manhattan Office Report 4Q08.

[5] Cushman & Wakefield.

[6] Buildings competing for a wide range of office users with average rents for the area. Building finishes are fair to good for the area and systems are adequate, but the buildings do not compete with class A at the same price (Cushman & Wakefield).

[7] Cushman & Wakefield, Marketbeat: Manhattan Office Report 4Q08.

[8] Cushman & Wakefield, Marketbeat: Manhattan Office Report 3Q08.

[9] Cushman & Wakefield, Marketbeat: Manhattan Office Report 4Q08.

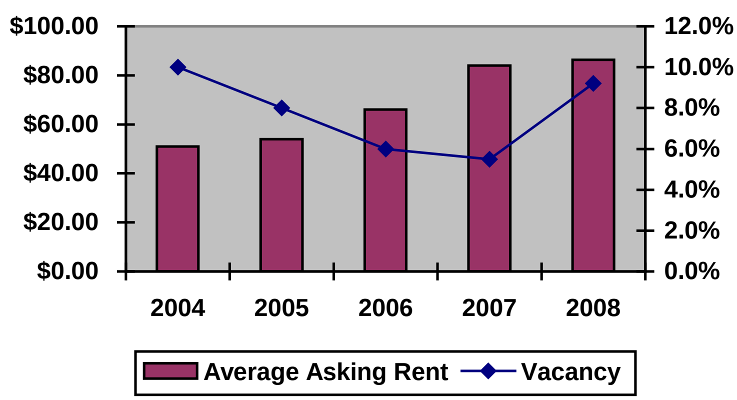
overall vacancy rate. Office space availability was very tight just before the September 11, 2001 terrorist attacks, with a vacancy rate at a record low of 3.5 percent in third quarter 2000.

The office market was fairly resilient in response to the September 11, 2001 terrorist attacks. While almost 10 percent of the overall inventory in Manhattan had been destroyed or damaged, the city absorbed the displaced workers in other markets like Midtown and Midtown South, while some firms leased space in northern New Jersey. Office vacancy rates reached highs of around 12 percent in 2003 but were not close to levels seen in previous downturns. As the market continued to recover, vacancy rates fell below the structural equilibrium rate of between 8 and 9 percent, which means that fewer options were available for firms whose leases were up as rents were on the rise. In 2007, the Class A vacancy rate in Manhattan was well below the equilibrium rate at 4.7 percent. Most brokers attribute this tightening of the leasing market to high demand and low supply.

Current economic conditions in New York City indicate that 2008 marked the end of the trend of falling vacancy rates versus rising rents, particularly in the Midtown area. Employment levels declined extensively in the fourth quarter of 2008, driving vacancy rates higher as tenants added more space to the market. The Class A vacancy rate of 9.2 percent finished 2008 at its highest level in three years. This increase in vacancy is due largely to a downturn in the financial services sector, which as a result has increased the amount of sublease space available to the market.

As office fundamentals continued to weaken, the steady rental rate increases that characterized the past few years came to an end in the fourth quarter. The Class A asking rent, at $86.40 per square foot, declined in October for the first time since 2005 and continued to fall for the remainder of the year. **Figure 4-2** shows the correlation between asking rent and vacancy rates in Midtown between 2004 and 2008.

Figure 4-2
Midtown Class A Rental Vs. Vacancy Rates



Source: Cushman & Wakefield, Marketbeat: Manhattan Office Report 4Q08.

As shown in **Figure 4-2**, Class A rents in the Midtown market have increased substantially over the past four years. The implication in rising Class A rents for Class B office users is that it puts pressure on Class B rents as well. In addition, in times of higher vacancy and lower rents, Class

A building owners can more easily fill their available space by offering Class B users lower rents and greater amenities than they could otherwise get in the open market.

Figure 4-3 shows how Class A and B rents in Midtown South have generally risen over the past couple of years. However, in the last quarter of 2008, rents in both classes declined, and this marked the first decline in Class B rents in the period analyzed. This decline in rental rates corresponds to the recent spike in vacancy seen in Midtown Manhattan overall.

