3. Socioeconomic Conditions

3.1 INTRODUCTION

This chapter assesses whether the Proposed Action would result in significant adverse impacts to the socioeconomic character of the area within and surrounding the proposed East Midtown rezoning area. As described in the *CEQR Technical Manual*, the socioeconomic character of an area includes its population, housing, and economic activities. Socioeconomic changes may occur when a project directly or indirectly changes any of these elements. Although some socioeconomic changes may not result in impacts under CEQR, they are disclosed if they would affect land use patterns, low-income populations, the availability of goods and services, or economic investment in a way that changes the socioeconomic character of the area. In some cases, these changes may be substantial but not adverse. The objective of the CEQR analysis is to disclose whether any changes created by the action would have a significant adverse impact compared to what would happen in the future without the action.

As described in Chapter 1, "Project Description," the New York City Department of City Planning (DCP) is proposing to establish the East Midtown Subdistrict within the Midtown Special District under the reasonable worst-case development scenario (RWCDS), the Proposed Action would result in approximately 10,340,972 gross square feet (gsf) of office floor area, 648,990 gsf of retail floor area, 2,134,234 gsf of hotel floor area, 207,029 gsf of residential floor area, as well as 140,200 gsf of parking floor area. The projected incremental (net) change between that No-Action and With-Action conditions that would result from the Proposed Action would be a net decrease in residential units (approximately 568 dwelling units, or 565,675 gsf) and a net increase of approximately 3,821,339 gsf of office space, 119,662 gsf of retail, and 123,286 gsf of hotel uses.

The Proposed Action would not directly displace any existing residents from any of the projected development sites identified as part of the RWCDS nor would it induce a trend that could potential result in changing socioeconomic conditions for the residents within the rezoning area; therefore, an assessment of direct or indirect residential displacement is not warranted for the Proposed Action. In accordance with *CEQR Technical Manual* guidelines, a preliminary assessment was warranted for three of the five specific elements that can result in significant adverse socioeconomic impacts: (1) direct displacement of existing businesses or institutions on a project site; (2) indirect displacement of businesses or institutions in a study area; and (3) adverse effects on specific industries. Based on the results of the preliminary assessment, a detailed assessment of potential direct business displacement, and indirect business and institutional displacement, was prepared.

In considering the likely socioeconomic effects of the Proposed Action, it is important to note that Proposed Action-induced development on the RWCDS projected development sites is expected to occur over an approximately 20-year period on a site-by-site basis, rather than all at once. It is unclear exactly when over this long-term period each of the projected development sites would be developed, or what businesses or tenants would occupy the sites at the time of redevelopment. It is likely that those sites with known development proposals would be developed first, with the remaining parcels being built over time in response to market conditions (refer to Chapter 18, "Construction," for conceptual construction schedule and sequencing). During that time, the Proposed Action's overall effect on socioeconomic conditions would gradually increase, with the full effects being reached in 2033.

3.2 PRINCIPAL CONCLUSIONS

This analysis finds that the Proposed Action would not result in any significant adverse impacts to the five socioeconomic areas of concern, including direct residential displacement, direct business/institutional displacement, indirect residential displacement, indirect business/institutional displacement, and adverse effects on specific industries. The following summarizes the conclusions drawn from the analysis.

3.2.1 Direct and Indirect Residential Displacement

The initial assessment did not warrant further analysis of direct and indirect residential displacement. According to the *CEQR Technical Manual*, direct displacement of fewer than 500 residents would not typically be expected to alter socioeconomic characteristics of a neighborhood. No direct residential displacement would occur under the Proposed Action, and therefore, the Proposed Action would not result in significant adverse impacts due to direct residential displacement. As to indirect residential displacement, the Proposed Action would forestall conversion of office to residential space resulting in a net reduction of residential units compared to the future without the Proposed Action, and would therefore not induce a trend that could potentially result in changing socioeconomic conditions for the residents within the East Midtown rezoning area. Therefore, an assessment of indirect residential displacement is not warranted for the Proposed Action.

3.2.2 Direct Business and Institutional Displacement

The assessment finds that the Proposed Action would not result in significant adverse impacts due to direct business displacement. Some of the businesses and employment located on projected development sites within the proposed rezoning area could be displaced by future development in the No-Action condition. Not including displacement that would occur as a result of development in the No-Action condition, there are approximately 844 existing businesses/institutions that vary in type and size which could be potentially displaced by the Proposed Action on 12 of the 19 projected development sites (refer to Table 3-6). These businesses/institutions provide jobs for an estimated 23,857 people, which comprises approximately 11 percent of the total primary study area employment and about 5 percent of the secondary study area employment. By industry sector, Professional Service businesses represent the largest share of potentially displaced businesses (223 businesses, or approximately 26 percent of the total businesses displaced), followed by Finance and Insurance (118 businesses, or approximately 14 percent of total businesses). Real Estate and Rental and Leasing (86 businesses) and Administrative and Support and Waste Management and Remediation Services (82 businesses) account combined for approximately 20 percent of displaced businesses. The Finance and Insurance and the Management of Companies and Enterprises sectors both employ approximately 25 percent of the potentially displaced workers, while the Professional, Scientific, and Technical Services sector employs approximately 13 percent.

The assessment finds that while these businesses are valuable individually and collectively to the city's economy, according to *CEQR Technical Manual* criteria, the displaced businesses do not provide products or services that would no longer be available to local residents or businesses, nor are they the subject of regulations or publicly adopted plans aimed at preserving, enhancing, or otherwise protecting them in their current location. The displaced businesses are not unique to the ¼-mile secondary study area, nor do they serve a user base that is dependent upon their location within the study area. East Midtown commercial spaces are occupied by a diverse array of businesses and the potentially directly displaced businesses/institutions are found throughout the study area and the broader neighborhoods and borough.

It is expected that the potentially displaced businesses would likely be able to find comparable space within the study area or elsewhere within the city. The Proposed Action would result in a limited and targeted amount of new high-density commercial development that is expected to protect, promote, and strengthen the East Midtown business district and provide support for the overall continued long-term health of the area as an integrated and dynamic office district. The Proposed Action would result in a net increase of approximately 3.8 million gsf of office space, 119,662 gsf of retail space, and 123,286 gsf of hotel use over the No-Action condition, creating new opportunities for existing businesses to expand, and attracting new companies to locate in the City. It is anticipated that the Proposed Action would result in a net increase of an estimated 15,703 employees on the projected development sites compared to the No-Action condition.

3.2.3 Indirect Business and Institutional Displacement

The assessment finds that the Proposed Action would also not result in significant adverse impacts due to indirect business/institutional displacement. The primary and secondary study areas already have well-established commercial markets, and therefore the Proposed Action would not be introducing new economic activities to the projected development sites or to the study areas that would alter existing economic patterns. East Midtown is one of the most sought-after dynamic office markets and central business districts (CBD) in the New York region that is largely defined by a wide variety of office space. The area is a very dense urban center with few vacant properties. The primary study area includes approximately 73 million gsf of office space, and the secondary study area has approximately 96 million gsf of office.

The office, retail and hotel uses introduced by the Proposed Action would not be of an amount that would alter or accelerate commercial market trends within the study area. The Proposed Action would potentially directly displace 844 existing businesses from 12 of the 19 projected development sites, as detailed in Table 3-6. None of the potentially displaced businesses provide substantial direct support to other businesses in the study area, nor do they bring substantial numbers of people to the area that form a customer base for local businesses such that indirect business displacement would result. The goods and services offered by potentially displaced uses can be found elsewhere within the study area, and the Proposed Action would introduce similar uses. Therefore, according to *CEQR Technical Manual* criteria, the displacement of these businesses would not have adverse indirect effects on the remaining businesses or consumers in the study area. Although the employees of the directly displaced businesses form a portion of the customer base of neighborhood service establishments (e.g., food and drink establishments, retail), the Proposed Action would increase the overall employment in the rezoning area compared to the No-Action condition. The influx of residents and employees to the study area would add to the customer base of existing study area businesses compared to the No-Action condition.

3.2.4 Adverse Effects on Specific Industries

Based on the preliminary assessment provided below, the Proposed Action would not significantly affect business conditions in any specific industry or any category of businesses, nor would it indirectly reduce employment or impair the economic viability of any specific industry or category of business. Therefore, there would be no significant adverse impacts from the Proposed Action due to adverse effects on specific industries.

3.3 METHODOLOGY

Under CEQR, the socioeconomic character of an area is defined by its population, housing, and economic activities. The assessment of socioeconomic conditions distinguishes between the socioeconomic conditions of an area's residents and businesses. However, proposed projects affect either or both of these segments in the same ways: they may directly displace residents or businesses, or they may alter one or more of the underlying forces that shape socioeconomic conditions in an area and thus may cause indirect displacement of residents or businesses.

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 project. Examples include 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. For a project covering a large geographic area, such as an area-wide rezoning like the proposed East Midtown rezoning, the precise location and type of development may not always be known because it is not possible to determine with certainty the future projects of private property owners, whose displacement decisions are tied to the terms of private contracts and lease terms between tenants and landlords existing at the time of redevelopment. Therefore, sites are analyzed to illustrate a conservative assessment of the potential effects of the proposed action on sites considered likely to be redeveloped (i.e., projected development sites), and examines whether existing businesses and residents on those sites may be displaced.

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 project, which ultimately could make existing housing unaffordable to lower income residents; 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 project creates conditions that break down the community (such as a highway dividing the area).

It may be possible that a given project may affect the operation and viability of a specific industry not necessarily tied to a specific location. If the following questions cannot be answered with a clear "no," then a detailed investigation is appropriate:

- Would the project significantly affect business conditions in any industry or any category of businesses within or outside the study area? It may be necessary to refer to information provided in Chapter 2, "Land Use, Zoning, and Public Policy," to make this determination.
- Would the project indirectly substantially reduce employment or impair the economic viability in the industry or category of businesses?

Industries or categories of businesses considered in this assessment are those specified in the North American Industry Classification System (NAICS) as promulgated by the U.S. Census Bureau. The analysis focuses on the potential effects upon specific industries that are not related to the displacement of businesses or residents, as this was considered in the direct and indirect displacement analyses above.

3.3.1 Analysis Approach

As the socioeconomic conditions analysis is a density-based technical analysis, only the anticipated development on the 19 projected development sites (including: With Action Development Sites, Future No-Action Development Sites Affected by the Proposed Action, and With Action Replacement of Existing Office Buildings) form the basis for this impact assessment. As discussed in Chapter 1, "Project

Description," the potential development sites are considered less likely to be developed within the 20-year analysis period, and therefore are not included in this assessment.

Following *CEQR Technical Manual* guidelines, the socioeconomic analysis begins with a preliminary assessment. As described above, for two of the five areas of concern—direct residential displacement and indirect residential displacement—the effects of the Proposed Action were not significant enough to warrant a preliminary assessment. For the remaining three areas of concern (i.e., direct business displacement, indirect business displacement, and adverse effects on specific industries), preliminary assessments were conducted.

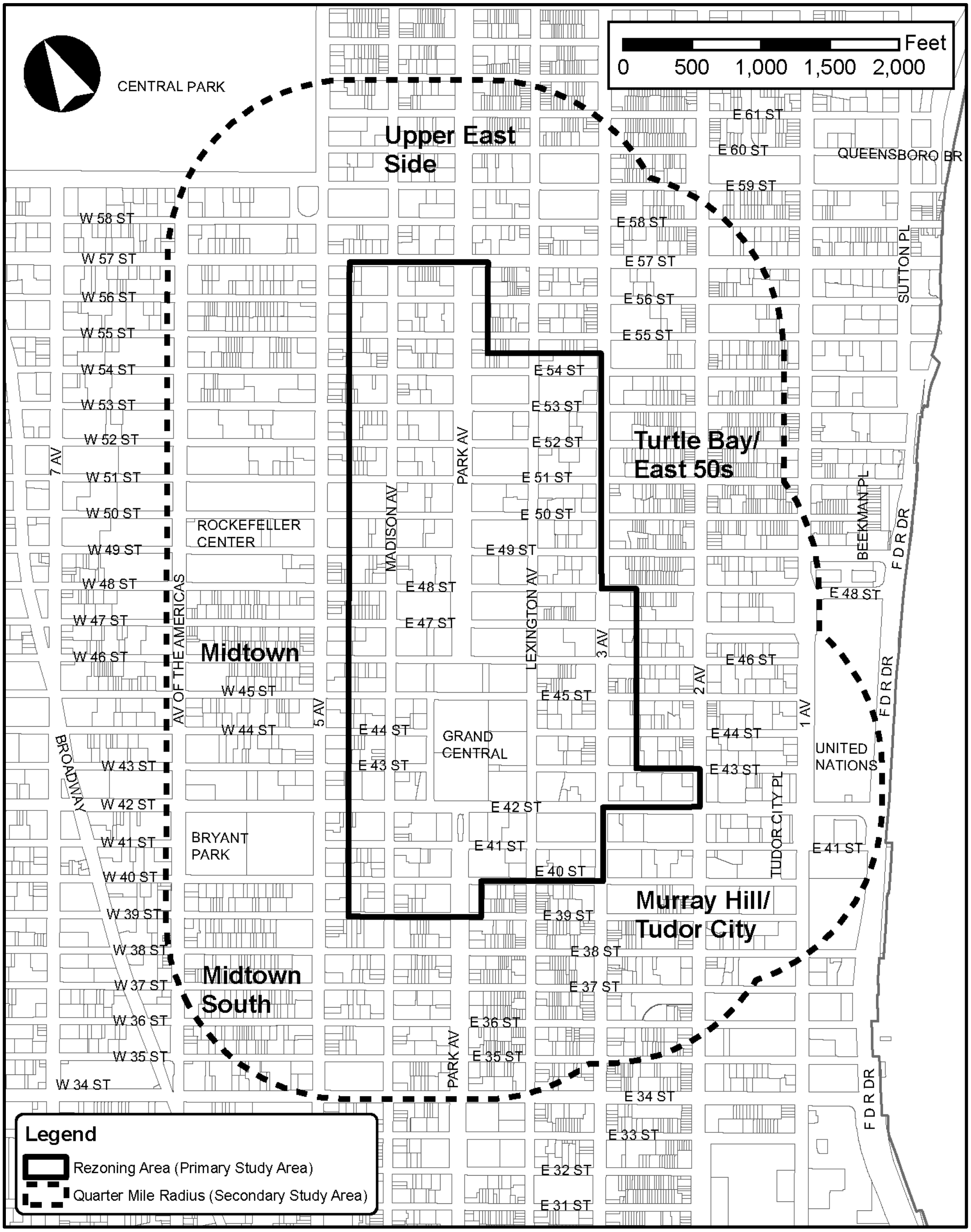
The purpose of the preliminary assessment is to learn enough about the effects of the proposed action to either rule out the possibility of significant adverse impacts, or determine that a more detailed analysis is warranted to resolve the issue. A detailed analysis, when required, is framed in the context of existing conditions and evaluations of the future without the proposed action and the future with the proposed action by the project build year. In conjunction with the land use task in Chapter 2, "Land Use, Zoning, and Public Policy," specific development projects that occur in the area in the future without the Proposed Action are identified, and the possible changes in socioeconomic conditions that would result, such as potential increases in population, changes in the income characteristics of the study area, new residential developments, possible changes in rents or sales prices of residential units, new commercial or industrial uses, or changes in employment or retail sales. Those conditions are then compared with the future with the Proposed Action to determine the potential for significant adverse impacts. For two areas of socioeconomic concern—direct business displacement; and indirect business and institutional displacement—a detailed assessment was warranted in order to rule out the potential for significant adverse socioeconomic impacts. A preliminary assessment concluded that the Proposed Action would not result in significant adverse socioeconomic impacts related to specific industries.

3.3.2 Study Area Definition

According to the *CEQR Technical Manual*, the appropriate socioeconomic study area typically reflects the land use study area. For the Proposed Action, the land use study area approximates a ¼-mile radius around the East Midtown rezoning area. This ¼-mile study area (Figure 3-1) is appropriate for the assessment of socioeconomic conditions.

