

**A. INTRODUCTION**

The Proposed Actions would facilitate the redevelopment and re-tenanting of Industry City (the Project Area) with a mixed-use project containing manufacturing, commercial, retail, hospitality, academic and other community facility uses (the Proposed Project). Collectively, these uses would create an Innovation Economy District representing a broad range of Innovation Economy businesses involved in every step of the “making” process, from research and development to design and engineering, as well as the actual manufacturing of products.<sup>1</sup>

This chapter describes the potential impacts of the Proposed Project on socioeconomic conditions in the neighborhoods surrounding the Project Area. As stated in the 2014 *City Environmental Quality Review (CEQR) Technical Manual*, the socioeconomic character of an area includes its population, housing, and economic activities. Although 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. In other cases, these changes may be good for some groups but bad for others. The objective of the CEQR analysis is to disclose whether any changes created by a project would have a significant adverse socioeconomic impact compared with what would happen in the future without the project (the No Action condition).

In accordance with *CEQR Technical Manual* guidelines, this chapter evaluates five specific factors that could create significant adverse socioeconomic impacts in an area: (1) direct displacement of a residential population; (2) direct displacement of existing businesses and institutions; (3) indirect displacement of a residential population; (4) indirect displacement of businesses and institutions due to increased rents or retail market saturation; and (5) adverse effects on specific industries not necessarily tied to the Project Area or surrounding neighborhoods.

**PRINCIPAL CONCLUSIONS**

This analysis finds that the Proposed Project would not result in significant adverse socioeconomic impacts. The following summarizes the conclusions for each of the five CEQR areas of socioeconomic concern.

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<sup>1</sup> Tech driven industries most likely to be found in Innovation Districts include: high-value, research-oriented sectors such as applied sciences and the burgeoning “app economy”; highly creative fields such as industrial design, graphic arts, media and architecture; and highly specialized, small batch manufacturing. Source: Brookings Institution, <http://aa61a0da3a709a1480b1-9c0895f07c3474f6636f95b6bf3db172.r70.cf1.rackcdn.com/content/metro-innovation-districts/index.html>

*DIRECT RESIDENTIAL DISPLACEMENT*

A screening-level assessment finds that the Proposed Project would not result in significant adverse impacts due to direct residential displacement. By 2027, an estimated 26 residents living in eight dwelling units (DUs) within the Project Area could be directly displaced. This potentially displaced population represents less than 1 percent of the population in the Socioeconomic Study Area, and therefore their displacement would not have the potential to alter the socioeconomic character of the neighborhood.<sup>2</sup>

*DIRECT BUSINESS DISPLACEMENT*

A preliminary assessment finds that the Proposed Project would not result in significant adverse impacts due to direct business displacement. Under the Density-Dependent Scenario used for this socioeconomic analysis, the Proposed Project could directly displace approximately 40 businesses employing an estimated 186 workers. The potentially displaced businesses include warehousing and storage uses within Industry City; a deli and café; two video stores; a metalworking and welding company; and a producer of molded plastic products.

While all businesses provide value to the city's economy, the potentially displaced businesses were determined not to meet the CEQR definition of businesses having substantial economic value to the city. Alternative sources for the goods and services provided by these businesses can be found elsewhere in the Study Area or within the products' trade areas. With the exception of potentially displaced warehousing and storage businesses, the potentially displaced businesses do not represent a sizable share of Study Area businesses for any given sector, and similarly represent a small fraction of jobs within any individual sector. The potentially displaced warehousing and storage businesses do not provide products or services that are used by local residents, and business users would have comparable and alternative services available within the same trade area. Finally, the Proposed Project would not directly displace a business that is unusually important because its products or services are uniquely dependent on its location; that, based on its type or location, is the subject of other regulations or publicly adopted plans aimed at its preservation; or that serves a population uniquely dependent on its services in its present location.

*INDIRECT RESIDENTIAL DISPLACEMENT*

According to the *CEQR Technical Manual*, residential development of 200 units or less would typically not result in significant socioeconomic impacts due to indirect residential displacement. Since the Proposed Project would not introduce any residential uses, there is no potential for impacts, and this issue does not require analysis in the EIS.

*INDIRECT BUSINESS DISPLACEMENT DUE TO INCREASED RENTS*

A detailed analysis finds that the Proposed Project would not result in significant adverse impacts from indirect business displacement due to increased rents. Under the Density-Dependent Scenario assumed for this analysis, the Proposed Project would result in approximately 6.57 million gross square feet (gsf) of uses throughout the Project Area, including a substantial amount of new and upgraded space. This significant investment would grow economic activity as well as the number and types of job opportunities within the Study Area. This CEQR analysis requires consideration as to whether such changes to the local economy could also present potential adverse

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<sup>2</sup> Based on *CEQR Technical Manual* guidelines, direct displacement of less than 500 residents would not typically be expected to alter the socioeconomic character of a neighborhood.

effects—i.e., whether the Proposed Project could increase commercial property values in a manner that makes it more difficult for certain businesses that may be essential to the local economy—or a business that is the subject of regulations or publicly adopted plans to preserve, enhance, or otherwise protect it to remain in the Study Area.

The Proposed Actions would allow for up to 700,000 gsf of incremental retail space that would help meet unspent consumer expenditure potential—both by use category and diversity of store size—as compared to current Study Area retail offerings. Potential adverse effects on local retail businesses are expected to be limited as Industry City’s own retail program is anticipated to capture much of the newly created demand introduced by the Proposed Project, thereby reducing the scale and extent of the potential for rent increases at existing storefronts. In addition, a comparison of business compositions along the Study Area’s major retail corridors between 2007 and 2017 has shown that previous investments at Industry City had only a marginal impact on turnover and vacancies outside of the Project Area, and did not result in a change in character along the major avenues. The limited indirect retail displacement that could result from increased rents brought about by the Proposed Project would therefore not lead to major changes in the composition of nearby commercial strips.

In addition to local retailers, traditional industrial and warehousing businesses may also be vulnerable to indirect displacement. Greater demand pressures on existing low-employment industrial space could result if the creation of a new Innovation Economy District encourages the co-location of other high-employment manufacturing and Innovation Economy businesses within the Study Area. Any loss in traditional industrial activity, however, will be more than offset by the growth of more job-intensive manufacturing and Innovation Economy uses facilitated through the adaptive reuse of existing vacant and storage/warehouse structures within or near to Industry City. Under the Density-Dependent Scenario, the Proposed Project would house approximately 750,000 gsf of incremental manufacturing space employing over 1,400 additional workers. In broader terms, based on Industry City’s existing tenants, manufacturing uses have employment density of approximately 1 job per 529 gsf, whereas storage and warehousing uses have an employment density closer to 1 job per 2,000 gsf. In addition, industrial rents within the Study Area have increased substantially over the past 10 years, indicating a major demand shift toward higher-value, upgraded industrial spaces that would be expected to continue with or without the Proposed Actions.

Taken together, businesses potentially vulnerable to indirect displacement do not meet the criteria for significant adverse impacts as defined by CEQR:

- The potentially displaced businesses do not meet the CEQR definition of businesses having substantial economic value to the city. Furthermore, alternative sources for the goods and services provided by these businesses can be found elsewhere within the products’ respective trade areas. Warehousing and traditional manufacturing businesses, for example, tend to serve a more regional customer base, and are the destination for many contractors and businesses servicing all five boroughs. With no single dominant manufacturer within the Study Area, potentially displaced uses are also not part of the supply chain for a major local producer.
- Potentially displaced uses can largely be relocated elsewhere in New York City, including in other industrial neighborhoods outside of the Study Area with good transportation access.
- Potentially displaced uses are not subject to regulations or publicly adopted plans to preserve, enhance, or protect them. Industrial uses currently protected by the Southwest Brooklyn IBZ would still be permitted and protected in the area under the Proposed Actions. New uses introduced to the area would not compete with existing low-employment industrial uses

because they would either be categorized as non-industrial uses that complement aspects of the manufacturing process—uses such as tech, film, and television—or light manufacturing uses such as niche and small batch manufacturing.

- Existing industrial buildings would be rehabilitated for manufacturing and Innovation Economy uses under the Proposed Project. In addition, newly constructed buildings would help meet the spatial needs of Innovation Economy tenants, including small-scale producers and highly specialized niche manufacturers, but also medium-scale industrial users. The Proposed Project would therefore result in an “upgrading” of existing infrastructure but would not have adverse impacts on the areas ability to accommodate manufacturing and industrial businesses.
- While some retail uses in the Study Area are potentially vulnerable to displacement due to changing demographics, much of the project-generated retail demand would be met by stores and services within Industry City. Therefore, the Proposed Project is not expected to substantially influence rents, as evidenced by Industry City’s investments to date.

*INDIRECT BUSINESS DISPLACEMENT DUE TO RETAIL MARKET SATURATION*

A preliminary assessment finds that the Proposed Project would not result in significant adverse indirect business displacement impacts due to retail market saturation. Under the Density-Dependent Scenario, approximately 700,000 gsf of additional retail uses could be introduced within the Project Area by 2027. Such uses would primarily capture expenditures from consumers within an approximately 3-mile Primary Trade Area, one that is currently underserved by retail goods and services and that is projected to continue to be underserved in the future No Action condition. Through a combination of maker-oriented retailers and large-format retail tenants, potential future retail uses within the Project Area would capture sales from incremental workers and visitors while helping to fill existing supply gaps among households within the Primary Trade Area. Given unmet retail demand across virtually every major category of goods, future uses would not “saturate the market” as defined by *CEQR Technical Manual* guidelines.<sup>3</sup> It is therefore not expected that the Proposed Project would lead to vacancies and disinvestment on neighborhood commercial streets within the Primary Trade Area due to retail market saturation and competitive effects, nor would it affect overall land use patterns and the economic viability of neighborhoods within the Primary Trade Area. Rather, as detailed in the assessment of indirect business displacement due to increased rents, the Proposed Project could create new business opportunities for select firms, including those located immediately to the east of the Proposed Project that cater to a more regional destination crowd as well as those servicing the future expansion of Industry City.

*ADVERSE EFFECTS ON SPECIFIC INDUSTRIES*

A preliminary assessment finds that the Proposed Project would not result in significant adverse impacts to 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.

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<sup>3</sup> Based on *CEQR Technical Manual* guidelines, if the capture rate for specific relevant categories of goods does not exceed 100 percent, it does not have the potential to saturate the market.



## B. METHODOLOGY

### BACKGROUND

An assessment of socioeconomic impacts distinguishes between impacts on the residents and businesses in an area and separates these impacts into direct and indirect displacement for both segments. Direct displacement occurs when residents or businesses are involuntarily displaced from the actual site of a project or sites directly affected by it. For example, direct displacement would occur if a currently occupied site was redeveloped for new uses or structures or if a proposed easement or right-of-way encroached on a portion of a parcel and rendered it unfit for its current use. In these cases, the occupants of a particular structure to be displaced can usually be identified, and therefore the disclosure of direct displacement focuses on specific businesses and a known number of residents and workers.

Indirect or secondary displacement occurs when residents, businesses, or employees are involuntarily displaced due to a change in socioeconomic conditions in the area caused by a project. Examples include the displacement of lower-income residents who are forced to move due to rising rents caused by higher-income residents introduced by a project. Unlike direct displacement, the exact occupants to be indirectly displaced are not known. Therefore, an assessment of indirect displacement usually identifies the size and type of groups of residents, businesses, or employees potentially affected.