BUSINESSES AND INSTITUTIONS CURRENTLY AT RISK OF INDIRECT DISPLACEMENT

Businesses most vulnerable to indirect displacement due to increased rent are typically those businesses whose uses are less compatible with the economic trend that is creating upward rent pressure in the study area; i.e., those businesses that tend not to directly benefit. For example, if a neighborhood is becoming a more desirable place to live, uses that are less compatible with residential conditions (such as manufacturing) would be less able to afford increases in rent due to increases in property values compared to a neighborhood service use, such as a bank, which could see increased business activity from the increased residential presence.

Even certain commercial uses within sectors that are generally compatible with economic trends may be vulnerable if their product is directed towards a demographic market that is dwindling in the area. For example, although neighborhood services and convenience goods stores generally benefit from increases in residential population, if a store targets a particular demographic group whose numbers are decreasing within the study area even as total population is increasing, then that store may be vulnerable to displacement due to increases in rent.

Figure 4-3
Midtown South Class A Vs. B Asking Rents

Source: Cushman & Wakefield, Marketbeat: Manhattan Office Report 4Q08.

Within the study area, businesses most vulnerable to indirect displacement are those that currently pay relatively low rents on properties where little investment has been made (e.g., storage yards, parking lots, and small buildings). These businesses tend to be industrial—related to such sectors as manufacturing, construction, warehousing, and transportation—or non-industrial, related to the automotive services sector. These uses are generally located south of West 31st Street, intermixed with small retail establishments such as discount apparel, shoes, jewelry, electronics, and accessories shops. A number of other commercial establishments are present in this area including printing shops; restaurants, pubs, and nightclubs; personal service shops such as shoe repairs and salons; dance and design studios; and a theater. This area also hosts several office buildings, banks, and institutional uses including a church and a City employment agency. The study area's existing trends toward increased residential desirability, declining industrial employment, and increases in the office-based, retail trade, and arts/entertainment sectors make the automotive uses and other properties where little investment has been made vulnerable to indirect displacement.

FUTURE COMMERCIAL REAL ESTATE MARKET TRENDS

In the short term, with the employment losses that are expected to occur due to the recession, it is likely that job losses will lead to higher vacancy rates, which in turn will likely lead to lower rents in 2009.[1] Cushman & Wakefield projects that lack of tenant demand will continue to put downward pressure on Manhattan's asking rental rates, which are projected to decline 25 to 30 percent from their peak.[2] There is likely to be a continued evolution of the area away from manufacturing uses and toward a more mixed-use area that would include more residential, retail, hotel, and office uses. Also due to the recession, employment in the study area is expected to decline. In October 2008, the New York City Comptroller's office predicted that the City could lose more than 165,000 jobs over the next two years. Approximately 21 percent of these jobs (about 35,000 jobs) are expected to be within the financial services sector.[3] In addition to the loss of financial services jobs, it is expected that further job losses will occur in other professional and business service sectors.[4] A more recent report from that office indicates that total payroll jobs are expected to decline by 71,000 in 2009 and 72,000 in 2010, as compared to a decline of 116,000 jobs in 2009 and a decline of 11,000 jobs in 2010, according to the Mayor's office.[5]

Despite the announcement of the recession, the New York City Comptroller expressed confidence in the City's resilience.[6] Based on the rebound that occurred between 2003 and 2007, 2007, it is possible that these job losses could be replaced within four years after the recession.

By 2014, in the No Action condition, long-term employment and real estate trends in Manhattan and the study area are expected to continue. Further industrial restructuring would continue to change the profile of Manhattan's employment base, leaving fewer jobs in the industrial sectors but more jobs in such sectors as business, legal, and professional services. In addition, development pressure throughout the area will grow as the supply of available land diminishes.

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[1] Cushman and Wakefield Marketbeat Manhattan Office Report 3Q2008.

[2] Cushman & Wakefield, Marketbeat: Manhattan Office Report 4Q08.

[3] Office of the New York City Comptroller William C. Thompson, Jr. "New York City Comptroller Forecasts 165,000 Job Losses over the Next Two Years." PR08-10-142. [Accessed December 1, 2008]

[4] Cushman and Wakefield. Marketbeat Manhattan Office Report 3Q2008.