Similar to the land use and zoning analysis in Chapter 2, "Land Use, Zoning and Public Policy," the socioeconomic assessment includes two study areas: the primary study area (i.e., the area to be rezoned) and the secondary study area (i.e., the approximate ¼-mile area around the primary study area). As shown in Figure 3-1, the secondary study area is roughly bounded by East 62nd Street to the north, East 34th Street to the south, First Avenue and the F.D.R. Drive to the east, and the Avenue of the Americas (Sixth Avenue) to the west.

FIGURE 3-1: SOCIOECONOMIC STUDY AREAS (PRIMARY AND SECONDARY)



Source: PLUTO, 2010

3.3.3 Data Sources

Employment data were obtained from the New York State Department of Labor (NYSDOL), Quarterly Census of Employment and Wages (as compiled by the DCP) and the U.S. Census's 2000 and 2010 County Business Patterns. However, as NYSDOL and U.S. Census County Business Patterns 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.

The employment data gathered identifies the industry sectors that dominate or characterize the study area. Employment data on specific businesses was estimated based on field surveys and secondary research. Field surveys identified the occupied and unoccupied commercial, institutional, and residential space on the projected development sites. PLUTO data were used to determine the amount of space occupied by each establishment. These data were used to estimate the total number of jobs that could be directly displaced by the Proposed Action through private redevelopment initiatives on the projected development sites. When information on a business was not available through various secondary sources (such as Manta.com[1]), employment was estimated using information on comparable businesses of the same size and with similar hours of operation. In some cases, the number of current employees for the projected development sites was estimated based on the approximate square footage and the standard ratios of one employee per 250 sf of office space and three employees per 1,000 sf of retail space. However, it should be noted that the jobs identified on the projected development sites in this assessment might not be located on the affected sites at the time the sites are redeveloped. The analysis represents a "snapshot in time" that describes the existing socioeconomic conditions in the vicinity of the rezoning area. The employment data also were supplemented by field investigations conducted between November 2012 and January 2013.

Retail and office market trends and current conditions for the primary and secondary study areas and Manhattan overall were obtained from Costar, and through available reports on the websites of the commercial real estate brokerage firms, including Cushman & Wakefield, and Colliers International. This includes yearly and quarterly market overviews. Current retail and office conditions were portrayed using data from the second quarter of 2012.

It should be noted that there is no industry-wide standard for office classification. While there is variation from firm to firm, the criteria brokers typically use to help differentiate between commercial offices consist of building age, location (or address), curb appeal, tenancy, building infrastructure, and ownership. Classifying office space allows brokers to categorize average rents, vacancy and absorption

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

rates, and market space to tenants. It is also used by the New York City Department of Finance to determine real estate taxes and property values. Traditionally, there are four general classifications of office space in New York City, including Trophy properties, which are mostly new construction that offer tenants the latest technologies, best locations, an array of amenities, most exclusive tenancies, and command highest rents (e.g., 7 World Trade Center and 1 Bryant Park); Class A, typically older buildings than Trophy Properties, but the location, landmark architecture, or favorable amenities demands above-average rents (e.g., Empire State Building and Chrysler Building); Class B, located primarily on Midtown side streets or peripheral locations, ordinary design with average rents, services and building systems (e.g., 28 West 44th Street); and Class C, generally older buildings that lack services (i.e., no lobby attendant). Class A, B, and C as well as Trophy Buildings are located throughout the primary and secondary study areas.

3.4 PRELIMINARY ASSESSMENT

3.4.1 Direct Business and Institutional Displacement

The *CEQR Technical Manual* defines direct business and institutional displacement as the involuntary displacement of businesses from the site of (or a site directly affected by) a proposed action. While some of the businesses and employment located on the 19 projected development sites would be displaced by planned projects in the No-Action condition, there would be some direct displacement attributable to the Proposed Action, and the amount of employment associated with that displacement could exceed the 100-employee *CEQR Technical Manual* threshold warranting a preliminary assessment.

Approximately 4.89 million gsf of office space, 1.37 million gsf of hotel use,[2] and approximately 340,175 gsf of retail use could potentially be directly displaced beyond displacement that would otherwise be anticipated to occur as a result of development under future conditions without the Proposed Action. In most cases, direct displacement of businesses or institutional uses would not constitute a significant adverse impact under CEQR. The preliminary assessment of business and institutional displacement directly resulting from a proposed action looks at the employment and business characteristics of the affected businesses to determine the significance of the potential impact. The estimates of direct displacement are based on current business conditions at the projected development sites and do not account for any changes in business activities that would occur irrespective of the Proposed Action by 2033. Therefore, the actual displacement by 2033 could be different depending on the number and types of businesses that voluntarily move into or out of the projected development sites prior to 2033.

[2] The approximately 1.37 million gsf of hotel use includes the Cornell and Yale University Clubs located on portions of Projected Development Sites 5 and 7, respectively.

CEQR seeks to determine whether displacement of a single business or group of businesses would rise to a level of significance in terms of impact on the City's or the area's economy or the character of the affected neighborhood. Pursuant to *CEQR Technical Manual* guidelines, the preliminary assessment of direct business and institutional displacement examines the following circumstances described in Section 321.2 of Chapter 5 of the *CEQR Technical Manual:*

- **Do the businesses or institutions to be displaced provide products and services essential to the local economy that would no longer be available in its "trade area" to local residents or businesses due to the difficulty of either relocating the business or establishing new, comparable businesses?**

By 2033, the Proposed Action could directly displace an estimated 844 business establishments/ institutions and 15 public agencies/organizations from 12 of the 19 projected development sites. These businesses that could be directly displaced conduct a variety of business activities including: retail and wholesale establishments; restaurants and personal service establishments; hotels; professional, scientific, and technical services; finance, insurance, and real estate firms; management companies; health care, social, and educational services establishments; public administration; and administrative and support services, among others. Institutional uses that could be directly displaced include a church, permanent missions, observer missions, and international relations organizations affiliated with the United Nations (U.N.), consulates, academic institutions, and two university clubs. Given the large numbers of businesses and institutional uses that could be directly displaced as a result of the Proposed Action, a detailed analysis is required to determine if the Proposed Action would result in significant adverse direct business/institutional displacement impacts (Section 3.5, "Detailed Analysis").

- **Is the business(es) or institution(s) to be displaced a category of businesses or institutions that is the subject of other regulations or public adopted plans to preserve, enhance, or otherwise protect it?**

The potentially displaced businesses and institutions are not the subject of current public policy seeking to preserve and protect the businesses or institutional categories. There are no policies or regulations that directly protect the 844 businesses/institutions that are expected to be potentially displaced as a result of the Proposed Action (i.e., the affected businesses do not fall within any in-place industrial parks or a designated Industrial Business Zone [IBZ]). The majority of the proposed rezoning area falls within portions of three business improvement districts (BIDs), including the East Midtown Partnership, the Fifth Avenue BID, and the Grand Central Partnership (refer to Figure 2-7 in Chapter 2, "Land Use, Zoning, and Public Policy"). As described in Chapter 2, these three non-profit corporations were established in the past 25 years to stimulate economic activity by developing commercial and service establishments, spurring private investment, and improving their respective areas' physical appearance through enhanced safety and sanitation services, capital improvement and maintenance, tourism and visitor services, and special events and promotion, all funded by the properties and businesses that lie within the BIDs.

The Proposed Action is intended to ensure that the East Midtown area continues to remain a strong and dynamic premier central commercial district and facilitate the long-term expansion of the City's overall stock of office space. The Proposed Action would result in a limited and targeted amount of new higher density, modern office buildings on large sites with full block frontages on the avenues around Grand Central Terminal, with slightly lower densities proposed on Park Avenue and in the remainder of the rezoning area. The Proposed Action would not alter or conflict with the BIDs goals of stimulating the economic life of East Midtown, since it is intended to spur increased investment in this transit-rich area. The Proposed Action is intended to protect and strengthen East Midtown as the world's premier business district and key job center for the City and greater region. Additionally, the Proposed Action would improve the area's pedestrian and built environments to make East Midtown a better place to work and visit.

The Proposed Action would also be consistent with the City's long-term sustainability plan, PlanNYC's goal of making New York City more competitive and attractive to companies and talent. As outlined in Chapter 1, "Project Description," the Proposed Action would result in a net increase of approximately 3.8 million gsf of office space, 119,662 gsf of retail space, and 123,286 gsf of hotel use over the No-Action condition, creating new opportunities for existing businesses to expand, and attracting new companies to locate in the City. The limited amount of new commercial development is expected to reduce the long-term shortfall in new office space constructed in Midtown Manhattan, as identified in the 2011 report prepared by Cushman and Wakefield in connection with the 2011 Hudson Yards bond financing.[3] It is anticipated that the Proposed Action would result in a net increase of an estimated 15,703 employees on the projected development sites compared to the No-Action condition. In addition, the transportation and quality of life improvements supported by the proposed District Improvement Fund (DIF) and the dedication of portions of Vanderbilt Avenue to pedestrian use would improve the area's public transportation system and make the East Midtown neighborhood more desirable for global businesses, thereby strengthening the City's economic foundation.

Furthermore, by concentrating increased density west of Second Avenue, the Proposed Action is consistent with the 197-a *Plan for the Eastern Section of Community Board 6*'s goal of maintaining the residential scale and of preventing significant expansion of the Midtown business district beyond the boundary line 100 feet west of Second Avenue. The Proposed Action would ensure that future development in the affected area would not extend east of the rezoning area, upholding the goals of the 197-a plan. In addition, the proposed DIF would be used for pedestrian-network improvements, addressing the 197-a plan's goals of improving the streetscape and public transit transfer points.

[3] *Hudson Yards Demands and Development Report* (August 2011) Cushman & Wakefield, Inc.

As discussed above, the Proposed Action would not result in the direct displacement of any business/institution that is the subject of regulations in the publicly adopted plans to preserve, enhance, or otherwise project it, and therefore, no further analysis of this aspect is warranted.

3.4.2 Indirect Business/Institutional Displacement

The objective of the indirect business and institutional displacement preliminary assessment is to determine whether the Proposed Action would introduce trends that would make it more difficult for nearby existing businesses that provide products or services essential to the local economy or that are targeted to be preserved in their current locations under adopted public plans to remain in the area. A proposed action could introduce such a trend by causing a marked increase in rents and property values in the area (such as by stimulating the demand for more lucrative land uses and thus redevelopment or by increasing the demand for new commercial or retail services with which the existing businesses cannot compete). Additionally, it could directly displace businesses or residents who serve as suppliers or the customer base for nearby businesses, affecting their viability or altering the desirability of their existing location. Finally, it could create enough new retail space to draw substantial sales from existing businesses (i.e., a market saturation impact).

In most cases, the issue for indirect displacement of businesses is that an action would markedly increase property values and rents throughout the study area, making it difficult for some categories of businesses to remain in the area. Pursuant to *CEQR Technical Manual* guidelines, the preliminary assessment of direct business and institutional displacement examines the following circumstances described in Section 321.2 of Chapter 5 of the *CEQR Technical Manual:*

- **Would the Proposed Action introduce enough of a new economic activity to alter existing economic patterns?**

The Proposed Action would increase the level of economic activity within the primary study area. By 2033, the Proposed Action would result in an incremental (net) increase of approximately 3.82 million gsf of office, 119,662 gsf of retail, 123,286 gsf of hotel (approximately 190 hotel rooms), and 110,800 gsf of parking (approximately 554 spaces), and a net decrease of approximately 565,675 gsf of residential (568 dwelling units) on the 19 projected development sites, as compared to the future conditions without the Proposed Action (refer to Table 1-3 in Chapter 1, "Project Description"). The total difference between the built square footage in the No-Action and With Actions conditions is approximately 4.4 million gsf.

The Proposed Action would not introduce any new uses or new economic activities within the primary or secondary study areas, nor is it expected to alter existing economic patterns in the study areas. As described in Chapter 2, "Land Use, Zoning, and Public Policy," East Midtown is one of the most sought-after dynamic office markets and central business districts (CBD) in the New York region that is largely defined by a wide variety of office space. As described in Chapter 1, it is the intent of the Proposed Action to ensure that the East Midtown area continues to remain a strong and dynamic premier central commercial district and facilitate the long-term expansion of the City's overall stock of office space. In the future with the Proposed Action, most buildings in the East Midtown rezoning area would remain commercial offices and only a small amount of conversion to residential and hotel use occur, as compared to the future without the Proposed Action.

In absence of the Proposed Action, the primary study area is anticipated to have less office space compared to existing conditions. Since 2001, only two office buildings (510 and 300 Madison Avenue) have been constructed in the area, a significant drop from preceding decades. Whereas the area had an overall annual space growth rate of approximately 1 percent between 1982 and 1991, the area's growth rate began to decline in the next decade—with an annual growth rate of approximately 0.14 percent. During the last decade, this has continued to fall, with the time between 2002 and 2011 seeing an annual growth rate of only 0.06 percent. As the bulk of the office stock in the primary study area continues to age with little to no replacement stock added, the dynamism of the East Midtown office market is anticipated to diminish and the needs of tenants seeking high-quality office space with extensive amenities/technologies/services would begin to become unmet in the absence of the Proposed Action, and they would look elsewhere to meet their needs.

The Proposed Action would result in the introduction of new higher-density, modern office buildings that are expected to promote, and strengthen the East Midtown business district, just as in previous eras, and provide support for the overall continued long-term health of the area as an integrated and dynamic office district. The new higher-density office buildings would be constructed on large sites with full block frontages along the avenue corridors near Grand Central Terminal, with slightly lower density buildings proposed on Park Avenue and in the remainder of the rezoning area. The new land uses that would result in the future with the Proposed Action are foreseen as a continuation of existing land uses that would add high-quality office space with open flexible floor plates and high ceilings and maintain the area's competitiveness as a central business district in the City, region, and nation.

As discussed in Chapter 2, the proposed additional office, retail, and hotel uses would be consistent with the existing mix of land uses in the primary and secondary study areas and would not represent new uses that would substantially alter existing economic patterns. Therefore, the Proposed Action would not introduce new uses or economic activities to the study areas.

- **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 economic patterns?**

The office, retail and hotel uses introduced by the Proposed Action would not represent new economic activities in the primary and secondary study areas, and the Proposed Action would not add to the concentration of a particular sector of the local economy enough to alter or accelerate an ongoing trend to alter existing economic patterns. As described in Chapter 2, "Land Use, Zoning, and Public Policy," commercial uses already dominate the primary study area, with commercial only and mixed-use residential and commercial buildings comprising more than 82 percent of the total land area (refer to Table 2-1 in Chapter 2).

As described previously, East Midtown is a dense commercial district that is one of the most sought-after office markets in the New York region. According to 2010 PLUTO data, the primary study area includes approximately 73 million gsf of office space, and the secondary study area has approximately 96 million gsf of office space. Based on the list of planned projects that are anticipated in the future without the Proposed Action (presented in Tables 2-4a and 2-4b in Chapter 2, "Land Use, Zoning, and Public Policy"), approximately 1.7 million gsf of office would be added to the primary study area by 2033 and an additional 2.8 million gsf would be added to the secondary study area. By 2033, the RWCDS associated with the Proposed Action would introduce a net increase of approximately 3.82 million gsf of office on 12 of the 19 projected development sites, resulting in a 5 percent increase in office space in the primary study area and 4 percent increase in office in the secondary study area as compared to the future without the Proposed Action. This amount of office development would not be enough to alter or accelerate existing economic trends.