Some projects may affect the operation and viability of a specific industry not necessarily tied to a specific location. An example would be new regulations that prohibit or restrict the use of certain processes that are critical to certain industries. In these cases, the CEQR review process may involve an assessment of the economic impacts of the project on that specific industry.

### ANALYSIS FORMAT

Based on *CEQR Technical Manual* guidelines, the analysis begins with a screening-level assessment (see Section C, “Screening Assessment,” below) that determines for each of the five areas of socioeconomic concern whether there is the need for further “preliminary” assessment. The *CEQR Technical Manual* defines thresholds for analysis for each of the five categories.

If the screening assessment identified that preliminary assessments are warranted, the preliminary assessment is included in Section D, “Preliminary Assessment.” The objective of the preliminary assessment is to learn enough about the potential effects of the Proposed Project to either rule out the possibility of significant adverse impacts or determine that a more detailed analysis is required to fully determine the extent of the impacts.

A detailed analysis, when required, is framed in the context of existing conditions and evaluations of the future without the Proposed Actions, or No Action condition, and the future with the Proposed Actions, or With Action condition, by the project build year—in this case, 2027. In conjunction with the land use task, specific development projects that occur in the area in the No Action condition are identified, as are the possible changes in socioeconomic conditions that would result from the identified development projects, such as potential increases in commercial/industrial development, possible changes in the rent or sales prices of commercial/industrial uses, or changes in employment or retail sales. Those conditions are then compared to With Action conditions to determine the potential for significant adverse impacts.

The Density-Dependent Scenario was conservatively chosen for this socioeconomic assessment as this scenario would introduce the greatest amount of new uses to the area and thus has the

greatest potential to affect the five areas of socioeconomic concern. For this analysis, a screening-level assessment was sufficient to determine whether or not the Proposed Project would result in significant adverse impacts due to direct or indirect residential displacement. Preliminary assessments were necessary to determine that the Proposed Project would not result in any significant adverse socioeconomic impacts resulting from direct business displacement, indirect business displacement due to retail market saturation, or adverse effects on specific industries. A detailed analysis was required to determine whether or not the Proposed Project would result in significant adverse impacts from indirect business displacement due to increased commercial rents.

### PROJECT AREA

As described in Chapter 1, “Project Description,” the Project Area is located in the Sunset Park neighborhood of Brooklyn, in Community District (CD) 7, and comprises Industry City and certain immediately adjacent properties that the Applicant plans to acquire. The Project Area encompasses approximately 30-acres, which is owned and operated by the Applicant and currently consists of warehouse structures contained in two primary clusters. The first cluster, known as the Finger Buildings, is composed of 10 buildings that generally run from 2nd Avenue to 3rd Avenue along 32nd through 37th Streets. The second cluster, known as the 39th Street Buildings, is located in the area bounded by 39th Street to the north, 41st Street and Bush Terminal to the south, 2nd Avenue to the east, and the waterfront to the west.

### STUDY AREAS

According to the *CEQR Technical Manual*, the socioeconomic study area typically reflects the land use study area, and should depend on project size and area characteristics. The land use analysis assesses a ¼-mile primary study area and a ½-mile secondary study area. Therefore, the study area for this socioeconomic assessment includes the area within approximately ½-mile of the Project Area boundaries (see **Figure 3-1**).

Because socioeconomic analyses depend on demographic data, the *CEQR Technical Manual* states that it is appropriate to adjust the study area boundary to conform to the census tract delineation that most closely approximates the desired radius (in this case, a ½-mile radius surrounding the Project Area). The census tracts that constitute the “Socioeconomic Study Area,” or “Study Area,” are shown in **Figure 3-1**. The Study Area includes the following eight census tracts: 2, 18, 20, 80, 82, 84, 88, and 101, all within Brooklyn CD 7.

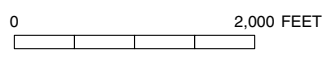
In accordance with *CEQR Technical Manual* guidelines, a 3-mile “Primary Trade Area,” as illustrated in **Figure 3-2**, was defined for the analysis of indirect business displacement due to retail market saturation. Delineating an appropriate primary trade area depends on several factors including the size of stores in the Proposed Project and transportation access. The preliminary assessment of indirect business displacement due to retail market saturation describes in detail the 3-mile Primary Trade Area used for analysis.

### DATA SOURCES

Land use and parcel data were collected from DCP’s Bytes of the Big Apple, MapPLUTO, 16v2. The average household size within Brooklyn CD 7 was used to estimate the number of residents that could be directly displaced by the Proposed Project for the screening assessment of direct residential displacement. Study Area population data were also gathered from the U.S. Census Bureau’s 2012–2016 American Community Survey (ACS). Building square footage data available through ZOLA, New York City’s online zoning and land use map, was referenced in the

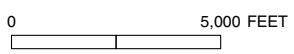


- Project Area
- 1/2-mile boundary
- Socioeconomic Study Area
- 2 Census Tracts within the Study Area





- Project Area
- Primary Trade Area Boundary (3-mile perimeter)



preliminary assessment of direct business displacement to estimate the number of employees potentially affected by direct displacement.

To perform the direct business displacement assessment and the indirect business displacement analysis due to increased rents, census tract-level New York State Department of Labor Quarterly Census of Employment and Wages (QCEW) business and employment data for the third quarter of 2015 were obtained from the New York City Department of City Planning (DCP) Housing, Economics, and Infrastructure Planning (HEIP) Division. The direct business displacement assessment was further informed by AKRF field surveys and Manta, a local business database. QCEW data on Kings County (Brooklyn) and New York City were gathered by AKRF, Inc. for the third quarter of 2015. The indirect business displacement analysis due to increased rents also used commercial and industrial rent data from CoStar, as well as Google StreetView images and AKRF field surveys to compare business conditions and vacancies between 2007 and 2017 on the major retail corridors in the Study Area. To perform the indirect business displacement due to market saturation analysis, retail sales and demand data were obtained from Environmental Systems Research Institute (Esri) Business Analyst Online (BAO)—a private data provider. BAO is a tool used to gather geographically specific business and demographic data from a variety of public sources, including the U.S. Census Bureau.

Planned future development within the Study Area and 3-mile Primary Trade Area to be completed by the build year (in this case, 2027) was taken into consideration. The Department of Building’s Business Information System (BIS Web) was used to determine level and type of planned development in the Study Area and Primary Trade Area. The analysis was also supported by field visits to the Study Area conducted by AKRF staff in November 2017 and January 2018.

### SCREENING ASSESSMENT

According to the *CEQR Technical Manual*, a socioeconomic assessment should be conducted if a project may be reasonably expected to create socioeconomic changes in the area affected by the project that would not be expected to occur in the absence of the project. This screening assessment presents the *CEQR Technical Manual* threshold circumstances (numbered in bold italics below) that can lead to socioeconomic changes warranting further analysis, and compares those thresholds to the Proposed Project’s Reasonable Worst Case Development Scenario (RWCDS) Density-Dependent Scenario.

#### 1. *DIRECT RESIDENTIAL DISPLACEMENT*

***Would the Proposed Project directly displace residential population to the extent that the socioeconomic character of the neighborhood would be substantially altered? Displacement of fewer than 500 residents would not typically be expected to alter the socioeconomic character of a neighborhood.***

There are approximately eight residential DUs within the Project Area that could be displaced by the Proposed Project. These DUs are located on Block 695, Lots 38, 39, 40, and 42 (each lot contains two DUs on the upper floors).<sup>4</sup> Based on the average household size for Brooklyn

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<sup>4</sup> For the purposes of this socioeconomic analysis, it is assumed that the eight residential DUs that could be directly displaced by the Proposed Project are not rent-protected. In general, rent stabilized DUs are in buildings built before 1974, contain six or more DUs, and are not co-ops or condos. Rent controlled DUs are those within a building built before 1947 and that have been occupied by the same family since 1971.



CD 7 (3.3 persons),<sup>5</sup> the Proposed Project could directly displace an estimated 26 residents. This displaced population represents less than 1 percent of the existing population in the Socioeconomic Study Area (24,895 residents),<sup>6</sup> and therefore their displacement would not have the potential to alter the socioeconomic character of the neighborhood. The displaced population is below the *CEQR Technical Manual* threshold (500 residents) requiring an assessment of direct residential displacement. Therefore, the Proposed Project would not result in significant adverse impacts due to direct residential displacement, and no further assessment of this concern is warranted.

### 2. DIRECT BUSINESS DISPLACEMENT

***Would the Proposed Project directly displace more than 100 employees, or would it displace any business that is unusually important because its products or services are uniquely dependent on its location, are subject to policies or plans aimed at its preservation, or that serves a population uniquely dependent on its services in its present location?***

With the Proposed Project, a vast majority of existing Project Area businesses would remain in place or would be relocated into other space within Industry City. However, located outside of Industry City but within the Project Area are several smaller parcels that are not currently controlled by Industry City (Block 695, Lots 37–42; and Block 706, Lot 20) but are anticipated to be acquired by the Applicant over the next four years to facilitate the development of the proposed Gateway Building and proposed Building 21. Therefore, the Proposed Project could directly displace the 5 businesses located on these properties, and the estimated 40 employees<sup>7</sup> associated with those businesses. Lot 37 on Block 695 is a single-story building with a deli and café—Café Le Morena—fronting on 3rd Avenue and an iron supplier—Double Eight Iron Works, Inc.—fronting on 36th Street. The ground-floor commercial use on Lot 38 is Sunset Video, DVD, and Novelties. Video City, an adult video store, is located on Lot 40. Block 706, Lot 20 is the site of a three-story warehouse structure and the location of Paradise Plastics, a producer of molded plastic products. The commercial spaces located on Block 695, Lots 39, 41, and 42 are presently vacant.

In addition, under the Density-Dependent Scenario used for this socioeconomic analysis, all of the existing storage and warehousing businesses within Industry City (currently comprising approximately 1.4 million gsf of space) could be directly displaced from the Project Area.<sup>8</sup> The existing storage and warehouse space contains a mix of users; more than half the space (approximately 763,000 gsf) is used as file storage for New York City agencies. The potentially displaced storage and warehousing uses have low levels of employment relative to

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<sup>5</sup> 2012–2016 ACS 5-year estimates, accessed from Social Explorer on December 14, 2017.

<sup>6</sup> 2012–2016 ACS 5-year estimates, accessed from Social Explorer on January 10, 2018.

<sup>7</sup> Displacement estimates related to businesses located on lots to be acquired by the Applicant are based on a combination of field observations, research conducted on Manta, and standard industry employment density ratios commonly used for CEQR analyses: 1 employee per 400 sf of general retail; 1 employee per 250 sf of food service.