[5] Office of the New York City Comptroller William C. Thompson, Jr. "The State of the City's Economy and Finances, 2008," dated December 15, 2008.

[6] Office of the New York City Comptroller William C. Thompson, Jr. "Thompson statement on country entering a recession." ST08-12-063. http://www.comptroller.nyc.gov/press/2008_releases/st08-12-063.shtm [Accessed December 2, 2008]

As discussed above, for this EIS, the No Action condition is assessed for the same analysis year as the proposed project (i.e., 2014). In the No Action condition, the development site will be developed under existing zoning with an approximately 1.6 million-gross-square-foot (1.1 million zoning-square-foot) commercial office building, of which approximately 1.3 million gsf will be office use, 40,600 gsf will be retail use, 202,000 gsf will be mechanical space, and 35,438 gsf will be lobby area and amenity space.

Projects that are expected to be complete in the surrounding area by 2014 are summarized in Table 2-2 in Chapter 2, "Procedural and Analytical Framework," and are shown on Figure 2-3.

By 2014, in addition to the residential development (described in the preliminary analysis of indirect residential displacement), planned projects within the study area are projected to add 7,398,140 sf of commercial office use, 434,136 sf of retail use, 939,156 sf of hotel space, a 70,000-square-foot theater, and 7,460 sf of community facility space.

Newly constructed commercial space in the study area is expected to command higher rents than commercial space that currently exists in the study area. Commercial office space would be offered at rents comparable to other Class A office buildings in the Midtown and Midtown South areas and should demand a premium over asking rents at previously constructed properties in the study area.

Retail space in the study area that is expected in the No Action condition will generally be local retail. Upward pressure on retail rents would be a result of new residential activity, improved economic opportunity through new commercial uses, and new retail centers constructed in the study area. Increasing sales as a result of new residential growth are expected to offset any increases in retail rents that are caused by new development in the study area.

CEQR ASSESSMENT CRITERIA

Using this information, the assessment of potential indirect business and institutional impact follows the methodology of the *CEQR Technical Manual* in analyzing the following criteria (in italics below) for potential significant impacts:

(1) Would the proposed action introduce enough of a new economic activity to alter existing economic patterns?

The proposed project would not introduce any new types of economic activities to the study area. Development under either scenario would add approximately 2.1 million zoning square feet (zsf) of new commercial office and retail use. These uses already exist within the study area. The Single-Tenant Office Scenario would also include a trading floor use totaling about 358,000 gsf. This relatively small addition of a specialized commercial use to an area with over 134 msf of commercial space,[1] would not result in a noticeable difference in the types of workers or other economic patterns in the study area.

(2) Would the proposed action add to the concentration of a particular sector of the local economy enough to alter or accelerate an ongoing trend to alter existing patterns?

As explained above, all of the uses proposed under either development scenario are currently well-established and present in the area, with a dense and diverse amount of economic activity in

[1] Commercial space in the study area is based on data from the New York City Department of City Planning, Bytes of the Big Apple, MapPLUTO 07C.

and around Penn Station and Penn Plaza. Therefore, there is no substantial increase in the concentration of any particular economic sector, and no significant alteration of existing patterns would occur.

The proposed project would expand the existing base of retail offerings within the study area, helping to attract and retain shoppers and visitors to the area within and immediately surrounding Penn Plaza. However, the up to 380,000 gsf of retail use that could be introduced by the proposed project is a relatively small addition to the existing retail space in the study area (15,798,690 sf[1]) and would be located within an already-dense retail concentration. Therefore, the proposed retail would not result in noticeable changes to existing shopping patterns in the study area.

Immediately surrounding the project site, the incremental pedestrian flow generated by these new uses would not be expected to have a significant effect on establishments' property values, as there already are heavy volumes of pedestrian traffic created by a multitude of uses, including the existing Penn Station, Madison Square Garden, Penn Plaza, and destination retail along West 34th Street. The West 34th Street shopping district is one of the city's most competitive retail areas. As discussed above, according to the 34th Street Partnership, 100 million pedestrians pass through the four corners of 34th Street and Broadway annually.