The RWCDS associated with Proposed Action would result in a net increase of approximately 119,662 gsf of new retail uses on all of the 19 projected development sites. The retail uses would not represent a new economic activity within the study area. Commercial retail uses are prevalent within both the primary and secondary study areas. The majority of buildings lining the avenue corridors and major cross streets, such as 42nd Street, include active retail uses on their ground floors and lower levels. As shown in Table 3-7, in 2011 approximately 8.3 percent of the primary study area employment was in the retail trade sector and 10 percent in the secondary study area. These shares are comparable to the 2010 share of retail employees in Manhattan (7.7 percent) and New York City (9.9 percent).[4] According to 2010 PLUTO data, the primary study area contains approximately 3.4 million gsf of retail, and the secondary study area an additional approximately 14 million gsf of retail. Based on the list of planned projects that are anticipated in the future without the Proposed Action (presented in Tables 2-4a and 2-4b in Chapter 2), approximately 0.332 million gsf of retail would be added to the primary study area by 2033 and an

[4] Department of Labor Quarterly Census of Employment and Wages compiled by DCP, 3rd Quarter 2012.

additional approximately 0.154 million gsf would be added to the secondary study area. By 2033, the RWCDS associated with the Proposed Action would introduce a net increase of approximately 119,662 gsf of retail, resulting in an approximately 3 percent increase in retail space in the primary study area and less than 1 percent increase in retail in the secondary study area as compared to the future without the Proposed Action. This amount of retail development would not be enough to alter or accelerate existing economic trends. Similar to existing retail uses in the primary study area, the retail space that would be introduced by the Proposed Action would be oriented to meeting the demands of the neighborhood's existing and future workers, residents and visitors.

In addition, the Proposed Action would not add substantially to the concentration of hotel rooms in the study area. As of March 2012, Midtown Manhattan was forecast to have approximately 64,927 hotel rooms by the end of 2013, an increase of over 15,000 hotel rooms (approximately 30 percent) since 2000.[5] Examples of new hotels in the primary study area include the 60-room Library Hotel at 299 Madison Avenue at 41st Street and the 308-room Marriott Courtyard at 866 Third Avenue. Based on the list of planned projects that are anticipated in the future without the Proposed Action (presented in Tables 2-4a and 2-4b in Chapter 2), 2,124 hotel rooms would be added to the primary study area by 2033 and an additional 1,308 hotel rooms would be added to the secondary study area. By 2033, the RWCDS associated with the Proposed Action would introduce a net increase of 3,285 hotel rooms, resulting in a 5 percent increase in hotel rooms in Midtown Manhattan as compared to the future without the Proposed Action. This amount of hotel development would not be enough to alter or accelerate existing economic trends.

In addition, in order to allow sequencing of development consistent with planning objectives in the entirety of Manhattan, including Hudson Yards and Lower Manhattan, the proposed East Midtown Subdistrict would include a "sunrise" provision under which building permits could not be issues under the new zoning mechanisms (DIB, new Landmark Transfer, and new Special Permit) until July 1, 2017. Until that point, permits could be issued under the existing zoning mechanisms, which would remain in place. The proposed "sunrise" provision would allow developers to begin the process of assembling sites, emptying buildings, and beginning to plan for new construction. The proposed zoning changes in East Midtown are expected to complement ongoing office development in Hudson Yards and Lower Manhattan to facilitate the long-term expansion of the City's overall stock of office space.

- **Would the Proposed Action directly displace uses of any type that directly support businesses in the area or bring people to the area that form a customer base for local business?**

As shown in Table 3-6, the proposed action would potentially displace 844 businesses/institutions and 23,857 workers on 12 of the 19 projected development sites. Such potential displacement, however, would

[5] "Hotel Intelligence New York, March 2012." Jones Lang LaSalle Hotels (page 6).

be subject to lease terms and agreements between private firms and property owners existing at the time of redevelopment. These businesses that could be directly displaced conduct a variety of business activities including: retail and wholesale establishments; restaurants and personal service establishments; hotels; professional, scientific, and technical services; finance, insurance, and real estate firms; management companies; health care, social, and educational services establishments; public administration; and administrative and support services, among others. Given the large numbers of businesses and institutional uses that could be directly displaced as a result of the Proposed Action, a detailed analysis is required to determine if the Proposed Action would result in significant adverse direct business/institutional displacement impacts (Section 3.5).

- **Would the Proposed Action directly or indirectly displace residents, workers, or visitors who form the customer base of existing businesses in the study area?**

As described previously, the Proposed Action would not result in any direct or indirect residential displacement. In terms of employment, the 844 existing businesses/institutions (employing an estimated 23,857 workers) located on portions of 12 of the 19 projected development sites that could be displaced if these sites are redeveloped as assumed under the RWCDS represent approximately 9.25 percent of the jobs in the primary study area and 4.15 percent of the jobs in the secondary study area. Such potential displacement, however, would be subject to lease terms and agreements between private firms and property owners existing at the time of redevelopment. The displacement of these workers could represent a substantial loss of customer base for existing businesses in the study area.

However, in the future with the Proposed Action, the loss of the existing business customer base would be more than offset by the introduction of a substantial increase in the level of economic activity and increase in the number of daytime workers and visitors as a result of the Proposed Action. By 2033, the total development expected to occur on the 19 projected development sites under the With-Action condition would consist of approximately 208 dwelling units, 10.3 million gsf of office space, 648,990 gsf of retail, and 2.1 million gsf of hotel, with an estimated total of 44,563 employees. Therefore, no further analysis is warranted.

3.4.3 Adverse 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. According to the *CEQR Technical Manual*, a proposed action may have a significant adverse impact on specific industries if:

- **The action significantly affects business conditions in any industry or category of business within or outside of the study area.**

As described above, the businesses subject to direct displacement vary in type and size, and are not concentrated around any specialized industry.

Midtown Manhattan is an international headquarters for numerous companies competing in a global market. East Midtown commercial spaces are occupied by a diverse array of businesses. About half of those projected for direct displacement are in fields related to finance and insurance, or the management of companies. The remaining half is an array of industries including accommodation and food services, professional services, real estate, and waste management. These industries are found throughout the study area and the broader neighborhoods and borough.

Most of the businesses in the study area lease their spaces and operate with some expectation of relocation after the terms of their leases end. As businesses grow and shrink, and as operational and infrastructure needs evolve, many businesses seek new space that will meet their current requirements or avoid significant and disruptive renovation in place. Many businesses are likely to have leases that would expire before the build year of 2033, meaning relocation is expected and possibly desirable.

The affected businesses are unlikely to have a difficult time finding other space within and nearby the study area. As such, any additional relocation as a result of the Proposed Action is not expected significantly to affect business conditions for any of the industries or categories of business within the study area.

- **The action indirectly substantially reduces employment or impairs the economic viability in the industry or category of business.**

The proposed action would not indirectly substantially reduce employment or impair the viability of an industry or category of business that would not otherwise occur under the No-Action scenario. Combined, the 23,857 employees subject to direct displacement represent approximately 11 percent of the 215,385 jobs in the rezoning area according to 2010 data from the New York State Department of Labor, Census of Employment and Wages (3rd Quarter).

The volume of commercial square footage available in East Midtown and the surrounding area is expected to accommodate businesses affected by the proposal, allowing them to remain economically viable.

Therefore, this preliminary assessment concludes that the proposed actions would not cause a significant adverse effect on specific industries, and a detailed assessment is not warranted.

3.5 DETAILED ASSESSMENT

The preliminary assessments presented in Section 3.4 above, could not rule out the possibility that the Proposed Action could cause significant socioeconomic impacts through (1) direct business and institutional displacement; and (2) indirect business and institutional displacement. Therefore, a detailed analysis for those areas of concern is presented below.

In accordance with *CEQR Technical Manual* guidelines, the detailed analysis for each of the two areas of concern is divided into three sections: existing conditions; the future without the Proposed Action; and the future with the Proposed Action, which includes a determination of whether the Proposed Action would cause significant adverse impacts. A detailed analysis aims to describe existing and anticipated future conditions to a level necessary to understand the relationship of the proposed action to such conditions by assessing the change that the action would have on these conditions and identifying any changes that would be significant and potentially adverse.

In most cases, direct business and institutional displacement would not constitute a significant adverse impact under CEQR. However, it is still important to disclose the type and extent of such displacement. Likewise, indirect business and institutional displacement is typically a concern only if it affects land use or population patterns or community character. In most cases, the issue for indirect displacement is whether 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.

This section of the chapter describes employment and business characteristics of the primary (rezoning area) and secondary study areas, local real estate market trends, and the business and institutional conditions of the study area identified in Figure 3-1, compared to Manhattan and New York City.

3.5.1 Direct Business and Institutional Displacement

Based on the guidelines in Section 331.2 of Chapter 5 of the *CEQR Technical Manual*, a detailed analysis of direct business and institutional displacement is warranted because the preliminary assessment could not rule out the possibility that the directly displaced businesses provide products and services essential to the local economy that would no longer be available in its "trade area" to local residents or businesses due to the difficulty of either relocating the business or establishing new, comparable businesses. The objective of the detailed assessment is to better understand the operational characteristics of the displaced businesses and institutions, determine whether they can be relocated, and assess whether the product or service they provide would continue to be available.

3.5.1.1 Existing Conditions

This section describes the business characteristics of the primary study area (rezoning area) and its context within the secondary study area.

a. Primary Study Area

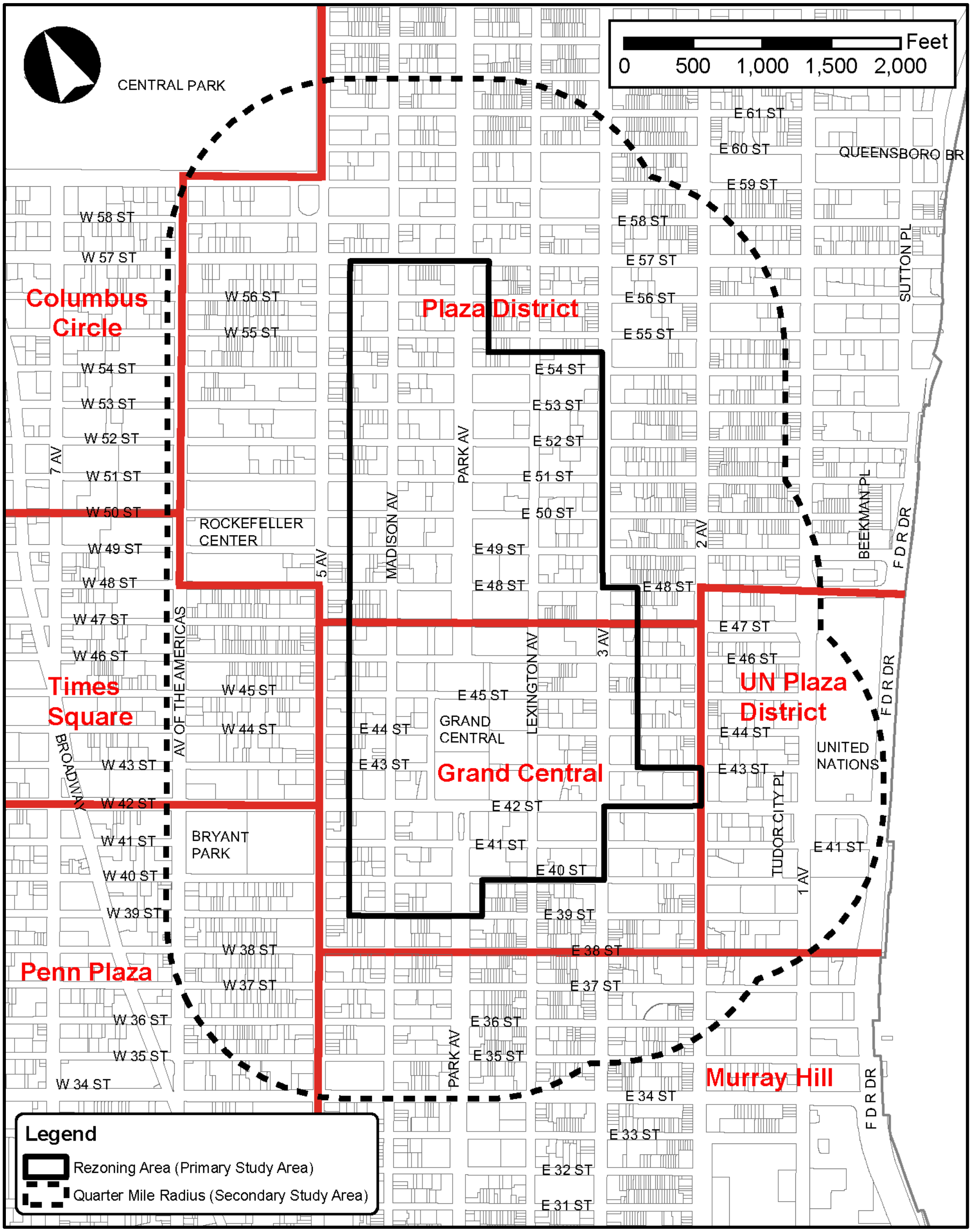
East Midtown is a major job center and a regional transportation hub (Metro-North Railroad, planned East Side Access, and subway lines) for the City of New York. With the construction of Grand Central Terminal a century ago, the area developed into the core of Midtown Manhattan's commercial office district—a position it maintains today despite that most new commercial office growth has largely concentrated further west in Midtown. The area is a high-density central commercial district that continues to be one of the most sought-after office markets in the New York region. Despite having an office stock that consists of older buildings, the area is recognized by prestigious, high-quality office construction and architecture, particularly north of East 45th Street along Park and Madison Avenues. East Midtown's office inventory also contains many distinguished architectural structures, including the Seagram Building (375 Park Avenue) and Chrysler Building (405 Lexington Avenue) as well as Grand Central Terminal.

The primary study area straddles two Midtown Manhattan office submarkets: Grand Central and the Plaza Districts (Figure 3-2). As shown in Figure 3-2, the Grand Central subdistrict, which is bounded by East 47th Street to the north, Second Avenue to the east, East 38th Street to the south, and Fifth Avenue, is typically considered an older submarket and accommodates an older office building stock, including a number of pre-war buildings (such as the Chrysler Building, Chanin Building, and American Radio Tower).

Office buildings in the Grand Central subdistrict typically have higher vacancy rates and lower average asking rents than the overall Midtown market (Table 3-1). The Plaza subdistrict, which is bounded by East 65th Street to the north, the FDR Drive to the east, East 47th/East 48th Streets and Mitchell Place to the south, and the Avenue of the Americas to the west, is centered on the upper reaches of Park and Madison Avenues and located to the southeast of Central Park (Figure 3-2). The Plaza subdistrict historically has been recognized as one of the most expensive office submarkets in the country, and generally has more-recent construction than the Grand Central subdistrict (Table 3-1). It also contains a number of offices that previously capture average rents of more than $100 per square foot (per/sf). As a result of recent job losses in financial firms and as tenants consider more affordable office space in Midtown South and Lower Manhattan, the availability of office space in the Plaza district has considerably increased. In August 2012, the overall vacancy rate for space in the Plaza district reached 12.3 percent, a two-year high.[6]

[6] "New York Plaza District Offices Empty as Banks Cut Space" *Bloomberg.com* (September 28, 2012).

FIGURE 3-2: OFFICE SUBMARKETS



Source: PLUTO, 2010, and www.nycofficespaceleasing.com, accessed January 2013

TABLE 3-1: MIDTOWN MANHATTAN OFFICE SUBMARKETS LOCATED WITHIN THE PRIMARY STUDY AREA

	Grand Central Subdistrict	Plaza Subdistrict
Total Inventory	172 Office Buildings	448 Office Buildings
Percentage of Class A Office Buildings	36%	41%
Vacancy Rate of Class A	9.3%	7.5%
Average Asking Rent of Class A	$61.10 per/sf	$73.28 per/sf
Percentage of Class B Office Buildings	30%	37%
Vacancy Rate of Class B	5.5%	5.6%
Average Asking Rent of Class B	$46.10 per/sf	$51.01 per/sf
Percentage of Class C Office Buildings	28%	27%
Vacancy Rate of Class C	9.6%	2.6%
Average Asking Rent of Class C	$43.02 per/sf	$42.14 per/sf

Source: www.nycofficespaceleasing.com, accessed January 2013

Description of the Office Building Stock

The proposed rezoning area, comprising approximately 70 blocks, contains more than 73 million gsf of office space, hosts more than 200,000 jobs and is home to numerous Fortune 500 companies and serves as the headquarters for many corporations. The area is anchored by Grand Central Terminal. Surrounding Grand Central and to the north, some of the City's most iconic office buildings, such as Lever House at 390 Park Avenue and the Chrysler Building at 405 Lexington Avenue, line major avenues—Park, Madison, and Lexington—along with a mix of other landmarks, civic structures, office buildings, and hotels.