<sup>8</sup> The Baseline Scenario currently envisioned by the Applicant would retain approximately 415,000 gsf of storage and warehouse space within Industry City. However, for purposes of a more conservative analysis, this socioeconomic assessment considers a scenario (the Density-Dependent Scenario) in which all existing storage and warehouse uses could be displaced. This scenario is highly unlikely to occur, as the applicant has already signed leases for more than 415,000 gsf of storage/warehouse space at Industry City.

other commercial/industrial uses; overall, the existing storage and warehousing uses that could be directly displaced under the Density-Dependent Scenario employ an estimated total of 146 workers.<sup>9</sup>

Collectively, the businesses that could be directly displaced by the Proposed Project employ an estimated 186 workers, which exceeds the 100-employee threshold warranting a preliminary assessment under CEQR (see Section D, “Preliminary Assessment”).

3. *INDIRECT RESIDENTIAL AND BUSINESS DISPLACEMENT DUE TO INCREASED RENTS*

***Would the Proposed Project result in substantial new development that is markedly different from existing uses, development, and activities within the neighborhood? Residential development of 200 units or less or commercial development of 200,000 square feet or less would typically not result in significant socioeconomic impacts.***

The Proposed Project would introduce commercial/industrial development in excess of 200,000 square feet compared with the No Action condition; therefore, a preliminary assessment of potential indirect business displacement due to increased rents is warranted (see Section D, “Preliminary Assessment”).

According to the *CEQR Technical Manual*, residential development of 200 units or less would typically not result in significant socioeconomic impacts due to indirect residential displacement. Since the Proposed Project would not introduce any residential uses, there is no potential for impacts, and this issue does not require analysis in the EIS.

4. *INDIRECT BUSINESS DISPLACEMENT DUE TO RETAIL MARKET SATURATION*

***Would the Proposed Project result in a total of 200,000 square feet or more of retail on a single development site or 200,000 square feet or more of region-serving retail across multiple sites? This type of development may have the potential to draw a substantial amount of sales from existing businesses within the study area, resulting in indirect business displacement due to market saturation.***

The Proposed Project would introduce retail uses in excess of 200,000 square feet compared with the No Action condition in the Project Area; therefore, an assessment of potential indirect business displacement due to retail market saturation is warranted (see Section D, “Preliminary Assessment”).

5. *ADVERSE EFFECTS ON SPECIFIC INDUSTRIES*

***Is the Proposed Project expected to affect conditions within a specific industry? This could affect socioeconomic conditions if a substantial number of workers or residents depend on the goods or services provided by the affected businesses, or if the project would result in the loss or substantial diminishment of a particularly important product or service within the city.***

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<sup>9</sup> Displacement estimates related to storage and warehouse businesses within Industry City were based on the Applicant’s direct outreach to and surveying of tenants, and from Industry City’s Leasing Operations Teams based on their interactions with tenants. When tenant outreach, surveying, and interactions did not result in an estimate of employment for a specific tenant, employment multipliers based on existing storage and warehouse employment densities within Industry City were used including: 1 employee per 9,479 sf of storage/warehousing.

As the Proposed Project could result in limited direct business displacement in the Project Area, and there is the potential for indirect business displacement, an assessment of potential adverse effects on specific industries is warranted (see Section D, “Preliminary Assessment”).

Based on the screening assessment presented above, the Proposed Project warrants preliminary assessments of direct business displacement, indirect business displacement due to increased rents and retail market saturation, and adverse effects on specific industries.

## **C. PRELIMINARY ASSESSMENT**

### **DIRECT BUSINESS DISPLACEMENT**

The *CEQR Technical Manual* defines direct business displacement as the involuntary displacement of businesses from the site of or a site directly affected by a proposed action. Displacement of a business or group of businesses is not, in itself, considered a significant adverse environmental impact. While all businesses provide value to the city’s economy, the *CEQR Technical Manual* specifies consideration of the following in determining the potential for significant adverse impacts: (1) whether the businesses to be displaced provide products or services essential to the local economy that would no longer be available to local residents or businesses; and (2) whether adopted public plans call for preservation of such businesses in the area.

As detailed below, under the Density-Dependent Scenario, projected development generated by the Proposed Project could directly displace 40 businesses and an estimated 186 jobs associated with those businesses. As such, a preliminary assessment of direct business displacement was conducted, examining the employment and business value characteristics of the potentially affected businesses. The analysis begins with a description of overall business activities within the Study Area. It then describes the businesses and employment that could be directly displaced by the Proposed Actions under the Density-Dependent Scenario. CEQR assessment criteria are used to determine whether such displacement could result in significant adverse impacts.

#### *PROFILE OF PRIVATE EMPLOYMENT IN THE SOCIOECONOMIC STUDY AREA*

As of 2015, there were an estimated 18,117 employees in the Socioeconomic Study Area (see **Table 3-1**). These employees represented 3.2 percent of Brooklyn’s total private employment, and approximately 0.5 percent of New York City’s total private employment.

The sector with the highest employment in the Study Area is Manufacturing, representing approximately 18.7 percent of total Study Area employment. This is a much higher percentage of total employment as compared with Brooklyn and New York City overall, where 3.8 percent and 2.2 percent, respectively, were employed in the Manufacturing sector in 2015. Within the Study Area, a majority of manufacturing workers are employed in food manufacturing, apparel manufacturing, or fabricated metal product manufacturing. Examples of manufacturing employers within the Study Area include G-Gator, a leather clothes manufacturer; Precision Metal Fabrication; Freehand Metalworks; Crepini, a food manufacturer; and Orazio & Sons, a meat manufacturer.



**Table 3-1  
2015 Private Employment in ½-Mile Study Area, Brooklyn, and New York City**

Type of Job by NAICS Sector	Study Area <sup>1</sup>		Brooklyn		New York City	
	Employees <sup>2</sup>	Percent	Employees	Percent	Employees	Percent
Agriculture, forestry, fishing, and hunting	0	0.0	83	0.01	251	0.01
Mining	0	0.0	0	0	907	0.03
Utilities	D	D	4,283	0.8	13,696	0.4
Construction	2,580	14.2	29,936	5.4	130,192	3.7
Manufacturing	3,388	18.7	21,240	3.8	77,944	2.2
Wholesale trade	2,915	16.1	24,994	4.5	149,462	4.2
Retail trade	3,013	16.6	74,013	13.2	333,673	9.4
Transportation and warehousing	530	2.9	17,207	3.1	106,838	3.0
Information	431	2.4	10,003	1.8	175,186	5.0
Finance and insurance	88	0.5	16,757	3.0	328,019	9.3
Real estate and rental and leasing	409	2.3	17,148	3.1	128,459	3.6
Professional, scientific, and technical services	562	3.1	20,213	3.6	382,337	10.8
Management of companies and enterprises	D	D	3,112	0.6	72,484	2.1
Administrative and support and waste management and remediation services	925	5.1	29,296	5.2	216,855	6.1
Educational services	64	0.4	25,716	4.6	187,566	5.3
Health care and social assistance	1,733	9.6	177,205	31.7	615,601	17.4
Arts, entertainment, and recreation	35	0.2	8,418	1.5	87,794	2.5
Accommodation and food services	838	4.6	44,894	8.0	341,705	9.7
Other services (except public administration)	342	1.9	27,535	4.9	163,571	4.6
Unclassified	D	D	6,989	1.3	19,837	0.6
<b>Total</b>	<b>18,117</b>	<b>100.0</b>	<b>559,042</b>	<b>100.0</b>	<b>3,532,377</b>	<b>100.0</b>

**Notes:**  
<sup>1</sup> Based on aggregate of values from the QCEW, 3Q 2015 for the census tracts within a ½-mile radius of the Project Area.  
<sup>2</sup> The number of private sector employees is equal to the average number of employees in 3Q 2015.  
<sup>3</sup> To avoid disclosing data for individual employers/employees or if the sector is not found within the selected geography, certain sectors were considered non-disclosable and were symbolized with a "D." The number of non-disclosable employees is included in the total count.  
**Source:** NYS DOL QCEW 3Q 2015; DCP HEIP Division, October 2017.

The next largest economic sectors are Retail Trade and Wholesale Trade with approximately 16.6 percent and 16.1 percent of Study Area employment, respectively. In Brooklyn and New York City overall, the Retail Trade sector represented 13.2 and 9.4 percent of total employment, respectively, while Wholesale Trade represented 4.5 percent and 4.2 percent, respectively. Over 50 percent of Study Area employment in 2015 was within the Manufacturing, Retail Trade, and Wholesale Trade sectors.

Many industry sectors in the Study Area represent substantially lower proportions of total employment as compared with Brooklyn or New York City. Examples include Finance and Insurance; Accommodation and Food Services; and Arts, Entertainment, and Recreation. Most notably, however, are the lower employment shares within the Educational Services and Health Care and Social Assistance sectors. The Education Services sector represents 0.4 percent of total employment in the Study Area, whereas the sector represents 4.6 percent and 5.3 percent of total employment in Brooklyn and New York City, respectively. The Health Care and Social Assistance sector represents 9.6 percent of Study Area employment, whereas the sector represents 31.7 percent and 17.4 percent of total private employment in Brooklyn and New York City, respectively.

*PROFILE OF PRIVATE BUSINESSES IN THE SOCIOECONOMIC STUDY AREA*

As of 2015, there were an estimated 1,470 private sector businesses within the socioeconomic Study Area (see **Table 3-2**). Similar to the industries that represent the largest shares of employment in the Study Area, the largest shares of private businesses are in the Manufacturing, Wholesale Trade, and Retail Trade sectors. The Wholesale Trade sector accounted for the largest number of businesses with 312 firms, which is approximately 21.2 percent of all private businesses in the Study Area. In comparison, 5.4 percent of private businesses in Brooklyn and 6.1 percent of private businesses in New York City are in the Wholesale Trade sector. Wholesale Trade businesses are concentrated near the Project Area as well as to the south, west of the Gowanus Expressway and north of 59th Street. Examples of Wholesale Trade businesses in the Study Area include King Solomon Food Store, a meat wholesaler; Ode Wholesale Trading Corporation, a beauty product wholesaler; US Sweeteners Corporation, a sugar and sweetener wholesaler; American Laundry Bags Co., a laundry bag wholesaler; and Great One Trading Inc., a tapestry wholesaler.

**Table 3-2**  
**2015 Private Businesses in ½-Mile Study Area, Brooklyn, and New York City**

Type of Job by NAICS Sector	Study Area <sup>1</sup>		Brooklyn		New York City	
	Firms	Percent	Firms	Percent	Firms	Percent
Agriculture, forestry, fishing, and hunting	0	0.0	14	0.02	48	0.02
Mining	0	0.0	0	0	15	0.01
Utilities	D	D	24	0.04	1,154	0.4
Construction	167	11.4	3,681	6.3	12,078	4.6
Manufacturing	194	13.2	1,770	3.0	5,987	2.3
Wholesale trade	312	21.2	3,150	5.4	16,056	6.1
Retail trade	207	14.1	9,257	15.9	31,329	12.0
Transportation and warehousing	41	2.8	1,302	2.2	4,621	1.8
Information	13	0.9	909	1.6	6,723	2.6
Finance and insurance	18	1.2	1,413	2.4	11,971	4.6
Real estate and rental and leasing	49	3.3	4,333	7.4	21,502	8.2
Professional, scientific, and technical services	51	3.5	4,635	8.0	29,084	11.1
Management of companies and enterprises	D	D	132	0.2	1,967	0.8
Administrative and support and waste management and remediation services	37	2.5	1,832	3.1	10,590	4.1
Educational services	8	0.5	1,001	1.7	5,175	2.0
Health care and social assistance	39	2.7	6,203	10.7	21,540	8.2
Arts, entertainment, and recreation	12	0.8	850	1.5	6,332	2.4
Accommodation and food services	98	6.7	4,810	8.3	21,742	8.3
Other services (except public administration)	76	5.2	6,856	11.8	35,313	13.5
Unclassified	N/A	N/A	5,995	10.3	18,200	7.0
<b>Total</b>	<b>1,470</b>	<b>100.0</b>	<b>58,167</b>	<b>100.0</b>	<b>261,427</b>	<b>100.0</b>

**Notes:**

<sup>1</sup> Based on aggregate of values from the QCEW, 3Q 2015 for the census tracts within a ½-mile radius of the Project Area.