Similarly, the study area already has a well-established commercial office presence (73,043,340 sf)[2] such that the introduction of up to 1.85 million gsf of potential new commercial office space under the proposed project would not significantly alter existing economic patterns. The commercial office space that would be developed under the proposed project would reflect, rather than alter or accelerate, existing economic patterns in the study area. New office space provides a unique opportunity to capture the demand for high-end real estate with excellent transit access at a hub location; a product that has been very limited in the Penn Station area but with a latent demand.

Moreover, new commercial office uses would be expected to be absorbed by the study area due to the historic demand for new Class A office space in Midtown Manhattan, and a long-term trend that is anticipated to withstand the current economic recession.

Therefore, the proposed project would not be expected to add to the concentration of a particular sector of the local economy enough to alter or accelerate an ongoing trend to alter existing patterns.

(3) Would the proposed action displace uses or properties that have had a "blighting" effect on commercial property values in the area, leading to rises in commercial rents?

As discussed above, absent the proposed project, the project site will be redeveloped with the No Action commercial office building. Therefore, the proposed project would not result in direct displacement.

[1] Retail space in the study area is based on data from the New York City Department of City Planning, Bytes of the Big Apple, MapPLUTO 07C.

[2] Commercial office space in the study area is based on data from the New York City Department of City Planning, Bytes of the Big Apple, MapPLUTO 07C.

(4) Would the proposed action directly displace uses of any type that directly support businesses in the study area or bring people to the area that form a customer base for local businesses?

The proposed project would not directly displace uses of any type. Absent the proposed project the project site will be redeveloped with the No Action commercial office building.

(5) Would the proposed action directly or indirectly displace residents, workers, or visitors who form the customer base of existing businesses in the study area?

The proposed project would not directly or indirectly displace residents, workers, or visitors who form the customer base of existing businesses in the study area. As explained above, the proposed project would not directly displace any residents, workers, or visitors. Nor are the uses introduced by the proposed project expected to result in changes to the study area's residential or commercial markets that would result in indirect displacement of residential and worker populations. To the contrary, either of the development scenarios would introduce workers to the area, which would add to the customer base of existing businesses in the study area.

(6) Would the proposed action introduce a land use that could have a similar indirect effect, through the lowering of property values if it is large enough or prominent enough, or combines with other like uses to create a critical mass large enough to offset positive trends in the study area, to impede efforts to attract investment to the area, or to create a climate for disinvestment?

The proposed project would not offset positive trends in the study area, impede efforts to attract investments to the area, or create a climate for disinvestment. The proposed project seeks to create new commercial office and retail space in the study area that supports planning and development policy for Midtown Manhattan. The proposed reuse of space on the project site would be compatible with land use patterns and policies in the surrounding neighborhood.

CONCLUSION

Overall, this preliminary assessment finds that the proposed project would not result in significant adverse impacts due to indirect business and institutional displacement. Therefore, no further analysis of this issue is required.

POTENTIAL EFFECTS ON SPECIFIC INDUSTRIES

According to the *CEQR Technical Manual*, a significant adverse impact may occur if an action would measurably diminish the viability of a specific industry that has substantial economic value to the City's economy. An example, as cited in the *CEQR Technical Manual*, would be new regulations that prohibit or restrict the use of certain processes that are critical to certain industries.

This preliminary assessment is based on the screening criteria (in italics, below) presented in Section 323 of the *CEQR Technical Manual*. The manual indicates that a more detailed examination is appropriate if the following considerations cannot be answered with a clear "no":

(1) Would the proposed action significantly affect business conditions in any industry or any category of businesses within or outside the study area?

The proposed project would not introduce any regulations that could restrict any business or process from continuing to function within or outside the study area. In addition, the proposed project would not result in the permanent displacement of any uses in the study area, such that no significant adverse impacts to any industry as a result of direct displacement would occur. There is not a significant concentration of any one category of business within the study area that could be adversely affected by the proposed project.

(2) Would the proposed action indirectly substantially reduce employment or have an impact on the economic viability in the industry or category of businesses?