One of the key strengths of East Midtown has been its diverse inventory of office space, i.e., buildings of different sizes and ages allow the area to meet the needs of a wide range of tenants at varying price points. This wide range of space makes for an integrated and dynamic office market. In addition, the recent recession has also resulted in lower asking rents within the study area, creating more affordability for tenants in the market, as well as enabling a more diverse office tenant population.

Approximately 250 buildings in the primary study area contain at least 1,000 gsf of office space. The vast majority (approximately 74 percent) of these office buildings were constructed prior to 1961, and contain more than 36 million gsf of office. The average age of office buildings in the primary study area is more than 70 years old. Table 3-2 provides a profile of the age of the office building stock in the primary study area. As shown in Table 3-2, only 30 office buildings, containing less than 14 million gsf of office space, have been constructed since 1981, whereas between 1941 and 1980 more than 40 million gsf of office space (54 percent) was constructed. Pre-war office buildings account for slightly more than half of the office stock in terms of number of buildings, not square feet, and are largely concentrated near Grand Central Terminal roughly between Madison and Lexington Avenues from East 41st to East 46th Streets, as well as along Madison Avenue between East 39th and East 41st Streets and on Lexington Avenue between East 47th and East 51st Streets (Figure 3-3).

TABLE 3-2: AGE OF THE OFFICE BUILDING STOCK IN THE PRIMARY STUDY AREA

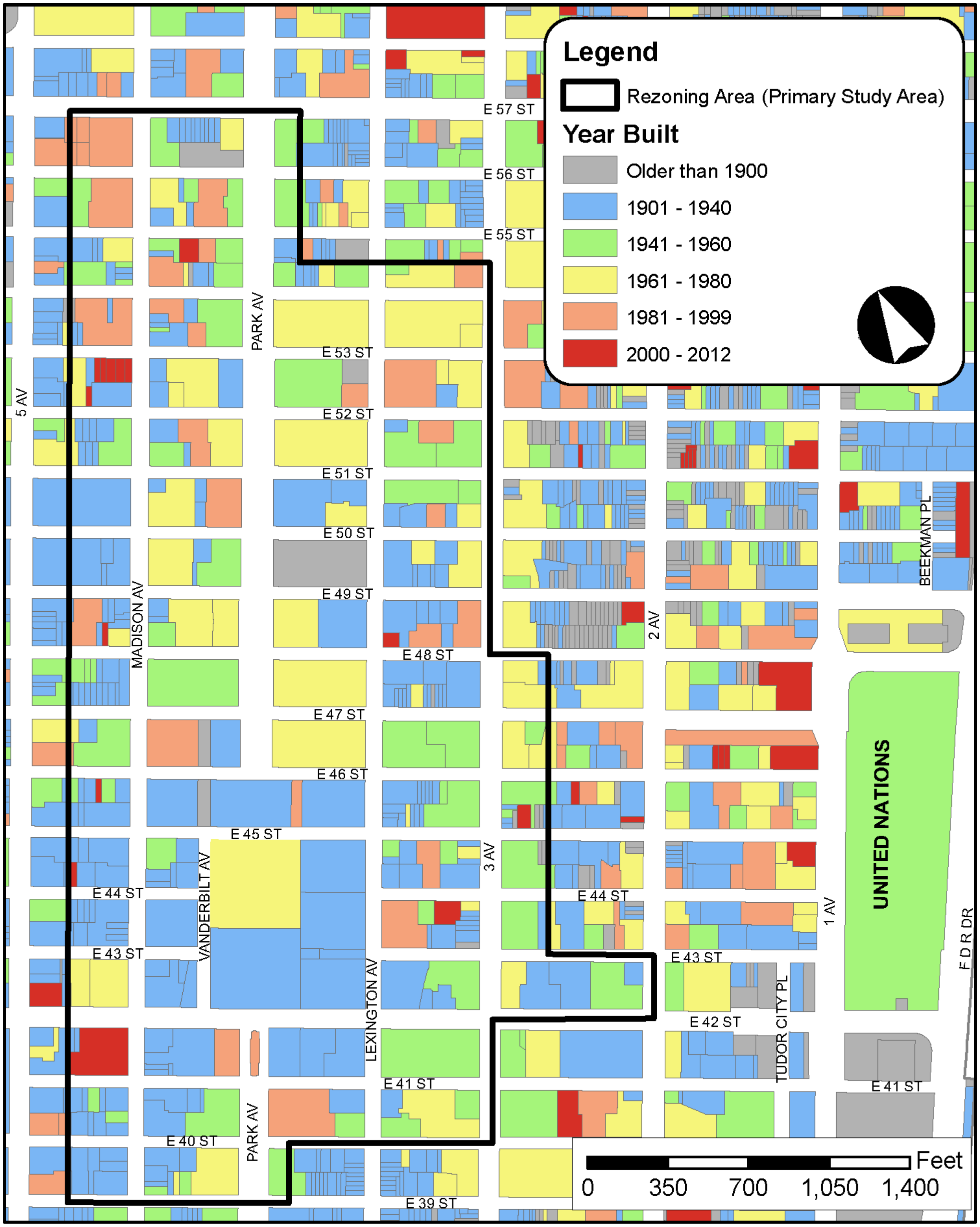
Year Built	Number of Buildings	Office GSF	Percentage of Office GSF
Office buildings constructed prior to 1920	25	3.69 million gsf	5.0%
Office buildings constructed between 1920 and 1940	108	16.08 million gsf	21.7%
Office buildings constructed between 1941 and 1960	52	16.83 million gsf	22.7%
Office buildings constructed between 1961 and 1980	35	23.42 million gsf	31.7%
Office buildings constructed between 1981 and 1999	26	12.55 million gsf	17.0%
Office buildings constructed since 2000	4	1.41 million gsf	1.9%
Totals	**250**	**73.98 million gsf**	**100.0%**

Source: PLUTO, 2010

New office buildings that have been constructed since the 1980s tend to be located on Madison Avenue between East 53rd and East 57th Streets, the East 53rd Street corridor between Lexington and Third Avenues, and on Park Avenue south of Grand Central Terminal between East 40th and East 41st Streets (Figure 3-3). Since 2000, there have only been four new buildings constructed in East Midtown along the western edge of the primary study that include office space, including the office towers at 510 Madison Avenue and 300 Madison Avenue, and the mixed commercial and residential buildings at 11 East 52nd Street and 19 East 48th Street. Combined these four buildings have only added an additional 1.41 million gsf (representing less than 2 percent) of office space to East Midtown since 2000. The 30-story office tower at 510 Madison Avenue and East 53rd Street is the latest building to be constructed in the primary study area (constructed in 2007), which contains approximately 310,000 gsf with open floor plates ranging in size from 11,500 to 16,500 gsf. Similar to most new office construction in the City, the building is considered a boutique office tower with considerable amenities. Office space within 510 Madison Avenue rents for $100 or more per/sf.[7]

[7] "Playing to Hedge Funds, a Trophy Rises in Midtown" *The New York Times*. February 11, 2011.

FIGURE 3-3: AGE OF THE OFFICE BUILDING STOCK

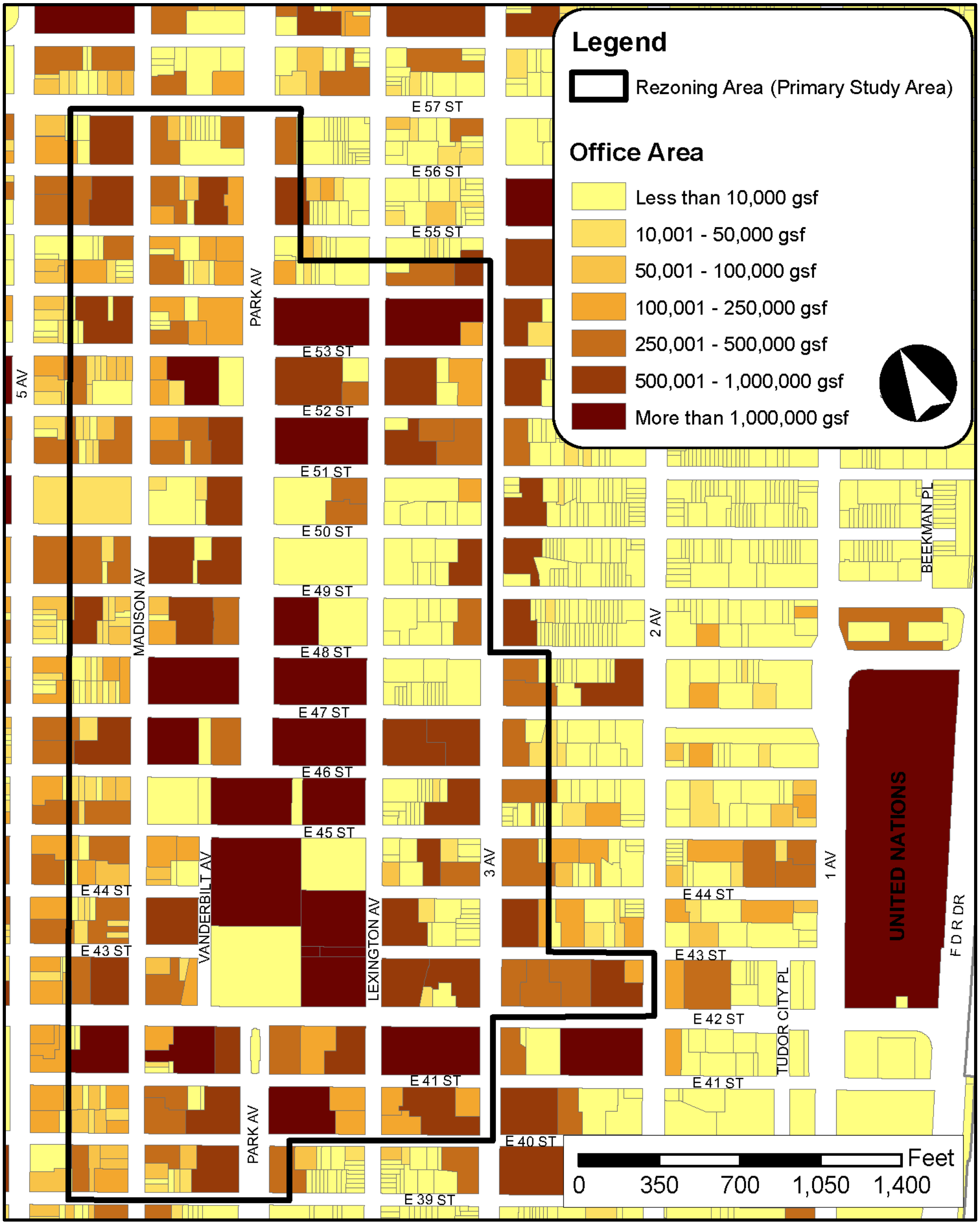


Source: PLUTO, 2010

In order to remain viable and marketable to existing and prospective tenants in the highly competitive market of East Midtown, the aging stock of office buildings continuously undergo often substantial and costly renovations, refurbishments, and upgrades (i.e., increased amenities, advances in technological capabilities, and increased efficiencies) to obtain higher rents and renewed interest from tenants. Typically, the renovations include retaining top architecture firms to give the building an identity and enhanced design. Renovations in these buildings typically have an average age of about 14 years. However, renovations do not allow for the removal of load-bearing columns to create open flexible and efficient floor plates and trading floor that numerous companies prefer. Many older buildings also have low floor-to-floor heights instead of higher ceiling heights that allow more natural light. Prior to 1961, when the zoning in the East Midtown area was characterized by a restrictive height and setback control, but no specified floor area ratio, the design strategy for developers to maximize floor area was to build to the limits of the zoning "envelope," while squeezing in as many floors as possible. The buildings that resulted provide low-ceilinged spaces both on the retail ground floor and the upper office floors, as well as a dense column grid. Today, these spaces are increasingly unattractive to the highest rent-paying tenants.

Table 3-3 provides a description of the size of office buildings in the primary study area. Only about 1.5 percent of the office stock is located in buildings that contain less than 50,000 gsf of office. Smaller office buildings are typically located along the midblocks and on Lexington Avenue between East 47th and East 53rd Streets (Figure 3-4). Almost 70 percent of buildings within the primary study area contain more than 100,000 gsf of office, and approximately 64 percent of the office stock in the study area is located in 53 buildings that accommodate at least 0.5 million gsf of office space. As shown in Table 3-3, 17 buildings in the primary study area contain more than 1 million gsf of office space, five of which include more than 1.5 million gsf of office, including the high-rise office towers at 399 Park Avenue, 245 Park Avenue, 601 Lexington Avenue, 345 Park Avenue, and the MetLife Building at 200 Park Avenue. Built between the early 1960s and the late 1970s, all of these office towers are either concentrated north of Grand Central Terminal on Park Avenue, or on East 53rd Street at Lexington Avenue (Figure 3-4). The majority of buildings containing more than 1.0 million gsf of office are located on the south side of East 42nd Street roughly between Madison and Third Avenues, near Lexington Avenue and East 53rd Street, and north of Grand Central Terminal on Park Avenue. Fifty-three buildings contain two-thirds of office space in the primary study area.

FIGURE 3-4: SIZE OF THE OFFICE BUILDING STOCK



Source: PLUTO, 2010

TABLE 3-3: SIZE OF THE OFFICE BUILDING STOCK IN PRIMARY STUDY AREA

	Number of Buildings	Office GSF	Percentage of Office GSF
Buildings with 1.0 million gsf or more of office	17	23.58 million gsf	31.9%
Buildings with 500,000 to 999,999 gsf of office	36	23.80 million gsf	32.2%
Buildings with 250,000 to 499,999 gsf of office	49	17.32 million gsf	23.4%
Buildings with 100,000 to 249,999 gsf of office	40	6.28 million gsf	8.5%
Buildings with 50,000 to 99,999 gsf of office	27	1.89 million gsf	2.5%
Buildings with 10,000 to 49,999 gsf of office	48	0.95 million gsf	1.3%
Buildings with less than 10,000 gsf of office	33	0.17 million gsf	0.2%
Totals	**250**	**73.98 million gsf**	**100.0%**

Source: PLUTO, 2010

Average rents in the rezoning area reflect those in the larger office submarkets. Typically older office buildings have lower average rents and higher vacancy rates. As detailed in Table 3-1, the average Class A rent in the entire Grand Central subdistrict is approximately $61 per/sf and the average Class B rent is approximately $46 per/sf. In the Grand Central section of the rezoning area, Class A rents range from approximately $45 to $85 per/sf and Class B rents range from approximately $32 to $63 per/sf. In the Plaza District, the average Class A rent is approximately $73 per/sf and the average Class B rent is approximately $51 per/sf.

In the Plaza District section of the rezoning area average rents are typically higher. Class A rents range from approximately $49 to $128 per/sf and Class B rents range from approximately $35 to$70 per/sf in the Plaza District. The Seagram Building at 375 Park Avenue in the Plaza District is considered an A+ Trophy Property that averages $140 per/sf, well above other buildings in the area.