<sup>2</sup> The number of private sector businesses is equal to the average number of businesses in the first three months of 3Q 2015.

<sup>3</sup> To avoid disclosing data for individual firms or if the sector is not found within the selected geography, certain sectors were considered non-disclosable and were symbolized with a "D." The number of non-disclosable firms is included in the total count.

**Source:** AKRF, Inc., NYSDOL QCEW 3Q 2015; DCP HEIP Division, October 2017.

The second- and third-most prevalent business sectors in the Study Area—Retail Trade and Manufacturing—represent 14.1 percent and 13.2 percent of Study Area businesses, respectively. There was a similar portion of Retail Trade sector businesses in the Study Area as there were in Brooklyn (15.9 percent) and New York City (12 percent). The Manufacturing sector represented significantly smaller proportions of businesses in Brooklyn (3.0 percent) and New York City (2.3 percent) in comparison to the Study Area.

*PROFILE OF POTENTIALLY DISPLACED PRIVATE BUSINESSES*

New York City’s commercial streets are dynamic, with businesses regularly opening and closing in response to changes in the economy, local demographics, and consumer trends. Therefore, within the period extending up through 2027, it is possible that a number of the potentially displaced businesses identified below could close or relocate for reasons independent of the Proposed Project.

As shown in **Table 3-3**, an estimated 186 employees in 40 private businesses could be directly displaced by the Proposed Project under the Density-Dependent Scenario. These businesses, located on Applicant-owned sites and lots to potentially be acquired by the Applicant, span a range of industry sectors. The sector with the largest number of potentially displaced employees (representing 78.5 percent of the total potentially displaced worker population) is the Transportation and Warehousing sector with an estimated 146 workers employed among 35 firms. All 35 firms are within the Warehousing and Storage industry sub-sector. A majority of the firms that could be directly displaced have less than 10 employees each.

**Table 3-3**  
**Private Businesses and Employment Potentially Displaced by the Proposed Project under the Density-Dependent Scenario**

NAICS Industry Sector	Estimated Employment Displaced <sup>1</sup>	Percent of Displaced Employment	Estimated Firms Displaced	Percent of Displaced Businesses
Manufacturing	28	15.1	2	5.0
Retail Trade	7	3.8	2	5.0
Transportation and Warehousing	146	78.5	35	87.5
Accommodation and Food Services	5	2.7	1	2.5
<b>Total</b>	<b>186</b>	<b>100</b>	<b>40</b>	<b>100</b>

**Note:**  
<sup>1</sup> Employment estimates for businesses located on the lots to be acquired are based on AKRF field observations, research conducted on Manta, and standard industry employment density ratios commonly used for CEQR analysis. Employment estimates for businesses currently located in Industry City are based on the Applicant’s direct outreach to and surveying of tenants, and from Industry City’s Leasing Operations Teams based on their interactions with tenants. When tenant outreach, surveying, and interactions did not result in an estimate of employment, employment multipliers based on existing employment densities within Industry City were used including: 1 employee per 9,479 square feet (sf) of storage/warehousing.  
**Sources:** AKRF, Inc.; DCP’s ZoLA (accessed January 2018).

The industry sector with the second-largest number of potentially displaced employees is Manufacturing, with an estimated 28 workers employed by two firms. The two Manufacturing firms are Double Eight Iron Works, Inc. (Block 695, Lot 37), which has an estimated three employees, and Paradise Plastics (Block 706, Lot 20), which has an estimated 25 employees.

The remaining three businesses that could be directly displaced fall within two industry sectors—Retail Trade and Accommodation and Food Services. The two Retail Trade sector firms are located on lots to potentially be acquired by the Applicant, and include Video City (Block 695, Lot 40) with an estimated 4 employees and Sunset Video (Block 695, Lot 38) with an estimated 3 employees. The Accommodation and Food Services business, Café La Morena & Deli, employs an estimated 5 workers and is located on a lot to potentially be acquired by the Applicant (Block 695, Lot 37).

*CEQR PRELIMINARY ASSESSMENT CRITERIA*

According to the *CEQR Technical Manual*, the following threshold indicators are considered to determine the potential for significant adverse impacts due to direct business displacement.

- 1. Would the businesses to be displaced provide products or services essential to the local economy that would no longer be available in their “trade areas” to local residents or businesses due to the difficulty of either relocating the businesses or establishing new, comparable businesses?***

The following sections detail the industry sectors within which displacement could occur, and describes the potential effects on socioeconomic conditions within the Study Area.

*Manufacturing*

The two Manufacturing businesses that could be directly displaced by the Proposed Project—Double Eight Iron Works, Inc. and Paradise Plastics—collectively employ an estimated 28 workers, representing approximately one percent of Manufacturing businesses and employment within the Study Area. Other iron and plastics Manufacturing firms providing similar products within the Study Area or within close proximity to the Study Area include E G Plastics, Inc., J Rice Plastic Co, Protective Lining Corporation, Southwest Iron Works, Precision Metal Fabrication, and Architectural Metal Fabricators. Products comparable to those of the potentially displaced businesses would be available within their trade areas to local residents or businesses.

The clientele for the two potentially displaced firms are located throughout the New York metropolitan region and are not necessarily confined to the study area. As a result, the two potentially displaced firms’ ability to conduct business is not dependent upon their location within the Study Area.

*Retail Trade*

The two potentially displaced Retail Trade businesses—Video City and Sunset Video, both adult DVD and novelty stores—employ an estimated seven workers, representing one percent of Retail Trade sector businesses and less than one-half of one percent of total sector employment within the Study Area. Retailers selling comparable products within the Study Area and within close proximity to the Study Area include 757 Paradise, Lexus Video, and Please. The potentially displaced Retail Trade businesses are not unique to the Study Area and as such, were determined not to be essential to the local economy.

*Transportation and Warehousing*

The 35 potentially displaced businesses currently occupying Warehousing and Storage space at Industry City employ an estimated 146 workers. Warehousing and Storage uses are passive uses that tend to be low revenue generators and create only a limited number of jobs; over half of the potentially displaced businesses employ fewer than 10 workers each.

Currently, the NYSDOL QCEW data records 41 Transportation and Warehousing businesses employing 530 workers in this study area. However, it is likely a significant understatement of the number of people and businesses involved in storage and warehousing activities. NAICS industry categories used in the QCEW data are based on the primary activity of a company, thus identifying study area businesses based on the primary activity of the company as a whole would not account for ancillary storage and warehousing uses that often accompany the business operations of, for example, a retail establishment or government agency. Instead,

said storage and warehouse space would be classified under QCEW as Retail Trade or Public Administration, the corresponding employment densities and types of activities for which are not representative of that which currently takes place within storage and warehouse space at Industry City. Basing estimates instead on MapPLUTO data, which indicates approximately 12.1 million gsf of storage and warehouse space in the study area, and applying the employment density for Industry City's approximately 1.4 million gsf of storage and warehouse space (1 employee per 9,479 gsf) suggests a total of approximately 1,277 storage and warehouse employees in the study area.

The services offered by the potentially displaced uses (storage/warehousing) are not consumed by Study Area residents, and include space used by City agencies to store files, by museums for overflow exhibit storage, and by retailers for storing goods. Existing users of potentially displaced Warehousing and Storage spaces operate irrespective of location, and thus will not be meaningfully impacted by an approximate 10 percent reduction in the amount of available warehousing space within the study area as a result of the Proposed Actions. Services comparable to those of the potentially displaced businesses would still be available within the local trade area. Comparable storage and warehousing space within the study area includes the Brooklyn Navy Terminal and along the Gowanus Canal. Warehousing continues to exist along I-95 in Maspeth and also near I-278 on Steinway, the Hunts Point section in the Bronx, and the Flatlands neighborhood in southeast Brooklyn. The services of the potentially displaced Transportation and Warehousing businesses are not relied upon by local residents and are not unique to the study area and, therefore, do not provide products or services that are essential to the local economy.

#### *Accommodation and Food Services*

There is one potentially displaced Accommodation and Food Services sector business within the Study Area employing an estimated 5 workers. The existing business, Café La Morena & Deli, represents less than one half of one percent of sector employment and less than one percent of sector businesses within Brooklyn. The potentially displaced business and associated employment do not represent a majority of Study Area Accommodation and Food Services businesses or employment. Comparable products and employment opportunities would still be available within the Study Area at firms such as Best Deli and Cousins Deli on 41st Street, Cordoba Deli on 44th Street, Sanca Deli on 36th Street, or at any of the number of delis concentrated along 4th Avenue.

**2. *Is the category of businesses or institutions that may be directly displaced the subject of other regulations or publicly adopted plans to preserve, enhance, or otherwise protect it?***

Under the Density-Dependent scenario, the Proposed Project could potentially directly displace 40 businesses. Retail Trade and Accommodation and Food Services sector businesses, three of which could be potentially displaced by the Proposed Project, are abundant within the Study Area, Brooklyn and New York City, and there are no regulations or publicly adopted plans to preserve, enhance, or otherwise protect them.

The other 37 potentially displaced businesses are within the Manufacturing and Transportation and Warehousing sectors. A primary focus of the New Connections/New Opportunities Sunset Park 197-A Plan, adopted by City Council in 2009, is the preservation of industrial land uses within the Community District. The goals outlined in the plan call for preserving existing industrial land uses and promoting industrial development. In addition, Mayor de Blasio set a goal of using direct City actions to spur 100,000 new quality jobs over the next ten years. The

New York Works Plan, the roadmap for achieving that goal, identifies the creation of 20,000 new jobs within the city's industrial and manufacturing ecosystem as a primary strategy "to create good jobs for New Yorkers."<sup>10</sup> While the Manufacturing businesses and warehouse/distribution centers that could be directly displaced by the Proposed Project are part of the industrial fabric of the neighborhood, the Proposed Project would result in a significantly greater amount of industrial space than what currently exists in the Project Area today, occupied by industrial uses with greater employment density as compared to the potentially displaced warehouse and storage uses. In this respect, the Proposed Actions are consistent with the goals of the two plans as compared to conditions in the future without the Proposed Project, facilitating a wider variety of quality industrial job opportunities requiring varying skill sets.

### CONCLUSION

The 40 potentially displaced businesses and associated employment would not result in significant adverse impacts due to direct business displacement. Overall, the businesses that could be displaced do not provide products or services that are essential to the local economy, and those services would still be available within their trade areas to local residents or businesses upon dislocation. The products or services of the potentially displaced businesses are not unique to the Study Area and are not dependent upon the firms' location within the Study Area. There are no regulations or publicly adopted plans that specifically call for the preservation of the potentially displaced businesses.