The proposed project does not have the potential to displace a substantial amount of employment or impair the economic viability in any one industry sector or category of business. As discussed above, the study area does not include a significant concentration of any one category of business that would be affected by the proposed project. The study area includes a mix of commercial office uses, transit-oriented retail, residential uses, transportation uses, and industrial loft conversions.

CONCLUSION

Overall, this preliminary assessment of the proposed project's potential effects on specific industries finds that the proposed project would not result in significant adverse impacts on any specific industry. Therefore, no further analysis of this issue is warranted.

D. CONCLUSIONS

As summarized below, the socioeconomic assessment finds that the proposed project would not result in any significant adverse impacts to socioeconomic conditions.

DIRECT RESIDENTIAL DISPLACEMENT

The development site does not contain any permanent residential dwelling units; it contains a transient hotel and additional commercial uses. In the No Action condition, the site will be developed with the No Action commercial office building. Therefore, the proposed project would not directly displace a residential population, and there would be no significant adverse impacts due to direct residential displacement.

DIRECT BUSINESS AND INSTITUTIONAL DISPLACEMENT

Absent the proposed project, the development site will be developed with the No Action commercial office building. Therefore, the proposed project would not result in the direct displacement of the existing hotel and additional commercial uses on the development site.

INDIRECT RESIDENTIAL DISPLACEMENT

The proposed project would not result in significant adverse socioeconomic impacts due to indirect residential displacement. Based on *CEQR Technical Manual* guidelines, a significant socioeconomic impact can occur if a proposed project alters the local real estate market in a manner that leads to increased residential rents and the subsequent displacement of a substantial number of existing residents who can no longer afford their homes. The proposed project does not include a residential component, and as such would not have substantial effects on the residential real estate market. The proposed project would have the potential to alter the study area's residential real estate market if it introduced non-residential uses that made the surrounding area substantially more attractive as a residential neighborhood complex. The proposed project would not have such an effect. The study area already has well-established residential neighborhoods and high-density commercial uses, including about 134.6 msf of commercial space.[1] The introduction of up to 2.8 million gsf of commercial space would not substantively affect the area's residential desirability.

INDIRECT BUSINESS AND INSTITUTIONAL DISPLACEMENT

The proposed project would not result in significant adverse impacts due to indirect business and institutional displacement. According to the *CEQR Technical Manual*, indirect displacement of businesses or institutions could be an issue if an action would increase property values and thus rents throughout the study area, making it difficult for some categories of businesses to remain in the area. All of the uses contemplated under the proposed project are well-established in the study area, which already has a dense and diverse amount of economic activity.

The proposed project would expand the existing base of commercial office and retail offerings within the study area, thereby drawing new workers, shoppers, and visitors to the area within and immediately surrounding the project site. The proposed new retail development would add to the existing retail hub in and around Penn Station, and would result in a wider distribution of retail traffic—particularly pedestrian traffic—around the Penn Station hub area. This incremental pedestrian flow would not have a substantial effect on commercial property values within the study area, where there are already heavy volumes of pedestrian traffic created by a multitude of uses, including the existing Penn Station, Madison Square Garden, Penn Plaza, and destination retail along West 34th Street.

The study area already has a well-established commercial office presence such that the introduction of up to 2.8 million gsf of new commercial office or retail space under the proposed project would not significantly alter existing economic patterns. The project site is located in a stable and desirable marketplace, as demonstrated by its relatively high commercial office and retail rents. In addition, in the No Action condition, by 2014 over 7 msf of office space will be developed in the study area, further strengthening the area's commercial identity.

POTENTIAL EFFECTS ON SPECIFIC INDUSTRIES

The proposed project would not significantly affect business conditions in any industry or any category of business within or outside the study area, nor would the proposed project indirectly reduce employment or adversely affect the viability of any industry or category of business. Development under the proposed project would not introduce new, competing businesses that would drive out or otherwise diminish the performance of any identifiable business sector. Overall, the proposed project would reinforce existing business sectors, and provide new office space to retain and attract businesses. ✷

[1] Commercial space in the study area is based on data from the NYC Dept of City Planning, Bytes of the Big Apple, MapPLUTO 07C.