Most of the office buildings on the projected development sites are considered Class B buildings with average rents ranging from approximately $32 to $52 per/sf (in both subdistricts). The majority of projected development sites are located in the Grand Central subdistrict. Five of the projected development site buildings are Class A office buildings, including: 340 Madison Avenue (p/o Site 5), 350 Madison Avenue (p/o Site 6), 380 Madison Avenue (p/o Site 10), 300 Park Avenue (Site 12), and 425 Park Avenue (Site 18). The 25-story office building at 300 Park Avenue rents for approximately $86 per/sf, while the other four Class A buildings have rents of approximately $70 per/sf.[8]

Several projected development sites are largely vacant. The office tenant, Young & Rubicam Inc. and its affiliates, occupying the majority of the existing 28-story building at 285 Madison Avenue (Site 3) will be

[8] G.E. Grace Corporate Real Estate Services, January 2013; CBRE, November 2012; Jones Lang LaSalle, 3rd Quarter 2011.

fully vacating its offices by February 2013 and relocating to 3 Columbus Circle.[9] Therefore, for the purposes of this assessment, it has been assumed that this building is primarily vacant. According to Crain's New York Business, the 25-story office building at 348-356 Madison Avenue (p/o Site 6) is approximately 30 percent vacant,[10] which was confirmed during field investigations. Site visits also determined that the 5- and 6-story buildings at 13 and 15 East 47th Street (p/o Site 11) are entirely vacant. In addition, a portion of Projected Development Site 7 (Lot 25 on Block 1279) is currently under construction due to the MTA's East Side Access project, and no longer supports any existing uses.

As of January 2013, other projected development sites with vacancy rates higher than the Manhattan average of 11.5 percent include 274-276 Madison Avenue (Site 1) with 14.7 percent vacancy, 33-49 East 42nd Street (Site 4) with 20.8 percent vacancy, 48-50 East 43rd Street (Site 4) with 26.2 percent vacancy, 327-331 Madison Avenue (Site 4) with 20.5 percent vacancy, 2-18 Vanderbilt Avenue (Site 4) with 32 percent vacancy, 14 East 44th Street (Site 5) with 20 percent vacancy (the fifth floor of the 5-story building is vacant), and 12 East 44th Street (Site 5) with 38.9 percent vacancy.[11]

Site visits also determined that several of the existing buildings on projected development sites feature vacant ground floor retail spaces, including the 19-story building at 279-293 Madison Avenue (p/o Site 2), the 8-story building at 10 East 44th Street (p/o Site 5), the 5-story building at 39 East 47th Street (p/o Site 11), and the 25-story building at 300 Park Avenue (Site 12).

Description of the Existing Businesses

East Midtown hosts both large and small companies, headquarter offices, local, national, and international firms and organizations. Historically, East Midtown's tenants have been financial institutions, insurance agencies, real estate firms, and professional services, such as law firms, with some of the country's largest banks headquartered in the area. These tenants seek a prestigious location, advanced technical infrastructure, and an array of amenities and services. Recent trends have both reinforced and altered this role. Due to the area's recognition and regional transit accessibility, the primary study area has become home to a number of the City's hedge fund and private equity firms. These firms tend to be smaller companies that seek 5,000 to 25,000 sf.[12] This industry cluster has resulted in higher rents for high-quality office space in the area's prime office buildings as the industry competes for space.

Conversely, since the economic recession beginning in 2008, the primary study area has also developed a more diverse roster of tenants, as rents dropped with the economic downturn, allowing tenants who were previously priced out access to the East Midtown office market to move in. This trend, whereby new

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[9] After 85 Years, "Y & R Plans to Leave Madison Avenue for Columbus Circle." *The New York Times*. December 5, 2011, and "Y & R Buys 3 Columbus Space for $143M," www.therealdeal.com. September 27, 2012.

[10] "Paul Stuart's Madison Ave. Tower Hits Block" *CrainsNY Business*. February 16, 2012.

[11] Colliers International *Manhattan Office Market Report*, *Q4 2012;* Site 1 vacancy - Abramson Brothers; Site 4 vacancy – SL Green; Site 5 vacancy - PHA surveys and Lee & Associates NYC

[12] "Playing to Hedge Funds, a Trophy Rises in Midtown" *The New York Times*. February 11, 2011.

firms, including technology and media companies have been able to move into East Midtown, has led to a more diverse and economically balanced office market. Both trends have helped the area recover from the 2008 recession, with vacancy rates beginning to fall to traditionally accepted numbers. These accepted numbers (approximately 7 to 8 percent) allow the office market to maintain its flexibility and dynamism. This allows tenants to both seek and relocate to different spaces in the area based on lease terms.

Table 3-4 provides summary data on the current estimated number of business establishments and employees in the primary study area, and details the percentage of employment in the various economic sectors found within the primary study area. As shown in Table 3-4, employment within the primary study area is substantial and is largely dominated by office workers. As of 2010, approximately 9,800 firms employed an estimated 215,000 workers in the primary study area. The largest employment sector is the Finance and Insurance industry, which accounts for approximately 29 percent of area employees. Combined, the Finance and Insurance and the Professional, Scientific, and Technical services sectors comprise over 50 percent of the total employment in the primary study area. Administrative and Support and Waste Management and Remediation Services is the next largest employment sector, accounting for slightly more than 10 percent of the primary study area's employment. The Accommodation and Food Service sector accounts for approximately 7 percent, and the Management of Companies and Enterprises sector almost 6 percent. Employment within each of the remaining economic sectors in the primary study area accounts for 5 percent or less.

TABLE 3-4: TOTAL EMPLOYMENT BY SECTOR IN THE PRIMARY STUDY AREA

NAICS Economic Sector	Number of Firms	Number of Employees	Employment as a Percentage of Total
Accommodation and Food Services	369	15,365	7.1%
Administrative and Support and Waste Management and Remediation Services	817	22,088	10.3%
Arts, Entertainment, and Recreation	175	850	0.4%
Construction	101	2,146	1.0%
Educational Services	70	2,407	1.1%
Finance and Insurance	2,344	61,517	28.6%
Health Care and Social Assistance	336	4,352	2.0%
Information	287	7,808	3.6%
Management of Companies and Enterprises	172	11,950	5.5%
Manufacturing	81	1,699	0.8%
Other Services (except Public Administration)	699	5,910	2.7%
Professional, Scientific, and Technical Services	2,400	53,616	24.9%
Real Estate and Rental and Leasing	811	10,590	4.9%
Retail Trade	420	6,810	3.2%
Transportation and Warehousing	63	1,002	0.5%
Wholesale Trade	389	6,991	3.2%
All other	272	284	0.1%
Total	**9,806**	**215,385**	**100.0%**

Source: 2010 NYS Department of Labor Census of Employment and Wages, 3rd Quarter; prepared by DCP, 2013

Profiles of the Directly Displaced Businesses and Institutions on Projected Development Sites

This section describes in detail the businesses and institutions within the primary study area that could be directly displaced by the Proposed Action, including their employment, economic sector, and customer base. Pursuant to *CEQR* guidelines, 19 projected development sites have been identified by the DCP as most likely locations for redevelopment under the RWCDS Proposed Action. It is not known, however, if these projected development sites will be developed. If these sites are redeveloped in the future with the Proposed Action, it is possible that existing businesses could be displaced. Such displacement would be subject to private contracts and lease terms between tenants and landlords existing at the time of redevelopment.

Although this EIS analyzes long-term development trends, it also identifies the firms subject to potential direct displacement based on existing conditions and the businesses located on the 19 projected development sites today. However, New York City's commercial areas are dynamic; businesses regularly open and close in response to changes in the economy, local demographics, and consumer trends. Therefore, within the period up to 2033, it is likely that a number of the businesses identified as likely to face displacement pressure as sites redevelop would close or relocate over the next 20 years independent of the Proposed Action.

The 19 projected development sites accommodate approximately 1,313 business establishments/ institutions in a wide range of uses. Based on field surveys, the various types of businesses and institutional uses include accommodation and food services, administration and support, waste management and remediation services, arts, entertainment, and recreation, construction, educational services, finance and insurance, health care and social assistance, information, management of companies and enterprises, manufacturing, mining, professional, scientific, and technical services, real estate, rental and leasing, retail trade, transportation and warehousing, wholesale trade, other services, public administration, and unknown/unclassified establishments. Collectively, these 1,313 businesses/ institutional uses provide jobs for an estimated 34,141 workers, which comprise 15.8 percent of the primary study area's employment.

As detailed in Table 3-5, a number of the projected development sites (portions of 10 of the 19 sites) are anticipated to be developed as-of-right or undergo conversion under conditions without the Proposed Action.[13] Portions of 12 of the 19 projected development sites are expected to be redeveloped only under the Proposed Action, which accommodate businesses/institutional uses that could be potentially directly displaced.[14] If these sites are redeveloped as assumed under the RWCDS, it is possible that these existing

[13] Projected Development Sites 2, 4, 8, 11, 14, 15, and 18, as well as portions of Projected Development Sites 5, 7, and 17, would be redeveloped under the future without the Proposed Action (refer to Table 3-5).
[14] Projected Development Sites 1, 3, 6, 9, 10, 12, 13, 16, and 19, as well as portions of Projected Development Sites 5, 7, and 17, would be redeveloped only under the future with the Proposed Action (refer to Table 3-5).

firms could be displaced to facilitate the construction of new development, subject to lease terms and agreements between private firms and property owners existing at the time of redevelopment. While the businesses and jobs currently located on the projected development sites may not be located on the affected sites when redevelopment under the Proposed Action occurs, the current businesses and employment are representative of the economic activities that could potentially be displaced in the future with the Proposed Action.

TABLE 3-5: RWCDS FOR THE 19 PROJECTED DEVELOPMENT SITES

Site	Block	Lot(s)	Existing Condition	Future No-Action Condition	Future With-Action Condition	With-Action Direct Displacement
1	869	16	217,317 gsf commercial	No change	725,630 gsf office 33,470 gsf retail	Yes
		58	91,212 gsf commercial	No change		Yes
		61	74,186 gsf commercial	No change		Yes
		64	89,423 gsf commercial	No change		Yes
2	869	25	1,000 gsf residential 7,755 gsf commercial	122,362 gsf residential 9,818 gsf retail	124,463 gsf residential 18,149 gsf retail	No
		26	12,200 gsf commercial			No
		27	15,000 gsf commercial			No
3	1275	23	407,127 gsf commercial	No change	385,302 gsf office 21,825 gsf retail	Yes
4	1277	20	417,659 gsf commercial	683,998 gsf office 43,291 gsf retail	1,100,238 gsf office 43,291 gsf retail	No
		27	160,482 gsf commercial			No
		46	22,502 gsf commercial			No
		52	87,845 gsf commercial			No
5	1278	8	36,616 gsf commercial	No change	1,100,238 gsf office 50,749 gsf retail	Yes
		14 15 17	558,124 gsf commercial	No change		Yes
		62	11,550 gsf commercial	87,452 gsf residential 7,539 gsf retail		No
		63	17,668 gsf commercial			No
		64	16,629 gsf commercial			No
		65	62,918 gsf commercial	No change		Yes
6	1279	9	110,999 gsf commercial	No change	1,075,328 gsf office 49,600 gsf retail	Yes
		17	122,600 gsf commercial	No change		Yes
		57	380,766 gsf commercial	No change		Yes
		63	15,023 gsf commercial	No change		Yes
		65	79,280 gsf commercial	No change		Yes
7	1279	23	69,086 gsf commercial	409,907 gsf office 10,950 gsf retail	1,046,916 gsf office 43,261 gsf retail	No
		24	50,840 gsf commercial			Yes
		25	Vacant Lot			Yes
		48	231,945 gsf commercial			No
		28	174,895 gsf commercial	No change		No
		45	162,330 gsf commercial	No change		No

TABLE 3-5: RWCDS FOR THE 19 PROJECTED DEVELOPMENT SITES (CONTINUED)

Site	Block	Lot(s)	Existing Condition	Future No-Action Condition	Future With-Action Condition	With-Action Direct Displacement
8	1281	62	37,265 gsf commercial	133,957 gsf residential 11,548 gsf retail	146,082 gsf hotel 11,548 gsf retail	No
		64	11,738 gsf commercial			No
		65	22,350 gsf commercial			No
9	1281	21	598,248 gsf commercial	No change	1,048,175 gsf office 43,313 gsf retail	Yes
10	1282	17	698,996 gsf commercial	No change	1,001,247 gsf office 46,183 gsf retail	Yes
		64	29,000 gsf commercial	No change		Yes
11	1283	8	12,000 gsf commercial	198,131 gsf residential 15,040 gsf retail	198,131gsf hotel 15,040 gsf retail	No
		9	8,458 gsf commercial			No
		10	12,660 gsf commercial			No
		11	9,398 gsf commercial			No
		12	12,600 gsf commercial			No
		13	17,131 gsf commercial			No
12	1285	36	645,483 gsf commercial	No change	689,064 gsf office 34,050 gsf retail	Yes
13	1292	52	385,347 gsf commercial	No change	371,081 gsf office 14,266 gsf retail	Yes
14	1300	42	6,632 gsf commercial	75,713 gsf residential 6,527 gsf retail	82,567gsf residential 6,527 gsf retail	No
		44	18,810 gsf institutional			No
15	1302	25	55,940 gsf commercial	155,089 gsf residential 12,260 gsf retail	155,089 gsf hotel 12,260 gsf retail	No
		27	1,326 gsf commercial 2,200 gsf residential			No
		28	2,000 gsf commercial 1,500 gsf residential			No
		29	3,576 gsf residential			No
		127	2,646 gsf commercial 880 gsf residential			No
16	1303	14	427,611 gsf commercial	No change	764,249 gsf hotel 41,170 gsf retail	Yes
17	1304	20	317,496 gsf commercial	636,634 gsf hotel 44,170 gsf retail	870,682 gsf hotel 54,211 gsf retail	Yes
		25	4,875 gsf commercial			Yes
		26	37,371 gsf commercial			Yes
		28	2,640 gsf commercial 3,045 gsf residential			Yes
		45	58,300 gsf commercial			Yes
		41	119,465 gsf commercial	No change		No
18	1310	1	567,330 gsf commercial	539,380 gsf office 27,950 gsf retail	605,956 gsf office 27,950 gsf retail	No
19	1316	12	972,462 gsf commercial	No change	1,250,201 gsf office 76,318 gsf retail	Yes
		23		No change		Yes
		30	141,408 gsf commercial	No change		Yes

Source: DCP, 2013

There are 246 employees currently working at 15 public agencies and organizations on three of the projected development sites that are expected to only be redeveloped under the Proposed Action. These include the United States (U.S.) Office of the Comptroller of Currency, six permanent missions to the U.N., two permanent observer missions to the U.N., four consulate generals, and two international relations organizations affiliated with the U.N. The U.S. Office of the Comptroller of Currency occupies two floors of the 22-story commercial office building at 340 Madison Avenue (Block 1278, Lot 14, 15, and 17), comprising a portion of Projected Development Site 5. The 22-story commercial office building at 801 Second Avenue, comprising a portion of Projected Development Site 19, is occupied by six permanent missions to the U.N., two permanent observer missions to the U.N., four consulate generals, and two international relations organizations affiliated with the U.N. It should be noted, however, that government agencies are not the subject of direct displacement analysis under CEQR, as it is assumed that government agencies would continue in operation with or without the Proposed Action.

As shown in Table 3-6, it is possible that the Proposed Action could displace 844 businesses/institutions employing an estimated 23,857 employees on portions of 12 projected development sites (businesses potentially displaced by redevelopment in the No-Action condition are not included in this count). Since the direct displacement would occur over a 20-year period, it is possible that the composition of the businesses on the projected development sites would change over time. However, for the purposes of analysis, it is assumed that all businesses currently in operation would be directly displaced. A listing of all businesses and institutions considered to be directly displaced for analysis purposes is included in Appendix 3.

Most of these businesses/institutions are located on Projected Development Sites 1 and 13. Projected Development Site 1, at the northwest corner of Madison Avenue and East 39th Street, consists of four tax lots (Lot 16, 58, 61, and 64) on Block 869 that are occupied by four pre-war commercial office buildings with ground floor retail that have 13 to 19 stories. There are 229 businesses/institutions on Projected Development Site 1. Projected Development Site 13 includes a single 25-story commercial office building with ground floor retail at 575 Madison Avenue (Block 1292, Lot 52). There are 313 businesses/institutions on Projected Development Site 13; however, the majority of these businesses are small, with less than 10 employees. The highest concentrations of employees on the projected development sites are on Projected Development Sites 1, 5, and 12. Projected Development Site 5 includes the National Financial Partners headquarters with 2,869 employees at 340 Madison Avenue, and Projected Development Site 12, 300 Park Avenue, includes the Colgate-Palmolive Company headquarters employing 3,000 people.[15]

[15] Employment estimates for the National Financial Partners headquarters and the Colgate-Palmolive Company headquarters were obtained from manta.com.