### INDIRECT BUSINESS DISPLACEMENT DUE TO INCREASED RENTS

The preliminary assessment of indirect business displacement due to increased rents focuses on whether the Proposed Project could increase commercial property values and rents within a ½-mile Study Area such that it would become difficult for some categories of businesses to remain in the area. The following three questions (numbered in italics below) address the potential for significant adverse indirect business displacement impacts.

***1. Would the Proposed Project introduce a trend that increases commercial property values, making it difficult for businesses essential to the local economy—or a business that is the subject of regulations or publicly adopted plans to preserve, enhance, or otherwise protect it—to remain in the study area?***

The Proposed Actions under the Density-Dependent Scenario would result in an increment of approximately:

- 700,000 gsf of retail (including a 40,000-gsf food store);
- 33,003 gsf of event space;
- 1.5 million gsf of Innovation Economy space, including approximately 750,000 gsf of manufacturing space, 377,000 gsf of artisanal manufacturing space, and 377,000 gsf of office space;
- 287,000 gsf of hotel space (two hotels/420 keys);
- 627,674 gsf of academic uses; and
- accessory parking ( between 983 and 1,283 spaces).

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<sup>10</sup> Source: <https://newyorkworks.cityofnewyork.us/overview/>. Accessed January 8, 2018.

In total, the Proposed Project would result in an increment of approximately 3.1 million square feet of uses throughout the Project Area. A significant portion of the new uses would be housed in 1.45 million gsf of newly constructed space. The remaining 1.65 million gsf of new uses would be absorbed by spaces within the Project Area that are either currently vacant or else occupied by less job-intensive storage and warehousing uses.

Overall, the Proposed Project would introduce a substantial amount of new and upgraded space throughout the Project Area, and in doing so has the potential to alter or accelerate economic patterns in the Study Area. This significant investment within the Study Area would grow economic activity as well as the number and types of job opportunities available to local residents within the study area. A detailed analysis is required under CEQR to consider whether such potential changes to the local economy could increase commercial property values, making it difficult for certain businesses that may be essential to the local economy—or a business that is the subject of regulations or publicly adopted plans to preserve, enhance, or otherwise protect it—to remain in the Study Area.

**2. *Would the Proposed Project 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?***

The Proposed Project could result in limited direct displacement of residents and businesses in the Project Area, though not of the types of uses that provide direct support to businesses in the Study Area, or that bring to the area substantial numbers of people that form a customer base for local businesses.

**3. *Would the Proposed Project directly or indirectly displace residents, workers, or visitors who form the customer base of existing businesses in the Study Area?***

The Proposed Project would not directly or indirectly displace residents, workers, or visitors who form a substantial portion of the customer base for existing businesses in the Study Area. In the future with the Proposed Project, any potential loss of existing workers would be more than offset by a net increase in employment, including industrial- and manufacturing-based employment, in the study area. The Proposed Project is not expected to result in significant indirect displacement of workers or residents. On the contrary, the proposed redevelopment of the Project Area could add workers, students, and visitors to the Study Area, increasing the customer base of existing businesses, including that of the local stores and restaurants located immediately east of the Project Area on 4th Avenue and 5th Avenue that draw upon destination customers, as well as those businesses servicing the expansion of Industry City.

**CONCLUSION**

This preliminary assessment finds that the Proposed Project could introduce trends that increase retail and traditional industrial and warehousing property values and rents in the Study Area. Therefore, a detailed analysis is required to determine whether these potential effects could be significant and adverse. The detailed analysis is presented in Section E, “Detailed Analysis.”

**INDIRECT BUSINESS DISPLACEMENT DUE TO RETAIL MARKET SATURATION**

Projects resulting in the development of large, regional-serving retail may draw sales from existing businesses in an area. According to the *CEQR Technical Manual*, this type of competitive pressure does not necessarily result in environmental impacts, especially in New York City, where increases in retail supply can usually be supported by the city’s high population density, population growth, visitor-generated sales, and overall purchasing power. However, market

competition can become an environmental concern if it has the potential to result in business displacement due to competitive effects, and in turn, prolonged vacancy and disinvestment in neighborhood shopping areas thereby affecting neighborhood desirability.

For projects exceeding the 200,000-square-foot (sf) retail threshold, the *CEQR Technical Manual* prescribes a step-by-step preliminary assessment, presented below, that can be described as a “capture rate analysis.” Capture rates are measures of business activity in a trade area, comparing the amount of consumer expenditures for retail goods (i.e., demand) to the amount of retail sales in the trade area (supply). According to the *CEQR Technical Manual*, if a capture rate—or retail sales divided by expenditure potential—exceeds 100 percent, then there is the potential for market saturation and a detailed analysis is required to determine whether the project may capture retail sales from existing businesses to an extent that vacancies and disinvestment on neighborhood commercial streets would occur, thereby affecting land use patterns and the economic viability of the neighborhood.

The CEQR step-by-step preliminary assessment is presented below for the Density-Dependent Scenario, which would result in the incremental development of 700,000 gsf of retail space, including a 40,000-gsf food store, 79,200 gsf of local retail, and 580,800 gsf of destination retail.

### *STEP ONE*

***Determine whether the categories of goods to be sold at the Proposed Project are similar to the categories of goods sold in stores found on neighborhood retail streets within the Study Area.***

The nature of retail uses introduced by the Proposed Project would be dissimilar to those most prevalent throughout the Study Area. The Proposed Actions under the Density-Dependent Scenario would offer 700,000 gsf of incremental retail space consisting of a combination of local retail (79,200 gsf of incremental neighborhood-oriented retail space, including full-service restaurants, and a potential 40,000-gsf grocery store) and destination retail (580,800 gsf), the latter concentrated within larger, renovated spaces with higher ceilings. Though the proposed destination retail program would parallel the types of uses found concentrated immediately north of the Project Area, there remains a dearth of destination retail uses throughout most of the Study Area, precluding the potential for oversaturation of the local market. The Proposed Project would otherwise introduce limited overlap with the categories of goods sold in stores within the broader Study Area, with existing and future neighborhood retail offerings available on-site targeted towards a distinct demographic.

Sunset Park has well-defined local and destination retail corridors. In particular, 4th and 5th Avenues are the primary neighborhood retail corridors, comprised of small-format mom-and-pop stores. The most prevalent storefront uses include Clothing and Accessories, Food Service and Drinking Places, Convenience Food, and Other Retail (i.e., general merchandise).<sup>11</sup> Examples include Cap & Clothing Sports Inc; V.I.M.; Hypnotic Tattoo and Piercing; La Gran Via Bakery, Cafeteria, and Panderia; Tacos Matamoros restaurant; Strawberry Field convenience goods store; Key Food; VLS Pharmacy, Inc.; Pinata Foods Inc. convenience grocer; and El Che Jewelry Boutique. The independent small-format retailers cater to the significant local Latino and Chinese populations, and much like Flushing in Queens, these retailers have emerged as borough-wide retail destinations.<sup>12</sup>

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<sup>11</sup> HR&A, Industry City Retail Study, February 2015.

<sup>12</sup> Ibid.



West of the Gowanus Expressway, which runs along 3rd Avenue, the small, convenience-style stores of 4th and 5th Avenues are complemented by a concentration of larger-format destination retail stores. Destination retailers in the Study Area include: Costco, a Wholesale Trade sector firm; auto service businesses, which can be classified as Other Service (except public administration) and Retail Trade sector businesses depending on the type of business conducted; and the stores at BEYOND at Liberty View such as buybuy Baby, Cost Plus World Market, Bed Bath & Beyond, Face Values, and Saks Off 5th, which are all destination Retail Trade sector stores.

*STEP TWO*

***Determine a primary trade area for the proposed “anchor” stores—the largest stores in the Proposed Project that are expected to yield the largest proportion of retail sales.***

As described in the *CEQR Technical Manual*, an analysis of the potential effects of competition should encompass a “primary trade area” from which the greatest numbers of repeat customers could be expected to be drawn, and from which the bulk of new stores’ sales are likely to be derived. Delineating the appropriate primary trade area depends on the size and the type of stores in the Proposed Project, as well as the transportation access, including roads and mass transit, physical barriers, and the location of large competitive retail facilities that might preclude the need to shop at the Proposed Project. As defined by the Urban Land Institute’s *Shopping Center Development Handbook*, trade areas for shopping centers similar to the Proposed Project in size and potential tenant mix would generally extend 12 miles from the site, and typically can be reached within a 30-minute drive. Because New York City has high population density and therefore high concentrations of consumer spending potential, trade areas for New York City retail developments are generally well below these industrywide standard ranges. In addition to population density, the New York City region has a concentration of retail options that limit the need to drive 30 minutes to reach major retail offerings. In particular, there are several super regional shopping centers located within 12 miles of the Project Area including Atlantic Terminal Mall in Brooklyn, Gateway Center in Brooklyn, Staten Island Mall in Staten Island, Queens Center in Queens, and Newport Centre in New Jersey. A primary trade area of 12 miles would therefore not be appropriate since many of those traveling from the more distant reaches of the trade area would be closer to existing super regional shopping centers than the Project Area, and some would be traveling past existing super regional shopping centers of equal or greater size to reach the site.

The Project Area’s location adjacent to the Gowanus Expressway (I-278) and the Belt Parkway make the sites easily accessible to all of Brooklyn through both the highway network and the local roads. The Project Area is additionally served by the D, N, Q, and R subways with express and local service from the 25th Street, 36th Street, 45th Street, and 53rd Street subway stations, and by local buses including the B35, B37, and B70. While not far from Queens and southeastern neighborhoods of Brooklyn (such as Sheepshead Bay and East New York), the lack of direct public transportation options to the Project Area from these locations makes it less likely that a large number of consumers would come from Queens and southeastern Brooklyn. In addition, the Project Area is not far from Staten Island, but the toll-only passage and lack of subway access between the Project Area and Staten Island makes it unlikely that a large number of consumers would come from Staten Island. In addition, the presence of other large regional shopping centers in Queens and Staten Island makes it less likely that respective residents would drive into Sunset Park to shop for everyday goods, despite the Project Area’s location adjacent to the Belt Parkway and Gowanus Expressway. For these reasons, the RWCDs “Primary Trade Area” for the preliminary assessment of indirect business displacement due to retail market saturation is defined

as the three-mile radius surrounding the Project Area that approximates a 20-minute commute on public transportation (see **Figure 3-2**).<sup>13</sup>

*STEP THREE*

***Estimate sales volumes for relevant retail stores within the Primary Trade Area, i.e., stores that sell categories of goods similar to those expected to be offered by stores introduced by the Proposed Project.***

Based on the RWCDs, the Proposed Project would result in the development of local and destination retail. The anchor stores as defined by the *CEQR Technical Manual* are the largest stores in the proposed development that are expected to be the primary sources of added retail sales. The anchor stores would be those stores in the destination retail space and would be primarily tenanted by full-service restaurants and general merchandise stores. As such, this analysis includes a general measure of retail sales identified as “Shoppers’ Goods,”<sup>14</sup> “Convenience Goods,”<sup>15</sup> and “Food Services and Drinking Places.”<sup>16</sup> According to Esri data, retail sales in the three-mile Primary Trade Area totaled approximately \$5.80 billion in 2017 for the retail categories analyzed (see **Table 3-4**). Shoppers’ Goods stores accounted for \$2.4 billion in sales, Convenience Goods stores accounted for \$2.6 billion in sales, and Food Services and Drinking Places accounted for \$814 million in sales.

**Table 3-4**  
**Estimated Annual Retail Sales in the Three-Mile Primary Trade Area, 2017**

<b>Retail Category</b>	<b>Total Sales (Millions of 2017 Dollars)</b>	<b>Average Sales Per Household</b>
Shoppers’ Goods	\$2,446.22	\$7,263.32
Convenience Goods	\$2,577.68	\$7,654.66
<i>Grocery Stores</i>	\$1,082.17	\$1,865.38
Food Services and Drinking Places	\$814.05	\$2,417.06
Total <sup>1</sup>	\$5,837.95	\$17,334.05
<b>Note:</b>		
<sup>1</sup> Total does not reflect total for all retail—only those retail categories included in Shoppers’ Goods, Convenience Goods, and Food Services and Drinking Places. Retail establishments not included in this total are Auto-Related Businesses and Non-Store Retailers. Entertainment uses are also not included.		
<b>Sources:</b> Esri Business Analyst Online (accessed in November 2017); AKRF, Inc.		

<sup>13</sup> Mapnificent, <https://www.mapnificent.net/newyork/>. Accessed November 27, 2017.

<sup>14</sup> Shoppers’ Goods include furniture and home furnishings stores; electronics and appliance stores; clothing and clothing accessories stores; sporting goods, hobby, book, and music stores; general merchandise stores; office supply, stationary, and gift stores; and used merchandise stores.

<sup>15</sup> Convenience Goods include food and beverage stores, health and personal care stores, florists, and other miscellaneous store retailers.

<sup>16</sup> Food Services and Drinking Places include special food services, drinking places (alcoholic beverages), and restaurants/other eating places.

*STEP FOUR*

***Estimate the expenditure potential, or retail demand, for relevant retail goods of shoppers within the Primary Trade Area.***

Demand for any retail concentration can originate from a variety of sources, including local households, workers, businesses, tourists, and online sales. Data sources that report on both retail demand and sales tend to focus on demand from households in a defined geography and do not always address demand from workers, businesses, or tourists, which can be more difficult to pinpoint and relate directly to retail sales. (The U.S. Census Bureau compiles data on household expenditures by retail category but does not have a corresponding data set for spending by workers or tourists for defined geographies, and many data providers rely heavily on information from the U.S. Census Bureau.) It should be noted that the data sets available for this analysis provide retail demand estimates for the three-mile Primary Trade Area’s residential population (i.e., Brooklyn residents living within a 3-mile radius of the Project Area), but do not include retail demand from workers, businesses, tourists who live outside of the Primary Trade Area or online sales from residents who live inside the Primary Trade Area. Therefore, the data provided in this analysis may not capture the true magnitude of expenditure potential within the Primary Trade Area. In this respect the analysis is conservative in that it underestimates the amount of demand for retail in the Primary Trade Area.

In 2017, households in the Primary Trade Area spent an estimated \$8.85 billion (see **Table 3-5**). On a per household basis, the Primary Trade Area residents spent an average of \$11,918 annually on Shoppers’ Goods, \$10,218 annually on Convenience Goods, and \$4,133 annually on Food Services and Drinking Places.

**Table 3-5  
Estimated Annual Retail Demand in the  
Three-Mile Primary Trade Area, 2017**

<b>Retail Category</b>	<b>Total Demand (Millions of 2017 Dollars)</b>	<b>Demand Per Household</b>
Shoppers’ Goods	\$4,014.01	\$11,918.40
Convenience Goods	\$3,441.16	\$10,217.50
<i>Grocery Stores</i>	\$1,865.38	\$5,538.69
Food Services and Drinking Places	\$1,392.03	\$4,133.22
Total <sup>1</sup>	\$8,847.20	\$26,269.12
<b>Note:</b>		
<sup>1</sup> Total does not reflect total for all retail—only those retail categories included in Shoppers’ Goods, Convenience Goods, and Food Services and Drinking Places. Retail establishments not included in this total are Auto-Related Businesses, Non-Store Retailers, and Entertainment Uses.		
<b>Sources:</b> Esri Business Analyst Online (accessed in November 2017); AKRF, Inc.		

*STEP FIVE*

***Compare retail sales (Step Three) with retail demand (Step Four) to develop a “capture rate,” which can help determine whether the Primary Trade Area is currently saturated with retail uses or whether there is likely to be an outflow of sales from the area.***

Capture rates are a measure of business activity in a given trade area by indicating the percentage of consumer expenditures for retail goods that are being captured by retailers in that area. If the total sales in the trade area are much lower than the area’s expenditure potential, then it is likely that residents are spending a large portion of their available dollars outside of the trade area, and the capture rate is low. If sales are closer in value to expenditure potential, then area residents are

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likely spending a higher proportion of their available resources within the trade area, and the capture rate is high.

As shown in **Table 3-6**, the capture rate for the categories analyzed is 65.99 percent. Convenience Goods stores have the highest capture rate of 74.91 percent, followed by Shoppers’ Goods stores with a capture rate of 60.94 percent. Food Services and Drinking Places had the lowest capture rate of 58.48 percent.

**Table 3-6  
Annual Household Retail Expenditures and Total Retail Sales,  
Three-Mile Primary Trade Area, Existing Condition**

<b>Retail Category</b>	<b>Retail Sales in Primary Trade Area (\$ millions)</b>	<b>Retail Demand from Primary Trade Area Households (\$ millions)</b>	<b>Amount Not Being Captured in Primary Trade Area (Demand minus Sales) (\$ millions)</b>	<b>Primary Trade Area Capture Rate (%)</b>
Shoppers’ Goods	\$2,446.22	\$4,014.01	\$1,567.79	60.94
Convenience Goods	\$2,577.68	\$3,441.16	\$863.48	74.91
<i>Grocery Stores</i>	\$1,082.17	\$1,865.38	\$783.21	58.01
Food Services and Drinking Places	\$814.05	\$1,392.03	\$577.98	58.48
Total <sup>1</sup>	\$5,837.95	\$8,847.20	\$3,009.25	65.99

**Note:**  
<sup>1</sup> Total does not reflect total for all retail—only those retail categories included in Shoppers’ Goods, Convenience Goods, and Food Services and Drinking Places. Retail establishments not included in this total are Auto-Related Businesses, Non-Store Retailers, and Entertainment Uses.  
**Sources:** Esri Business Analyst Online (accessed in November 2017); AKRF, Inc.

*STEP SIX*

***Assess factors that will affect conditions in the Primary Trade Area in the build year even absent the Proposed Project. Such factors typically include population changes, which could increase expenditure potential and generate additional demand for retail goods, and new retail projects, which would expand the retail inventory.***

Capture rate analyses include an estimate of new retail sales and household demand in a trade area as a result of known residential and retail projects within a trade area. These changes are layered onto the existing conditions to determine changes in capture rates between the existing condition and the No Action condition. Since the rezoning of Downtown Brooklyn in 2004, the residential population in the downtown area has significantly increased, leading to increased retail development that usually follows a growing population. Since the rezoning, 1.3 million sf of commercial space was developed in the rezoning area (3.3 million sf less than what was anticipated) and 9.8 million sf of residential space (11,000 DUs) was developed in the same area (8.9 million square feet more than anticipated). Residential development has surpassed projections.<sup>17</sup>

The three-mile Primary Trade Area and Brooklyn will continue to grow in a similar manner, and a number of residential and retail projects are currently in development within the Primary Trade Area that will impact the total retail demanded by consumers as well as the total supply of retail within the trade area. Similar to the development resulting from the rezoning, projected No Action

<sup>17</sup> “A Decade Later in Downtown Brooklyn: A Review of the 2004 Rezoning,” Brooklyn Borough Hall. Accessed December 2017.

development is largely residential. For analysis purposes, residential developments of 20 DUs or more, and developments resulting in 10,000 sf of retail or more were considered. The screening provides a conservative measure of the increased retail demanded by new residents and supplied by new retail projects.

There are a number of significant residential and retail developments currently planned for the Primary Trade Area.<sup>18</sup> Several of the largest residential developments currently planned for the Primary Trade Area are within Brooklyn CD 2, which encompasses the neighborhoods of Downtown Brooklyn, Fort Greene, Brooklyn Heights, and Clinton Hill. Brooklyn CD 2 is tied with Brooklyn CD 14, which encompasses the Prospect Park South, Flatbush, and Manhattan Terrace neighborhoods, for the greatest number of planned developments in the Primary Trade Area—there are nine planned developments in each CD, or approximately 18 percent of new development within the Primary Trade Area. Brooklyn CD 10, which includes Bay Ridge and Dyker Heights, had the fewest planned developments. There is significantly less planned commercial development compared to residential development. A total of 3,300 new DUs are under development and approximately 779,000 sf of new retail development is planned for the area.<sup>19</sup>

As shown in **Table 3-7**, under the future No Action condition, the three-mile Primary Trade Area market capture rate for goods analyzed is 66.50 percent, 0.51 percentage points higher than the existing condition capture rate. Under the No Action condition, the capture rate for Shoppers’ Goods increases compared with the existing condition, capturing 67.30 percent of the market. Capture rates for Convenience Goods, and Food Services and Drinking Places also increase compared with the existing condition, capturing 78.35 percent and 60.58 percent of the market, respectively.

**Table 3-7**  
**Household Retail Expenditures and Total Retail Sales,**  
**Three-Mile Primary Trade Area, No Action Condition<sup>1</sup>**

Retail Category	Retail Sales in Primary Trade Area <sup>2</sup>	Retail Demand from Primary Trade Area Households <sup>3</sup>	Amount Not Being Captured in Primary Trade Area	Primary Trade Area Capture Rate (percent)
Shoppers’ Goods	\$2,728.09	\$4,053.34	\$1,325.25	67.30
Convenience Goods	\$2,759.10	\$3,474.88	\$715.78	79.40
<i>Grocery Store</i>	\$1,118.74	\$2,225.62	\$1,106.89	50.27
Food Services and Drinking Places	\$851.49	\$1,405.67	\$554.18	60.58
Total	\$6,338.68	\$8,933.89	\$2,595.22	70.95

**Notes:**

<sup>1</sup> All values are in millions of 2017 dollars.

<sup>2</sup> Programming for retail projects in the No Action condition that do not have publicly accessible programming plans are based on ULI Dollars and Cents (2008) US Neighborhood and Regional Shopping Centers Composition by Tenant Classification Group.

<sup>3</sup> Retail demand in the No Action condition is based on the existing retail demand per household available through Esri Business Analyst Online and the incremental demand from households that could result in the No Action condition.

**Sources:** Esri Business Analyst Online (accessed in November 2017); ICSC; Urban Land Institute’s 2008 *Dollars and Cents of Shopping Centers*; NYC Department of Buildings; AKRF, Inc.

<sup>18</sup> See **Appendix B**, “No Build Tables,” for a list of planned residential and retail projects in the Primary Trade Area.