TABLE 3-6: POTENTIALLY DIRECTLY DISPLACED BUSINESS/INSTITUTIONS AND EMPLOYMENT ON PROJECTED DEVELOPMENT SITES

NAICS Economic Sector	Number of Businesses/ Institutions	Number of Jobs Displaced	Displaced Jobs as a Percentage of Total Displaced Jobs
Accommodation & Food Service	24	1,716	7.19%
Administrative & Support & Waste Management & Remediation Services	82	1,145	4.80%
Arts, Entertainment, & Recreation	4	45	0.19%
Construction	12	89	0.37%
Educational Services	9	75	0.31%
Finance & Insurance	118	5,886	24.67%
Health Care & Social Assistance	65	1,023	4.29%
Information	38	1,746	7.32%
Management of Companies & Enterprises	5	5,854	24.54%
Manufacturing	2	17	0.07%
Mining	1	3	0.01%
Other Services (excl. Public Administration)	60	655	2.75%
Professional, Scientific & Technical Services	223	3,001	12.58%
Real Estate, Rental & Leasing	86	1,287	5.39%
Retail Trade	51	902	3.78%
Transportation & Warehousing	2	17	0.07%
Wholesale Trade	33	334	1.40%
Unclassified Establishments/Unknown	29	62	0.26%
Totals	**844**	**23,857**	**100.0%**

Source: Philip Habib & Associates, 2013

Based on the RWCDS for projected development sites, the numbers and types of businesses that could be directly displaced by the Proposed Action and the numbers of employees associated with those businesses were estimated. As shown in Table 3-6, an estimated 23,857 employees in 844 businesses/institutions could be directly displaced by the Proposed Action (businesses potentially displaced by redevelopment in the No-Action condition are not included in this count). Two business sectors account for the majority (40.4 percent) of businesses directly displaced: Professional, Scientific, and Technical Services (223 businesses) and Finance and Insurance (118 businesses). Finance and Insurance businesses account for the largest number of directly displaced employees (5,886 employees), followed by employees in the Management of Companies and Enterprises sector, which consists of five firms with 5,854 employees. This is because several large companies have their headquarters located in the area, including the Colgate-Palmolive Company (Site 12) and Pfizer (p/o Site 19), which have been categorized in the Management of Companies and Enterprises sector. While Professional, Scientific, and Technical Services sector accounts for the most businesses in the area, it is the third largest in terms of employment (3,001 employees).

Table 3-7 shows the potentially directly displaced employees as a percentage of primary and secondary study area employment. As shown in Table 3-7, the directly displaced employees represent approximately 9.25 percent of the total employment within the primary study area and about 4.15 percent of employment within the secondary study area. With the exception of the Management of Companies and Enterprises, Health Care and Social Assistance, Information, and Real Estate and Rental and Leasing sectors, the directly displaced employment in each of the remaining economic sectors represents less than 10 percent of employment within the primary study area. Each of the affected sectors is discussed below.

TABLE 3-7: DIRECTLY DISPLACED EMPLOYMENT AS A PERCENTAGE OF THE PRIMARY AND SECONDARY STUDY AREAS' EMPLOYMENT

NAICS Economic Sector	Number of Jobs Displaced	Primary Study Area Employees	Percentage of Primary Study Area	Secondary Study Area Employees*	Percentage of Secondary Study Area*
Accommodation & Food Service	1,716	15,365	11.17%	37,153	4.62%
Administrative & Support, & Waste Management & Remediation Services	1,145	22,088	5.18%	48,231	2.37%
Arts, Entertainment, & Recreation	45	850	5.29%	4,077	1.10%
Construction	89	2,146	4.15%	6,656	1.34%
Educational Services	75	2,407	3.12%	4,766	1.57%
Finance & Insurance	5,886	61,517	9.57%	101,414	5.80%
Health Care & Social Assistance	1,023	4,352	23.51%	11,337	9.02%
Information	1,746	7,808	22.36%	30,835	5.66%
Management of Companies & Enterprises	5,854	11,950	48.99%	23,037	25.41%
Manufacturing	17	1,699	1.00%	5,822	0.29%
Other Services (excl. Public Administration)	655	5,910	11.08%	19,436	3.37%
Professional, Scientific, & Technical Services	3,001	53,616	5.60%	95,889	3.13%
Real Estate, Rental & Leasing	1,287	10,590	12.15%	25,466	5.05%
Retail Trade	902	6,810	13.25%	31,468	2.87%
Transportation & Warehousing	17	1,002	1.70%	3,262	0.52%
Wholesale Trade	334	6,991	4.78%	23,999	1.39%
All other	65	284	21.83%	957	6.48%
Totals	**23,857**	**215,385**	**11.08%**	**473,805**	**5.04%**

Source: 2010 NYS Department of Labor Census of Employment and Wages, 3rd Quarter; prepared by DCP and Philip Habib & Associates, 2013.

* Secondary study area includes the primary study area.

Accommodation and Food Services Sector

Twenty-four accommodation and food service establishments, employing an estimated 1,716 workers could be directly displaced (representing approximately 7 percent of the displaced employment). These firms include 20 restaurants, three hotels (approximately 1,850 rooms), and one catering/event management firm. The three hotels, employing an estimated 1,255 workers, account for approximately 73 percent of this displaced employment, and consist of the 1,015-room Roosevelt Hotel located at 359-373 Madison Avenue (p/o Site 9), the 685-room Intercontinental New York Barclay Hotel at 518-536 Lexington Avenue (Site 16), and the 150-room San Carlos Hotel at 150 East 50th Street (Site 17). With 369 accommodation and food service businesses located in the primary study area (refer to Table 3-4), there is an abundance of places to eat and drink. Furthermore, as shown in Table 3-7, the directly displaced accommodation and food service employees represent approximately 11 percent of this sector's employment in the primary study area, and less than 5 percent of employment in the secondary study area.

Administrative & Support, and Waste Management & Remediation Services Sector

Eighty-two administrative and support and waste management and remediation service establishments, employing an estimated 1,145 workers (representing approximately 5 percent of the displaced employment), could be directly displaced. Of these firms, 36 are employment services (including headhunters, businesses recruiters, temporary employment agencies etc.), 22 are business support services (including printing and copying services, cleaning/maintenance and security agencies, etc.) and 10 are travel arrangement and reservation services. As shown in Table 3-7, the directly displaced administrative and support and waste management and remediation service establishments employees represent slightly more than 5 percent of this sector's employment in the primary study area, and more than 2 percent of employment in the secondary study area.

Arts, Entertainment, and Recreation Sector

Four firms in the Arts, Entertainment and Recreation sector, employing an estimated 45 workers (representing less than 0.2 percent of the displaced employment) could be directly displaced. These firms include two businesses that promote performing arts, sports, and similar events, one firm of agents and managers for artists, athletes, entertainers, and other public figures, and one independent artist/writer/performer. Interactive Sports is the largest of these businesses, employing more than 75 percent of the employees of the arts, entertainment, and recreation sector on the projected development sites. As shown in Table 3-7, the directly displaced arts, entertainment and recreation establishment's employees represent more than 5 percent of this sector's employment in the primary study area, and slightly more than 1 percent of employment in the secondary study area.

Construction Sector

Twelve construction businesses could be directly displaced with a combined total of 89 estimated workers, or less than 1 percent of the displaced employment. All of these firms are either specialty contractors or construction management firms. Construction businesses typically do not focus on a specific neighborhood, but rather work on projects throughout Manhattan and the greater New York City area. Businesses or residents in need of construction services can rely on the 2,146 construction workers in the primary study area. As shown in Table 3-7, the directly displaced construction employees represent more than 4 percent of this sector's employment in the primary study area and less than 2 percent of employment in the secondary study area.

Educational Services Sector

Nine educational services could be directly displaced with a combined total of 75 estimated workers, or less than 0.5 percent of the displaced employment. These nine establishments include two colleges, two technical and trade schools, two vocal training schools, one computer training school, one educational support service, and one business categorized as other schools and instruction. Berkeley College accounts for 60 percent of this employment with approximately 45 employees. As shown in Table 3-7, the directly displaced Educational Services sector employees represent just more than 3 percent of this sector's employment in the primary study area and less than 2 percent in the secondary study area.

Finance and Insurance Sector

One hundred eighteen businesses in the Finance and Insurance sector could be directly displaced with a combined total 5,886 estimated workers, accounting for approximately 25 percent of the displaced employment. The National Financial Partners headquarters at 340 Madison Avenue (p/o Site 5) employees an estimated 2,869 employees, and accounts for almost 50 percent of the directly displaced Finance and Insurance sector jobs. As shown in Table 3-7, the directly displaced Finance and Insurance sector employees represent approximately just less than 10 percent of this sector's employment in the primary study area, and about 6 percent in the secondary study area.

Health Care and Social Assistance Sector

Sixty-five health care and social assistance businesses could be directly displaced with a combined total of 1,023 workers, accounting for approximately 4 percent of the displaced employment. The majority of these businesses are small with less than 10 employees, and include doctors, dentists, therapists, social workers, and other healthcare practitioner's offices. A&T Healthcare located at 274-276 Madison Avenue (p/o Site 1) accounts for approximately 73 percent of the directly displaced Health Care and Social Assistance sector jobs with 750 employees. As shown in Table 3-7, the directly displaced Health Care and Social Assistance sector employees represent over 23 percent of this sector's employment in the primary study area, and about 9 percent in the secondary study area.

Information Sector

Thirty-eight Information sector firms could be directly displaced, which employ a total of approximately 1,746 workers and represent approximately 7 percent of the displaced employment. These firms include 17 publishing firms, 12 telecommunications firms, five motion picture and sound recording firms, three data processing, hosting, and related services firms, and one broadcasting firm. Both Sungard (a software publishing company) and Twitter (a telecommunications company) have headquarters at 340 Madison

Avenue (p/o Site 5) and employ 500 and 100 workers, respectively. Informa Healthcare, a periodical publisher, located at 52-58 Vanderbilt Avenue (p/o Site 7) employs approximately 750 workers and accounts for approximately 43 percent of the directly displaced Information sector jobs. As shown in Table 3-7, the directly displaced Information sector employees represent more than 22 percent of this sector's employment in the primary study area, and nearly 6 percent in the secondary study area.

Management of Companies and Enterprises Sector

Five Management of Companies and Enterprises Sector firms could be directly displaced, which employ a total of approximately 5,854 workers and represent approximately 25 percent of the displaced employment. This economic sector represents the second largest number of directly displaced employees. Most of this sector's employment consists of the headquarter offices of two large companies, Colgate-Palmolive and Pfizer. The Colgate-Palmolive headquarters located at 300 Park Avenue (Site 12) employs an estimated 3,000 workers, accounting for approximately 51 percent of the directly displaced Management of Companies and Enterprises sector.[16] Pfizer's headquarters located at 235 East 42nd Street employs 2,500 workers and accounts for approximately 43 percent of the directly displaced jobs in this sector. As shown in Table 3-7, the directly displaced Management of Companies and Enterprises sector employees represent nearly 50 percent of this sector's employment in the primary study area, and about 25 percent in the secondary study area.

Manufacturing Sector

Two small manufacturing firms could be directly displaced, which employ less than 20 workers and represent less than 0.1 percent of the displaced employment. These two firms include a jewelry design and manufacturing firm (Vaishali Diamond Corporation) located at 6-8 East 45th Street (p/o Site 6) and a textile manufacturing firm (Auburn Label & Tag Co.) located at 575 Madison Avenue (Site 13). As shown in Table 3-7, the directly displaced manufacturing employees represent about 1 percent of this sector's employment in the primary study area.

Mining Sector

A single Mining sector firm, employing less than five workers and representing less than 0.1 percent of the displaced employment, could be directly displaced. Resource Petroleum and Petrochemicals International located at 575 Madison Avenue (Site 13), is the only mining business that would be directly displaced as a result of the Proposed Action. Due to data disclosure limitations, it is not possible to calculate the percentage of total employment in this small sector represented by the displaced firm.

Other Services Sector

The Other Services (except Public Administration) sector comprises establishments engaged in providing services not specifically provided for elsewhere in the classification system. Sixty businesses in the Other Services sector could be directly displaced, accounting for an estimated 655 workers and less than

[16] Employment estimate for the Colgate-Palmolive Company headquarters was obtained from manta.com.

3 percent of the displaced employment. Other Services establishments include 46 religious, grantmaking, civic, professional, and similar organizations, eight personal service firms, and five personal care service establishments employing 654 people. The largest of these is the Yale University Club located at 50 Vanderbilt Avenue (p/o Site 7) which employs approximately 200 workers, followed by the Cornell University Club located at 6-8 East 44th Street (p/o Site 5), which employees approximately 125 workers. As shown in Table 3-7, the directly displaced other services employees represent approximately 11 percent of this sector's employment in the primary study area and approximately 3 percent in the secondary study area.

Professional, Scientific, and Technical Services Sector

The Professional, Scientific, and Technical Services sector represents the largest number of directly displaced firms and the third largest sector of directly displaced employees. Two hundred twenty-three firms, employing an estimated 3,001 workers (and accounting for approximately almost 13 percent of the directly displaced employment) could be directly displaced. As shown in Table 3-8, there is a wide variety of subsectors in this sector that could be potentially displaced, including accounting firms, legal services, advertising, marketing, and public relations firms, architects, engineers, and other consultant services, and design services.

TABLE 3-8: POTENTIAL DIRECTLY DISPLACED PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICE BUSINESSES

	Businesses		Employees	
	Number	% of Total	Number	% of Total
Accounting	29	13.0%	403	13.4%
Advertising, Marketing, Public Relations, & Related Services	32	14.3%	676	22.5%
Architects & Engineers	2	0.9%	37	1.2%
Computer Systems Design & Programming	9	4.0%	231	7.7%
Design Services	10	4.5%	98	3.3%
Law	95	42.6%	1,077	45.9%
Management, Scientific, & Technical Consulting Services	41	18.4%	471	15.7%
Other Services	5	2.2%	8	0.3%
Totals	**223**	**100.0%**	**3,001**	**100.0%**

Source: Philip Habib & Associates, 2013

Law firms represent the largest subsector group, accounting for approximately 43 percent of the directly displaced businesses and almost 46 percent of directly displaced employees. The second largest subsector of businesses is management, scientific, and technical consulting services which account for approximately 18.4 percent of directly displaced businesses, but is the third largest subsector in terms of displaced employment (approximately 16 percent of displaced employees). The third largest subsector of displaced businesses is advertising, marketing, public relations, and related services (representing approximately 14 percent of displaced businesses). This subsector is the second largest for displaced employment (representing approximately 22.5 percent of displaced employment).

The professional, scientific, and technical services sector is well represented in the primary and secondary study areas as well as in other business districts in Manhattan. The services of the potentially displaced businesses are not expected to be unusually important to the community or serve a population uniquely dependent on services at that location. For example, law firms typically do not focus on a specific neighborhood, but rather work on projects throughout New York City and beyond. As shown in Table 3-7, the directly displaced Professional, Scientific, and Technical Services sector employees represent less than 6 percent of this sector's employment in the primary study area.

<u>Real Estate, Rental, and Leasing Sector</u>

Eighty-six businesses in the Real Estate, Rental and Leasing sector could be directly displaced, accounting for an estimated 1,287 employees or approximately 5 percent of the displaced employment. Colliers International, a real estate brokerage firm, occupying several floors at 378-392 Madison Avenue (p/o Site 1) accounts for approximately 58 percent of the directly displaced Real Estate, Rental, and Leasing sector jobs with approximately 750 employees. As shown in Table 3-7, the directly displaced real estate, rental and leasing employees represent slightly more than 12 percent of this sector's employment in the primary study area, and about 5 percent in the secondary study area.