<sup>19</sup> Unless plans to develop a site have been announced publicly, this analysis excludes development that could be realized on underbuilt sites within the Primary Trade Area by the 2027 analysis year.

*STEP SEVEN*

***Project the sales volume for the Proposed Project’s retail uses.***

As described in Step One, the Proposed Project under the Density-Dependent Scenario would introduce an increment of up to 700,000 gsf of retail space, including 79,200 gsf of local retail, 580,800 gsf of destination retail, and a 40,000 gsf grocery store. The project would be occupied by multiple tenants including those that sell Shoppers’ Goods, Convenience Goods, and provide Food Service and Drinking Places. As no tenant has yet been identified with the exception of a potential grocery store, multiple retail category capture rates were analyzed. **Table 3-8** shows the breakdown of retail and the projected sales assumed under this analysis. As shown in **Table 3-8**, retail sales resulting from the Proposed Project are projected to be approximately \$466.49 million annually.

The Proposed Project would not introduce any residential uses, and therefore the residential expenditure potential in the Primary Trade Area would not change as a result of the Proposed Project.

**Table 3-8**  
**Estimated Sales at Stores Introduced under the Proposed Project,**  
**Density-Dependent RWCDs**

<b>Retail Category</b>	<b>Square Feet</b>	<b>Estimated Sales (Millions of 2017 Dollars)</b>
Shoppers’ Goods	469,000	\$306.71
Convenience Goods	110,950	\$67.56
<i>Grocery Store</i>	40,000	\$21.86
Food Services and Drinking Places	120,050	\$92.22
Total	700,000	\$466.49

**Sources:** ICSC; Urban Land Institute’s 2008 *Dollars and Cents of Shopping Centers*; AKRF, Inc.

*STEP EIGHT*

***Develop a capture rate for the Primary Trade Area in the future with the Proposed Project. According to the CEQR Technical Manual, if the capture rate for relevant categories of goods would exceed 100 percent, it may have the potential to saturate the market for particular retail goods and a detailed assessment is warranted.***

As described in Step Seven, the Proposed Project would increase retail sales in the three-mile Primary Trade Area by an estimated \$466.49 million annually, and would not change household retail expenditure potential. **Table 3-9** compares Primary Trade Area retail sales, demand, and capture rates for existing conditions with those in the No Action condition and With Action condition.

As shown in the tables, the total retail capture rate would increase 5.22 percentage points in comparison to the No Action condition, from 70.95 percent to 76.17 percent in the future with the Proposed Actions. The capture rate for Shoppers’ Goods would increase by 7.57 percentage points to 74.87 percent, the capture rate for Convenience Goods would increase by 1.95 percentage points to 81.35 percent, the Grocery Store capture rate would increase by 0.98 percentage points to 51.25 percent, and the Food Service and Drinking Places capture rate would increase by 6.56 percentage points to 67.14 percent.

In the future with the Proposed Actions, capture rates for each of the broad retail categories analyzed would remain below 100 percent. As described above, capture rates are not an exact measure of retail sales and expenditure potential in any area, and this analysis has focused by necessity on the household expenditure potential component of retail demand, not quantifying additional demand from other sources such as workers, tourists and other visitors, or internet sales. Despite these uncertainties, it is not expected that the Proposed Project would capture retail sales in any of these categories of goods to an extent that the market for such goods would become saturated. Furthermore, as detailed in the assessment of indirect business displacement due to increased rents, the proposed redevelopment of the Project Area could result in additional employees, students, and visitors to the Study Area, increasing the customer base for existing businesses.

**Table 3-9**

**Comparison of Estimated Retail capture Rates in the Three-Mile Primary Trade Area: Existing, No Action, and With Action Conditions**

	Retail Sales in Primary Trade Area <sup>1</sup>	Retail Demand from Primary Trade Area Households <sup>1</sup>	Primary Trade Area Capture Rate (percent)
<b>Existing Conditions</b>			
Shoppers' Goods	\$2,446.22	\$4,014.01	60.94
Convenience Goods	\$2,577.68	\$3,441.16	74.91
<i>Grocery Store</i>	\$1,082.17	\$1,865.38	58.01
Food Service and Drinking Places	\$814.05	\$1,392.03	58.48
<b>Total<sup>2</sup></b>	<b>\$5,837.95</b>	<b>\$8,847.20</b>	<b>65.99</b>
<b>No Action Condition</b>			
Shoppers' Goods	\$2,728.09	\$4,053.34	67.30
Convenience Goods	\$2,759.10	\$3,474.88	79.40
<i>Grocery Store</i>	\$1,118.74	\$2,225.62	50.27
Food Service and Drinking Places	\$851.49	\$1,405.67	60.58
<b>Total<sup>2</sup></b>	<b>\$6,338.68</b>	<b>\$8,933.89</b>	<b>70.95</b>
<b>With Action Condition</b>			
Shoppers' Goods	\$3,034.80	\$4,053.34	74.87
Convenience Goods	\$2,826.66	\$3,474.88	81.35
<i>Grocery Store</i>	\$1,140.60	\$2,225.62	51.25
Food Service and Drinking Places	\$943.71	\$1,405.67	67.14
<b>Total<sup>2</sup></b>	<b>\$6,805.17</b>	<b>\$8,933.89</b>	<b>76.17</b>
<b>Notes:</b>			
<sup>1</sup> All dollar values are in millions of 2017 dollars.			
<sup>2</sup> Total does not reflect total for all retail—only those retail categories included in Shoppers' Goods, Convenience Goods, Grocery Stores, and Food Service and Drinking Places. Retail establishments not included in this total are Auto-Related Businesses, Building Materials and Garden Supply, Non-Store Retailers, and Entertainment uses.			
<b>Sources:</b> Esri Business Analyst Online (accessed in November 2017); from ICSC Sales Productivity for Non-Anchor Tenants in New York Metro Area Malls for June 2017; Urban Land Institute's <i>2008 Dollars and Cents of Shopping Centers</i> .			

*CONCLUSION*

Compared to the future No Action condition, the incremental 700,000 gsf of local retail, destination retail, and grocery store resulting from the Proposed Project would increase capture

rates in the three-mile Primary Trade Area in the Shoppers' Goods, Convenience Goods, and Food Services and Drinking Places retail categories. However, these capture rates would remain well below 100 percent. Therefore, it is not expected that the Proposed Project would lead to vacancies and disinvestment on neighborhood commercial streets, nor would it affect land use patterns and the economic viability of the Sunset Park neighborhood within the Primary Trade Area due to retail market saturation and competitive effects.

### **ADVERSE EFFECTS ON SPECIFIC INDUSTRIES**

According to the *CEQR Technical Manual*, a significant adverse impact may occur if an action would quantifiably 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* is new regulations that prohibit or restrict the use of certain processes that are critical to certain industries.

**1. *Would the Proposed Project significantly affect business conditions in any industry or any category of business within or outside the Study Area?***

The Proposed Project would not significantly affect the business conditions in any industry or any category of business within or outside the Study Area. The Proposed Project could result in limited direct displacement of businesses and employees.

As described below in Section E, "Detailed Analysis," the Proposed Project is not expected to result in significant indirect business displacement due to increased rents or retail market saturation, as discussed above. The proposed uses are found elsewhere in the Study Area and are not expected to result in significantly higher rents. Also, the retail capture rates in the three-mile Primary Trade Area would remain well below 100 percent. Therefore, the Proposed Project would not adversely affect business conditions in any specific industry within or outside the Study Area.

**2. *Would the Proposed Project indirectly substantially reduce employment or have an impact on the economic viability in the industry or category of business?***

As described below in the Indirect Business Displacement analysis, the Proposed Project would not result in significant indirect business displacement due to increased rents or retail market saturation. It is not expected that the Proposed Project would lead to vacancies and disinvestment on neighborhood commercial streets, nor would it affect land use patterns and the economic viability of the Sunset Park neighborhood. Therefore, the Proposed Project would not indirectly substantially reduce employment or have an impact on the economic viability in any specific industry or category of business.

Based on this preliminary assessment, the Proposed Project would not quantifiably diminish the viability of any specific industry with substantial economic value to the city's economy. Therefore, the Proposed Project would not result in significant adverse impacts due to adverse effects on specific industries.

### **D. DETAILED INDIRECT BUSINESS DISPLACEMENT ANALYSIS**

The objective of the indirect business displacement analysis is to determine whether the proposed project may introduce trends that make it difficult for businesses to remain in the area that are:

- essential to the local economy but would no longer be available to local residents or businesses due to the difficulty of either relocating the businesses or establishing new, comparable businesses; or



- the subject of other regulations or publicly adopted plans to preserve, enhance, or otherwise protect it.

The analysis characterizes the Project Area and Study Area in terms of conditions and trends in employment, physical and economic conditions, existing conditions and trends in real estate values and rents, zoning and other regulatory controls, 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 Area's economic base may be most vulnerable to indirect displacement if their rents were to increase; whether the Proposed Actions could lead to commercial rent increases that displace vulnerable businesses; and if so, whether any displacement resulting from the Proposed Actions could be considered a significant adverse impact to socioeconomic conditions.

### EXISTING CONDITIONS

This section describes the existing business and employment characteristics of the Study Area and identifies the sectors within the Study Area that would be most vulnerable to indirect displacement pressures if their rents were to increase.

#### *PROFILE OF EXISTING PRIVATE EMPLOYMENT IN THE STUDY AREA*

Sunset Park—and Industry City in particular—has historically been an employment engine in Brooklyn and New York City. Until 1970, industrial maritime uses on the Brooklyn waterfront were one of the most important employment generators in New York City. With most products consumed and produced in New York City arriving at and being shipped from facilities on Brooklyn's waterfront, Sunset Park and Bush Terminal were bustling with economic activity. Even well into the 1970s, businesses at Industry City employed over 25,000 people.<sup>20</sup> With the decline of the manufacturing sector and the shift towards containerized shipping and the subsequent rise of the Port Newark-Elizabeth Marine Terminal, Industry City and the broader Brooklyn waterfront lost its role as one of the dominant employment centers in New York City.

However, over the past decade, Sunset Park and Industry City have experienced a resurgence, and this growth in economic activities and jobs is expected to continue. After having lost thousands of jobs in the decades before 2000, by 2015, the Office of the New York State Comptroller estimated that the larger Sunset Park area had reached a new record employment level of almost 40,000 workers—an increase of 21 percent (6,900 jobs) since 2004.<sup>21</sup> With 40,000 jobs, employment in the Sunset Park area accounted for approximately 7.2 percent of all private sector jobs in Brooklyn and 1.1 percent of jobs in all of New York City. A large portion of the recent employment growth in Sunset Park is attributable to Industry City, which according to the Comptroller's Office had resulted in approximately 2,000 new jobs between 2013 and 2015 when Belvedere Capital and Jamestown Properties formed a new partnership and began the repositioning of Industry City.

In 2015, there were an estimated 18,117 employees within the Study Area, representing nearly half of private sector jobs located within the larger Sunset Park Area<sup>22</sup> (see **Table 3-1**). The 18,117

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<sup>20</sup> Horseley, Carter B. (Sep. 12, 1976). "Bush Terminal shouldn't be a success – but it is." *The New York Times*, Section 8, p. 1

<sup>21</sup> <https://www.osc.state.ny.us/osdc/rpt5-2017.pdf>

<sup>22</sup> The area defined as the Larger Sunset Park Area by the Office of the New York State Comptroller reaches approximately from the Brooklyn waterfront to the Hamilton Parkway in the west and from 69th Street to Prospect Expressway (<https://www.osc.state.ny.us/osdc/rpt5-2017.pdf>).