<u>Retail Trade Sector</u>

Fifty-one retail businesses could be directly displaced, accounting for an estimated 902 employees or approximately 4 percent of the displaced employment. Businesses in this sector include 24 clothing and accessories stores; the largest of which are a flagship Brooks Brothers store at 346 Madison Avenue (p/o Site 6) employing 360 people and Paul Stuart at 10-12 East 45th Street (p/o Site 6) with 200 employees. Other retail establishments include an art dealer, a computer software retailer, newsstand, a confectionary store, a discount store, a general merchandise store, a pet supplies store, cosmetics/beauty supply stores (3), jewelry stores (4), cell phone stores (2), and optical goods stores (2). Most retail establishments have frontage on or near Madison Avenue. Additionally, the majority of these retail businesses serve the local worker, resident, and visitor populations. As shown in Table 3-7, the directly displaced retail employees represent approximately 13 percent of this sector's employment in the primary study area. In addition, as shown in Table 3-4, there are 420 retail establishments within the primary study area. The directly displaced retail establishments represent approximately 12 percent of retail establishments in the primary study area.

<u>Transportation & Warehousing Sector</u>

Two transportation and warehousing businesses could be directly displaced, employing an estimated 17 workers or less than 0.1 percent of the displaced employment. These two firms consist of the associated offices for an emergency towing service and air transportation service. As shown in Table 3-7, the directly displaced transportation and warehousing employees represent less than 2 percent of this sector's employment in the primary study area.

Wholesale Trade Sector

Thirty-three wholesale establishments could be directly displaced, which account for an estimated 334 employees or slightly more than 1 percent of the displaced employment. Employment at D Benedetto Inc located at 278-280 Madison Avenue (p/o Site 1), a nondurable goods merchant wholesale firm, which specializes in scrap paper recycling and brokering, accounts for approximately 37 percent of the displaced wholesale employment. As shown in Table 3-7, the directly displaced wholesale trade employees represent slightly less than 5 percent of this sector's employment in the primary study area.

All Other Establishments

The Proposed Action could result in the direct displacement of 29 businesses, employing approximately 62 workers located at 575 Madison Avenue (Site 13) that are unknown or unclassified establishments.

3.5.1.2 The Future Without the Proposed Action (No-Action Condition)

This section describes the socioeconomic conditions that would be expected in the primary study area in the future without the Proposed Action. It also describes the changes in population and economic activity that are expected on the projected development sites in absence of the Proposed Action. For analysis purposes, the analysis year is 2033.

As described in Chapter 2, "Land Use, Zoning, and Public Policy," given the current land use trends and general development patterns in the area, it is anticipated that the primary study area would experience limited overall growth, most of it being in non-office uses including hotels and residential buildings by 2033. It is also possible that a number of existing office buildings would convert to other uses. The predominant share of building conversions would be to residential uses; however, consistent with current development trends, office buildings closer to Grand Central Terminal would be expected to convert to hotel use. This would result in potential increases in both residential and hotel uses in the primary study area in absence of the Proposed Action. As described in Chapter 1, "Project Description," these conversions are likely to occur given existing development trends and the aging of the existing stock office stock. It is expected that older office buildings with smaller building size and floor plates and few amenities would be most likely to convert to residential use.

The remainder of existing buildings are expected to maintain their current, predominantly office, uses, but would likely be of lower quality as the overall area is expected to become less desirable as an office district. Similar to existing conditions, upgrading of useable older office buildings in East Midtown would continue. Combined with the known and expected development on non-RWCDS sites, the percentage of the primary study area's square footage devoted to office uses is expected to be lower compared to existing conditions. As the bulk of the office stock in the primary study area continues to age with little to no replacement stock added, the dynamism of the office market is anticipated to diminish and the needs of tenants seeking high-quality space with extensive amenities/technologies/services would begin to become unmet and they would look elsewhere to meet their needs. This is anticipated to result in some changes in the tenancy of existing office buildings.

As described in further detail in Chapter 2 (refer to Table 2-4 and Figure 2-9), 17 No-Action development projects are expected to be completed in the primary study area by 2033, including five hotels, and residential and commercial buildings. This new development would be dispersed throughout the primary study area. The anticipated No-Action development is expected to occur on portions of 10 of the 19 projected development sites, resulting in a net increase of approximately one million gsf of building area on these sites (refer to Table 2-4 in Chapter 2 and Table 3-5). The majority of Projected Development Sites (2, part of 5, 8, 11 and 14) would be redeveloped with predominantly residential buildings with retail on their lower levels in absence of the Proposed Action. A portion of Projected Development Site 17 located along the east side of Lexington Avenue between East 49th and East 50th Streets would be redeveloped as an approximately 184-room hotel, and Projected Development Sites 4, 18, and part of 7 would be redeveloped as primarily office buildings. As also shown in Table 2-4, only four No-Action development projects (including development on portions of Projected Development Sites 4, 7, and 18), are anticipated to introduce approximately 1.7 million gsf of new office space and retail space to the primary study area.

In total, primary study area No-Action development is estimated to add a total of 1,967 residents and 8,638 workers to the primary study area. The five anticipated hotels are expected to have a total of approximately 2,124 rooms. In addition to these development projects, three transportation projects are planned for the primary study area: East Side Access, Pershing Square, and a pedestrian plaza on a portion of Vanderbilt Avenue between East 42nd and East 43rd Streets.

3.5.1.3 The Future With the Proposed Action (With Action Condition)

According to Section 332.1 of Chapter 5 of the *CEQR Technical Manual,* impacts of direct business/institutional displacement are usually considered significant if a business or institutional use that provides products and services essential to the local economy would be displaced by the proposed action and would no longer be available in its "trade area" to local residents or businesses due to the difficulty of either relocating or establishing a new comparable business.

The Proposed Action would facilitate the construction of a limited and targeted amount of commercial office, retail, and hotel development on projected development sites in the primary study area with the greatest densities proposed for large sites with full block frontage on the avenues around Grand Central Terminal, and slightly lower densities proposed along the Park Avenue corridor and elsewhere in the rezoning area. Much of this development would replace existing and aging office space found in these areas. In the future with the Proposed Action, most buildings in the primary study area would remain commercial offices and only a small amount of conversion to residential and hotel use would occur as compared to the future without the Proposed Action. The Proposed Action would result in an overall increase in economic activity in the primary study area and create new opportunities for existing businesses to expand and attract new companies to locate in the City.

By 2033, the total development expected to occur on the 19 projected development sites under the With-Action condition would consist of approximately 10.3 million gsf of office space, 0.6 million gsf of retail, 2.1 million gsf of hotel, and approximately 208 dwelling units. The projected incremental (net) change between that No-Action and With-Action conditions that would result from the Proposed Action would be an incremental (net) increase of approximately 3.8 million gsf of office, 119,662 gsf of retail, 123,286 gsf of hotel (190 hotel rooms), and 110,800 gsf of parking (554 spaces), and a net decrease of approximately 565,675 gsf of residential (568 dwelling units) on the 19 projected development sites as compared to the future conditions without the Proposed Action (refer to Table 1-3 in Chapter 1, "Project Description"). The difference between the total built square footage in the No-Action and With-Action conditions is approximately 4.4 million gsf. It is anticipated that the Proposed Action would result in a net increase of an estimated 15,703 employees on the 19 projected development sites compared to the No-Action condition.

This new commercial development under the Proposed Action expected to protect, promote, and strengthen the East Midtown central business district, and provide support for the overall continued long-term health of the area as an integrated and dynamic office district with a diverse inventory of office space and tenant roster. The Proposed Action is intended to spur increased investment in the transit-rich area, and protect and strengthen East Midtown as a premier business district and key job center for the City and greater region. Additionally, the Proposed Action would improve the area's pedestrian and built environments to make East Midtown a better place to work and visit. The Proposed Action would add high-quality, modern office space with open flexible floor plates and high ceilings, which would help to maintain the area's competitiveness as a central business district in the City, region, and nation. It also would help facilitate the long-term expansion of the City's overall stock of office space in a high-density, transit-rich area.

The mix of businesses in the primary study area in the future with the Proposed Action is expected to be similar to that which currently exists in the primary study area and include both large and small companies, headquarter offices, local, national, and international firms and organizations. The various types of businesses would continue to be in a wide variety of economic sectors including accommodation and food services, administration and support, waste management and remediation services, arts, entertainment, and recreation, construction, educational services, finance and insurance, health care and social assistance, information, management of companies and enterprises, manufacturing, mining, professional, scientific, and technical services, real estate, rental and leasing, retail trade, transportation and warehousing, wholesale trade, other services, and public administration. Employment within the study area would remain substantial, and continue to be largely dominated by office workers in industries such as the finance and insurance industry and the professional, scientific, and technical services. Employment within industrial-based sectors, such as construction, manufacturing, mining, transportation and warehousing, and wholesale trade, is expected to continue to remain low.

As discussed earlier and shown in Table 3-6, the Proposed Action could potentially directly displace 844 businesses/ institutions, employing an estimated 23,857 workers, on 12 of the 19 projected development sites in the primary study area by 2033. These directly displaced workers account for approximately 11 percent of the total employment within the primary study area and about 5 percent of employment within the secondary study area (Table 3-7). The majority of potentially directly displaced employment as a result of the Proposed Action is within office-based sectors. Approximately 67 percent of the displaced employment consists of workers in the Finance and Insurance sector (5,886 workers), the Management of Companies and Enterprises sector (5,854 workers), Professional, Scientific and Technical Services sector (3,001 workers), and Real Estate, Rental and Leasing sector (1,287 workers). Most of these businesses serve an area larger than East Midtown, often the entire City or greater region. They also include headquarter offices for large corporations, including: Colgate-Palmolive; Pfizer; and National Financial Partners, as well as public relations, marketing, advertising, consulting, legal, and design services.

An additional 20 percent of displaced employment is within service-based sectors, including Accommodation and Food Services sector (1,716 workers), Administration and Support and Waste Remediation Services sector (1,145 workers), Health Care and Social Assistance sector (1,023 workers), Other Services sector (654 workers) and Educational Services sector (75 workers). Many of these firms are also office-based sectors, including the Administration and Support and Waste Remediation Services, Health Care and Social Assistance, and Other Services sectors, which consist of grant writing establishments, foundations, non-profit organizations, therapists, doctors and other healthcare practitioners. The Information sector, which includes publishing firms, telecommunications firms, motion picture and sound recording firms, and data processing, hosting, and related services firms in the study area, represents approximately 7 percent of the displaced employment. Only about 5 percent of the displaced employees would be within industrial-based sectors that include Construction (89 workers), Manufacturing (17 workers), Mining (3 workers), Transportation and Warehousing (17 workers), and Wholesale Trade (334 workers). None of these industry sectors are prominent within the study area and collectively these industries represent less than 8 percent of the total employment in the primary study area. Less than 1 percent of the displaced employment is within the Arts, Entertainment and Recreation sector or is unknown/unclassified.

However, all the directly displaced businesses are valuable individually and collectively to the City's economy. None of the displaced businesses provide products or services that would no longer be available to local residents or businesses, nor are any of the displaced businesses unique to the quarter-mile secondary study area. None of displaced businesses serve a user base that is dependent upon their location within the study area, as most of the displaced businesses serve a larger area including Manhattan as a whole, the entire City, or greater region. It is expected that most of the potentially displaced businesses would be able to find comparable space within the study area or elsewhere within the city, as the Proposed Action would result in an increased amount of commercial space, including office, retail and hotel space, which could accommodate many of the potentially displaced businesses.

As described above, the Proposed Action would add about 10.3 million gsf of office space, which could accommodate nearly 41,200 office workers in the primary study area in 2033, offering opportunity for growth in business, legal, and professional service jobs, as well as other types of office-oriented employment. It would also add approximately 648,990 gsf of retail space and approximately 3,285 hotel rooms, which would introduce approximately 1,947 retail workers and 1,230 hotel workers. Therefore, the Proposed Action would not directly displace uses of any type that directly support businesses in the area or bring people to the area that form a customer base for local businesses.

3.5.2 Indirect Business and Institutional Displacement

Based on the guidelines in Section 322.2 of Chapter 5 of the *CEQR Technical Manual*, a detailed analysis of indirect business and institutional displacement is warranted because the preliminary assessment determined that the project has the potential to introduce trends that make it difficult for businesses meeting the criteria set forth in Section 321.2 of the *CEQR Technical Manual* to remain in the area. In most cases, the issue for indirect displacement of businesses is that a project would markedly increase property values and thus rents throughout the study area, making it difficult for some categories of businesses to remain in the area. Additionally, indirect displacement of businesses may occur if a project directly displaces any type of use that either directly supports businesses in the area or brings a customer base to the area for local businesses, or if it directly displaces residents or workers who form the customer base of existing businesses in the area. Such displacement can be of concern when it would result in changes to land use, population patterns, or community character.

This detailed assessment of indirect business and institutional displacement is based on a characterization of the study areas 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, land use and transportation services, and underlying trends in the City's economy. These factors are considered in order to develop an understanding of which sectors of the study areas' economic base may be most vulnerable to indirect displacement, and evaluate whether any displacement resulting from the Proposed Action could be considered a significant adverse impact.

3.5.2.1 Existing Conditions

This section describes the existing business and employment characteristics of the primary and secondary study areas and compares it with the rest of Midtown Manhattan, as well as the overall borough of Manhattan. It also identifies the sectors within the secondary study area that would be most vulnerable to indirect displacement pressures.

a. Primary Study Area

Existing business conditions in the primary study area are described in the detailed analysis of direct business and institutional displacement in Section 3.5.1.

b. Secondary Study Area

Similar to the primary study area, the secondary study area is a densely developed, transit-rich area with few vacant properties, the largest of which are currently under construction or planned for future redevelopment. The secondary study area contains a more diversified mix of land uses as compared to the primary study area with predominantly commercial uses concentrated to the west of Park Avenue and increased residential uses located east of Park Avenue. In its entirety, it includes more than 96 million gsf of commercial real estate, and is a major job center for the City, comprising much of the eastern portion of Midtown Manhattan, which is the nation's largest Central Business District (CBD).

With the exception of the southwestern portion of the study area (between Fifth and Sixth Avenues from 34th to 48th Streets, the secondary study area is generally comprised of portions of four office submarkets of Midtown Manhattan, including the Grand Central, Plaza, Murray Hill, and U.N. Plaza Districts (Figure 3-2). Table 3-9 presents office inventory, vacancy rates, and average rents for each of the four office submarkets included in the secondary study area in the third quarter of 2012 and provides a comparison to that of all of Midtown, and Manhattan as a whole.

TABLE 3-9: MIDTOWN MANHATTAN OFFICE SUBMARKETS INCLUDED IN THE SECONDARY STUDY AREA AND OVERALL TOTALS FOR MIDTOWN AND MANHATTAN OFFICE MARKETS

Office Submarket	Inventory (sf)	Overall Vacancy Rate	Weighted Average All Classes Gross Rental Rate	Weighted Average Class A Gross Rental Rate
Murray Hill	14,366,499	4.5%	$45.59	$52.39
Grand Central	43,970,528	11.3%	$56.31	$58.48
U.N. Plaza	2,669,648	2.9%	$49.60	$49.60
Plaza*	105,372,194	11.5%	$77.66	$82.12
Total For Office Submarkets Included in Secondary Study Area	***166,378,869***	***10.7%***	***$68.80***	***$72.78***
Midtown Overall	***241,535,642***	***10.5%***	***$66.42***	***$73.97***
Manhattan	***391,913,178***	***9.6%***	***$58.83***	***$69.01***

Source: Cushman Wakefield's Manhattan, NY Marketbeat Office Snapshot, 3rd Quarter 2012

* Includes the following submarkets: East Side, Park Avenue, Madison/Fifth, Sixth Avenue/Rockefeller Center

As described previously, the Grand Central district is roughly bounded by East 38th to East 47th Streets between Second and Fifth Avenues, and is centered on Grand Central Terminal. It is typically considered an older submarket in Midtown and accommodates an older office stock with a larger number of Class B and C office buildings. It generally has higher vacancy rates and lower average asking rents than Midtown as a whole. The Plaza district, which comprises the northern portion of the secondary study area, is the largest office submarket in the study area. It accounts for approximately 44 percent of the overall Midtown office inventory. The Plaza district is generally bounded by 47th Street to the south and 65th Street to the north, from Sixth Avenue to the FDR Drive, and typically has the most expensive average asking rents. It generally has more recent construction than the other submarkets included in the secondary study area.

The Murray Hill District largely comprises the southern portion of the secondary study area, and is roughly bounded by East 30th to East 38th Streets between Fifth Avenue and FDR Drive. It has the smallest percentage of Class A office buildings and the largest percentage of Class C office buildings and therefore, has lower average asking rents as compared to the other submarkets. The U.N. Plaza District is much smaller than the other submarkets included in the secondary study area, and is generally bounded by East 38th to East 48th Streets between Second Avenue and the FDR Drive. It includes the U.N. Headquarters, which occupies an 18-acre site bounded by East 42nd Street and East 48th Street to the east of First Avenue, and primarily serves businesses and organizations related to the U.N. Consisting of less than 3.0 million sf of office space, the U.N. Plaza office market also has the lowest vacancy rates in the secondary study area largely due to the strong interest and presence of foreign dignitaries, businesses, and organizations related to the U.N. that seek to cluster near its headquarters.

As shown in Table 3-9, weighted average asking rental rates for all office classes in the second quarter of 2012 in the secondary study area ranged from $45.59 per/sf in Murray Hill to $77.66 per/sf in the Plaza district. With the exception of the U.N. Plaza district, average asking rents for Class A office space in the secondary study area are typically higher and reach upwards to more than $80 per/sf in the Plaza district. The overall average asking rents in the secondary study area are higher than in Midtown as a whole and in Manhattan. Average asking rents for Class A office space in the secondary study area are generally comparable to that of Midtown.

Vacancy rates in the secondary study area vary considerably across submarkets. The Grand Central and Plaza districts, which include larger inventories of office space, have higher vacancy rates (at 11.3 and 11.5 percent, respectively) and U.N. Plaza has the lowest vacancy rate at less than 3.0 percent. The secondary study area overall vacancy rate, at 10.7 percent in the third quarter of 2012, is comparable to that of Midtown (at 10.5 percent) and higher than Manhattan as a whole (at 9.6 percent).

Description of the Neighborhoods in the Secondary Study Area

As described in Chapter 2, "Land Use, Zoning, and Public Policy," the secondary study area includes portions of five Manhattan neighborhoods, including Midtown, Midtown South, Murray Hill/Tudor City, Turtle Bay/East 50s, and the Upper East Side (Figure 3-1).

Midtown Neighborhood

Midtown, one of the most densely developed areas in New York City, is dominated by commercial uses with little residential use. It is also recognized for its high-quality office spaces, particularly along Park, Madison, and Fifth Avenues. Park Avenue is often referred to as "the heart of Midtown" and contains some of the most expensive office space in the City, such as the Seagram Building located at 375 Park Avenue, which has average asking rents reaching upwards to $140 per/sf. Other significant Class A buildings in the Midtown neighborhood include the 21-building Rockefeller Center complex bounded by West 51st Street, Fifth Avenue, West 48th Street, and Sixth Avenue. Rockefeller Center is considered one of the most prominent business centers in the world. With over 5 million sf of office space, 30 Rockefeller Plaza is by far the largest office building in the secondary study area. Midtown is also recognized as a destination shopping area, and includes a wide range of national and international flagship stores and high-end retail along portions of Fifth and Madison Avenues and 57th Street.

Midtown South Neighborhood

Midtown South is a predominately commercial area with little residential space. Midtown South was historically defined by the presence of garment-related manufacturing uses. In recent years, despite zoning actions to maintain this character, the area has followed the borough-wide shift from a manufacturing to a service-based economy. The midblock portions of five blocks generally bounded by West 39th Street to the north, Fifth Avenue to the east, West 35th Street to the south, and Sixth Avenue (Avenue of the Americas) to the west are zoned for high-performance M1-6. However, many of the buildings in this area have been converted to predominantly commercial/office uses with restaurant, retailers, and beauty salons on the first floor and uses such as real estate offices, showrooms, media and architecture firms on the above floors. The light manufacturing uses (including jewelers and fabric and clothing designers) that still remain are minimal; these uses have become secondary, with the commercial/office uses dominating the streetscape.

The northern border of the Midtown South area is defined by the presence of Bryant Park and the adjacent New York Public Library, which combined, occupy a megablock bounded by West 42nd Street to the north, Fifth Avenue to the east, West 40th Street to the south, and Sixth Avenue to the west. An expensive office submarket around Bryant Park has recently emerged and experienced dramatic growth in high-quality office space. Vacancy rates in the office buildings surrounding Bryant Park are very low at 3.8 percent, as compared to most of Midtown (with a vacancy of 10.5 percent). Average asking rents in this exclusive submarket are approximately $78.29, which is comparable, if not higher, than the traditionally higher-priced Plaza district of Midtown and almost $15 more per/sf than the average in

Midtown. The construction of the 51-story office tower at One Bryant Park and a handful of up-grades and renovations to office building in the area have contributed to this trend. Constructed in 2009, One Bryant Park is an approximately 2.1 million sf trophy office building that is currently the headquarters of Bank of America. The Bryant Park area has established itself as a hub of high-priced office space, with the park as the nucleus of this submarket.[17]

In addition, Midtown South has recently seen an influx in hotels between Fifth and Sixth Avenues. Three new hotels were built on West 36th Street, and several new hotels are either recently completed or under construction on West 37th and West 38th Streets.

Murray Hill/Tudor City Neighborhood

Similar to the Turtle Bay/East 50s neighborhood, the Murray Hill/Tudor City neighborhood is also more residential and mixed-use than the remainder of the secondary study area, with more commercial uses in the western section. As such, many local businesses cater to the residents of the area. Additionally, since the United Nations complex is located in the eastern section of the neighborhood, bounded by East 41st Street, First Avenue, East 48th Street, and the FDR Drive, there is a significant international business presence in the area. Numerous missions, consulates, and other organizations associated with the United Nations are located in the East 30s and 40s.

Turtle Bay/East 50s Neighborhood

As discussed in Chapter 2, "Land Use, Zoning, and Public Policy," while the Turtle Bay/East 50s neighborhood is more residential and mixed-use than the rest of the secondary study area, the western portion of this area is predominately commercial. Many of the local businesses cater to the residents of the area. Additionally, because the United Nations complex is located just south of the neighborhood, there is a significant international business presence in the area, including missions, consulates, and organizations associated with the United Nations. This neighborhood also includes the Decorative Arts District, one of the largest concentrations of interior design and décor showrooms, retailers, and wholesale establishments.

Upper East Side Neighborhood

The Upper East Side neighborhood consists of a mix of residential and commercial uses, including numerous hotels and high-end retail along Fifth and Madison Avenues. Due to its mixed-use character, many local businesses cater to the residents and tourists in the area. The commercial uses in this neighborhood are dominated by a high concentration of hotels, retail establishments, and medical offices, which often lack ground floor storefronts.

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[17] "Bryant Park Office Rents Outperform the Rest of Midtown." *The New York Times* (October 2, 2012), and "Bryant Park Offices See Higher Rents and Lower Vacancies Than Rest of Midtown." *The Real Deal* (October 3, 2012).
"Class-Consciousness in the Office Building Market." *The New York Times* (July 26, 2011).

Description of the Existing Businesses in the Secondary Study Area

In 2011, approximately 25,832 firms employing approximately 473,805 people were located in the secondary study area (refer to Table 3-10). As shown in Table 3-10, the percentages of employees in various economic sectors are very similar to that of the primary study area. The vast majority of workers are in office sectors. Like the primary study area, the largest percentage of people are employed in the Finance and Insurance sector followed by the Professional, Scientific, and Technical services sector, which comprise approximately 21.4 and 20.2 percent of the secondary study area, respectively. Administrative and Support and Waste Management and Remediation sector is the third largest employer at 10.2 percent of the total employment of the secondary study area. The remaining economic sectors each comprise less than 8 percent of the employment in the secondary study area. Industrial-based sectors including construction, wholesale, transportation and warehousing, and manufacturing combined, comprise less than 9 percent of the employment in the secondary study area.

TABLE 3-10: TOTAL EMPLOYMENT BY SECTOR IN THE SECONDARY STUDY AREA

NAICS Economic Sector	Number of Firms	Number of Employees	Percentage of Total Employment
Accommodation & Food Services	1,139	37,153	7.8%
Administrative & Support & Waste Management & Remediation Services	1,632	48,231	10.2%
Arts, Entertainment, & Recreation	442	4,077	0.9%
Construction	310	6,656	1.4%
Educational Services	199	4,766	1.0%
Finance & Insurance	4,051	101,414	21.4%
Health Care & Social Assistance	1,357	11,337	2.4%
Information	724	30,835	6.5%
Management of Companies & Enterprises	376	23,037	4.9%
Manufacturing	595	5,822	1.2%
Other Services (excl. Public Administration)	2,432	19,436	4.1%
Professional, Scientific, & Technical Services	4,808	95,889	20.2%
Real Estate, Rental & Leasing	2,087	25,466	5.4%
Retail Trade	1,772	31,468	6.6%
Transportation & Warehousing	166	3,262	0.7%
Wholesale Trade	2,968	23,999	5.1%
All Other	774	957	0.2%
Total	**25,832**	**473,805**	**100.0%**

Source: 2010 NYS Department of Labor Census of Employment and Wages, 3rd Quarter; prepared by DCP, 2013

c. *Categories of Businesses in the Study Area Most Vulnerable to 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 pressures in the study area; i.e., those businesses that tend not to directly benefit (in terms of increased business activity) from the market forces generating the increases in rent. 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 with 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.

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, and wholesale trade. The industrial-based businesses in the secondary study area comprise less than 9 percent of employment and do not characterize the study area. They are located primarily in a small high-performance manufacturing district outside (to the southwest) of the proposed rezoning area and are currently the most vulnerable to displacement if their property values and rents were to rise. An M1-6 high-performance manufacturing district is mapped over the midblock areas of portions of five blocks roughly bounded by West 39th Street to the north and West 35th Street to the south, between Fifth and Sixth Avenues. This portion of Midtown South was historically defined by the presence of garment-related manufacturing uses. In recent years, many of the buildings in the neighborhood have been converted to predominantly commercial/office uses with restaurant, retailers, and beauty salons on the first floor and uses such as real estate offices, showrooms, media and architecture firms on the above floors. The light manufacturing uses (including jewelers and fabric and clothing designers) that still remain are minimal; these uses have become secondary, with the commercial/office uses dominating the streetscape.

As noted above and described in Chapter 2 (and shown in Figure 2-9), zoning classifications within the ¼-mile secondary study area primarily consist of a mix of high density commercial, as well as residential zoning districts. The areas of the secondary study area that are located to the west and north of the primary study area are predominantly overlaid with high-density central commercial zoning districts (C5 and C6), while the areas to the east and south are predominantly residential zoning districts, with a few commercial overlays.

3.5.2.2 The Future Without The Proposed Action (No-Action Condition)

This section describes the socioeconomic conditions that would be expected in the secondary study area in the future without the Proposed Action. For analysis purposes, the analysis year is 2033.

The secondary study area is anticipated to experience new development by the analysis year of 2033 due to general background growth and planned or approved developments, including new construction and building conversions. As outlined in Table 2-5 in Chapter 2, "Land Use, Zoning, and Public Policy," 21 planned developments in the secondary study area to be completed by the 2033 analysis year would introduce approximately 16,911 new daytime workers to the area, as well as approximately 8,939 new residents. In addition, eight of these projects would include hotel uses, introducing approximately 1,308 hotel rooms to the secondary study area.

The largest of these No-Action developments is First Avenue Properties, a mixed-use development located on First Avenue between East 35th and East 41st Streets in Murray Hill, which is anticipated for completion in 2014. This 6.1 million gsf project would introduce approximately 120,000 gsf of community facility space, approximately 1.5 million gsf of commercial/office space, and approximately 71,000 gsf of retail space to the secondary study area,. Another notable development that would contain office space is the International Gem Tower, which is currently under construction at 50 West 47th Street in Midtown. The 34-story planned office tower would include approximately 748,000 sf of office. Approximately 30,000 sf is anticipated to be occupied by the Gemological Institute and the remaining office floors are anticipated to be occupied by tenants in the diamond trade. In addition, four other planned developments (including 18-20 West 53rd Street, 516-520 Fifth Avenue, UNDC project at East 41st Street, and 7 Bryant Park) are expected to add a total of up to approximately 1.56 million sf of office space to the secondary study area.[18]

It is also possible that a number of other existing office buildings would convert to other uses. It is anticipated that most building conversions would be from commercial to residential and recent trends indicate that some existing office buildings would also be converted into hotels by the 2033 analysis year. The remainder of the existing buildings in the secondary study area are expected to remain predominantly commercial in the future without the proposed action.

3.5.2.3 The Future With The Proposed Action (With-Action Condition)

As described previously, in the future with the Proposed Action, a limited and targeted amount of higher density commercial office, retail, and hotel development would occur in the primary study area as compared to the No-Action condition. The new commercial development resulting from the Proposed Action would not constitute new economic activities in the primary or secondary study areas, but would be introduced into a high-density, transit-rich area that is already predominantly commercial and is recognized as one of the most sought-after office markets in the New York City region.

The Proposed Action would facilitate the construction of larger predominantly office buildings concentrated near Grand Central Terminal. This new development would be focused on corner and

[18] It should be noted that the 1.56 million sf of office space includes approximately 950,000 sf of office space that would serve United Nations-related organizations.

avenue-facing lots surrounding Grand Central Terminal between Madison and Lexington Avenues, with lower densities proposed along the Park Avenue corridor and elsewhere in the rezoning area. Existing residential areas to the east of the rezoning area and the existing high performance manufacturing area located on the midblock areas from West 35th to West 40th Streets between Fifth and Sixth Avenues would not be affected by the Proposed Action.

As described above under Direct Displacement, the Proposed Action could potentially directly displace 844 businesses/institutions, employing an estimated 23,857 workers, on 12 of the 19 projected development sites in the primary study area by 2033. These directly displaced workers account for approximately 11 percent of the total employment within the primary study area and about 5 percent of employment within the secondary study area (Table 3-7). The majority of (67 percent) potentially directly displaced employment as a result of the Proposed Action is within office-based sectors. Most of the displaced businesses serve an area larger than East Midtown, often the entire City or greater region. They also include headquarter offices for large corporations. None of the potentially displaced businesses provide substantial direct support to other businesses in the study area, nor do they bring substantial numbers of people to the area that form a customer base for local businesses. The goods and services offered by potentially displaced uses can be found elsewhere within the study area. In addition, local businesses do not rely on the potentially displaced businesses' products and services for day-to-day needs. Therefore, the displacement of these service businesses would not have an adverse effect on the remaining businesses or consumers in the study area.

East Midtown is already one of the more densely developed business districts in New York City that supports a concentrated and diverse amount of economic activity. The Proposed Action is intended to strengthen East Midtown as one of the world's premier central business districts and facilitate the long-term expansion and growth of the City's overall stock of office space in an area with excellent transit access at a hub location. It would result in the construction of new high-quality, modern office space in East Midtown, allowing the area to maintain its status and competitiveness as a dynamic and integrated central office district with a wide range of office space that is expected to help retain and attract employers to the City.

The new office space resulting from the Proposed Action would reflect, rather than alter or accelerate, existing economic patterns in the study areas, and is expected to expected to be absorbed by the study areas due to the historic demand for new Class A office space in Midtown Manhattan. The newly constructed commercial space would command higher rents and would be offered at rents comparable to other Class A and Trophy office buildings in Midtown, including existing high-quality office buildings in the Plaza district and near Bryant Park. Additionally, the proposed office, retail, and hotel uses would complement and enhance the ongoing and anticipated commercial development in other large business districts in the City, including Hudson Yards and Lower Manhattan, as well as strengthening Manhattan's status as a center for Class A office space. Therefore, the Proposed Action would not result in significant indirect displacement impacts.