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jobs represented approximately 3.2 percent of Brooklyn's and 0.5 percent of New York City's private sector employment in 2015. Sunset Park and the Study Area in particular play an even larger role when it comes to manufacturing employment. Of the 21,240 jobs in the Manufacturing sector in Brooklyn, 3,388 (approximately 16 percent) were located in the Study Area. Manufacturing sector jobs also accounted for the largest share of total private sector employment (18.7 percent) in the Study Area. The strengths of the Manufacturing sector in Sunset Park and the Study Area are also related to the existence of the IBZ, which was created to protect the area from being rezoned to permit residential uses and to provide support to industrial businesses.

Manufacturing workers are employed by a diverse set of businesses within the Study Area. Industry City, with its many Innovation Economy businesses, accounts for a large share of manufacturing jobs within the Study Area. Businesses at Industry City currently employ nearly 2,100 manufacturing workers, which represents 62 percent of total manufacturing employment in the Study Area. Outside of Industry City, there are also a significant number of other Innovation Economy businesses that—together with businesses at Industry City—have started to form an Innovation Economy “cluster.” As noted previously, innovation economies often blend traditional industries, like manufacturing, with new industries, like tech, to take advantage of co-location effects that help spur the development of innovative processes and products. In Innovation Economy Districts, a broad range of businesses are involved in every step of the ‘making’ process, from research and development, to design and engineering, as well as in the actual manufacturing of products. In addition, there are traditional metal and woodworking shops that provide inputs for the construction sector and/or are part of the supply chain for other production businesses.

Retail Trade is the second-largest industry sector in the Study Area, employing approximately 16.6 percent of employees (3,013 workers) in 2015. Just 4 percent of the Study Area's retail employees (12 workers) are employed by retail firms within Industry City, many of them selling products produced on-site. The Retail Trade sector, similar to the Manufacturing sector in the Study Area, has also experienced a major change in recent years. With COSTCO and Bed, Bath & Beyond, there are now a few large-format retailers in the area taking advantage of the large building footprints not available east of 3rd Avenue. The area west of 3rd Avenue is also home to a number of hardware and building supply stores that cater to contractors and homeowners.

Retail employment east of 3rd Avenue is primarily confined to the many small-format stores typical of the 4th and 5th Avenue corridors. Stores on these two avenues typically occupy the ground floor of mixed-use buildings, with average footprints of approximately 1,000 square feet or less. Stores on 4th Avenue include a wide range of small businesses, including funeral homes, restaurants, delis, barber shops and hardware stores. On the other hand, commercial spaces along 5th Avenue are primarily occupied by restaurants, small grocery stores, and apparel stores. With the exception of a few individual businesses, most stores along 4th and 5th Avenues have remained unchanged in recent years and cater primarily to a local customer base.

Jobs in the Wholesale Trade sector account for approximately 16.1 percent of total Study Area employment. However, when combined with Transportation and Warehousing, the total employment of the two sectors reaches 19 percent of total Study Area employment, narrowly surpassing Manufacturing as the largest employment base within the Study Area. Both sectors have significant logistics and transportation elements and combining the sectors illustrates the favorable locational characteristics of the Study Area and the greater Sunset Park neighborhood. In particular, access to the Brooklyn Queens Expressway (BQE) and proximity to Manhattan as well as the Verrazano Bridge—which functions as a gateway to New Jersey and other Mid-

Atlantic States—makes Sunset Park well-suited for logistics, distribution, and wholesale businesses.

In 2015, employment in the Construction sector accounted for 2,580 jobs, or 14.2 percent of total Study Area employment. The area west of 3rd Avenue houses most of the Study Area's contracting businesses, where industrial-zoned land and larger property footprints allow for the storing of equipment and construction materials.

### *PROFILE OF EXISTING PRIVATE BUSINESSES IN THE STUDY AREA*

As of 2015, there were an estimated 1,470 private sector businesses within the socioeconomic Study Area (see **Table 3-2**), with an average of approximately 12 employees per company. While Manufacturing accounted for the largest share of private sector employment in the Study Area, the Wholesale Trade sector accounted for the largest share of private businesses (312 businesses, or 21.2 percent of all Study Area businesses).

Combined, the Wholesale Trade and Transportation and Warehousing sectors accounted for 353 businesses (24.0 percent of all Study Area businesses), each employing an average of roughly 10 workers. Warehousing, storage, and distribution businesses tend to create fewer jobs than businesses in other sectors, as they use more space for storage and logistics operations relative to production activities.

Retail establishments accounted for approximately 14.1 percent of all Study Area businesses in 2015, averaging approximately 14.5 workers per establishment. The 167 Construction sector businesses represented 11.2 percent of total businesses in the Study Area, each employing 15.4 workers, on average.

The 194 Manufacturing sector companies represented approximately 13.2 percent of total establishments in the Study Area, each employing an average of 17.5 workers. In comparison, Manufacturing businesses in all of Brooklyn employed an average of 12 employees per business, illustrating that production processes in the Study Area are more labor-intensive than production activities in other parts of Brooklyn. In particular, Innovation Economy businesses within the Study Area, which often produce highly individualized products that require a large amount of customization to create a distinct customer experience, involve a higher degree of manual labor as compared to mass-production businesses.

The five sectors above—Wholesale Trade, Transportation and Warehousing, Retail, Construction, and Manufacturing—together comprised 62.7 percent of total establishments in the Study Area. All remaining sectors were under-represented in the Study Area relative to their respective shares of total establishments within Brooklyn and New York City overall.

The study area is part of the largest cluster of hotels in Brooklyn outside the Downtown/Gowanus and North Brooklyn submarkets, and has seen the addition of several hotels in recent years. There are currently nine hotels in the study area, all of which opened since 2010. Most of these hotels are Economy, through Midscale properties and the vast majority offer less than 100 rooms. Hotels are primarily located along 3rd and 4th Avenues and 39th Street and took advantage of past M1 zoning regulations.

As shown in **Table 3-10**, average room rates are low when compared with Manhattan and even Downtown Brooklyn rates. Low rates make these types of hotels, in combination with their favorable public transportation characteristics, very attractive for tourists. A number of the hotels are also catering specifically to a particular ethnic segment and their visitors. Based on a 2017

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report by the Department of City Planning,<sup>23</sup> Industry City has also served as a recent demand driver for the hotels in the area.

**Table 3-10**  
**Hotels in Socioeconomic Study Area**

<b>Hotel</b>	<b>Location</b>	<b>Number of Rooms</b>	<b>Average Room Rate</b>	<b>Category</b>
Quality Inn Near Sunset Park	3rd Avenue and 44th Street	42	\$119	Budget
Days Inn by Wyndham	39th Street between 4th and 5th Avenues	60	\$110	Budget
Wyndham Garden	39th Street between 4th and 5th Avenues	70	\$161	Budget/ Midscale
The Phoenix Hotel	39th Street between 5th and 6th Avenues	45	\$116	Budget
The Vue Express	39th Street between 5th and 6th Avenues	16	\$104	Budget
Kings Hotel	39th Street and 8th Avenue	160	\$163	Budget
Hotel BMP	26th Street between 4th and 5th Avenues	72	\$118	Budget
Best Western	4th Avenue between 25th and 26th Streets	99	\$150	Budget/ Midscale
Sleep Inn	22th Street between 3rd and 4th Avenues	72	\$125	Budget

**Source:** AKRF, Inc. online research; data gathered in November and December 2018.

*CATEGORIES OF BUSINESSES IN THE STUDY AREA MOST VULNERABLE TO INDIRECT DISPLACEMENT*

Businesses most vulnerable to indirect displacement due to increased rents are typically those least compatible with the economic trend that is creating upward rent pressures in an area. For example, if businesses interested in co-locating with complementary uses reach a critical mass to form a cluster (e.g., Innovation Economy uses), they may displace uses that are less compatible with the uses forming the new cluster or are unable to afford increases in rent due to increased property values. Traditional Industrial and Warehousing businesses—located primarily west of 3rd Avenue and to a lesser extent between 3rd and 4th Avenues within the Study Area—are currently the most vulnerable to displacement if their property values and rents were to rise. Displacement of Traditional Industrial businesses would likely occur with or without the Proposed Project, as historical trends point to the decline of the manufacturing sector’s presence in New York City over the last several decades. Though manufacturing job growth began trending upward again in 2012, this trend has since subsided and been reversed, and the outlook for manufacturing jobs through 2024 shows that the industry overall is expected to shrink by 5.3 percent. Certain traditional and heavy industrial manufacturing sectors are expected to shrink at even higher rates, such as machine manufacturing, which is expected to decline by 15.9 percent by 2024, and leather and allied product manufacturing, which is expected to decline by 20.0 percent. By contrast, other types of manufacturing sectors, including food manufacturing and beverage and wood product

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<sup>23</sup> “NYC Hotel Market Analysis” <https://www1.nyc.gov/assets/planning/download/pdf/plans-studies/ml-hotel-text/nyc-hotel-market-analysis.pdf>

manufacturing, are expected to increase by 21.2 percent and 10.5 percent by 2024, respectively.<sup>24</sup> This is in line with trends of increased demand for artisanal and craft products as consumer tastes shift.<sup>25</sup> Land use decision in IBZs and other industrial areas in New York City have begun to reflect this trend towards growing light manufacturing activities. For example, the recently opened Building 77 at the Brooklyn Navy Yard blends light manufacturing, including food manufacturing, with food retail uses,<sup>26</sup> and the recent groundbreaking of 399 Sand Street, also at the Brooklyn Navy Yard, kicked off a project that will soon house four stories of manufacturing space alongside one story of creative office space.<sup>27</sup>

The Proposed Project is unlikely to result in the indirect displacement of retail uses within the Study Area, owing to the preservation of the existing customer base. An influx of new employees under the Proposed Project would be a subordinate factor to potential changes in the local residential population, the latter of which generally generates the greatest demand for retail goods and services in a trade area. Since retail rents are a direct reflection of underlying consumer demand, and since the size and composition of the existing customer base is not expected to be affected by the Proposed Project, existing businesses along major retail corridors within the Study Area are not among those most vulnerable to indirect displacement under the Proposed Project.

## **THE FUTURE WITHOUT THE PROPOSED ACTIONS**

### *WITHIN THE PROJECT AREA*

Without the Proposed Actions, economic activity and job growth at Industry City would continue, but at a far slower pace than with the Proposed Actions. Vacancy levels and occupancy by low-employment storage/warehousing uses are expected to remain under No Action conditions.

The Applicant anticipates that based on the current leasing rates and tenant roster information, a future reduction in vacancy at Industry City would result in a 10 percent increase in Innovation Economy uses. However, a 10 percent increase would not be sufficient in introducing a critical mass of uses needed in order to support the proposed Innovation Economy District. It is further assumed that a portion of the currently vacant space in the Finger Buildings would be re-occupied by low-employment storage/warehousing. The majority of existing storage/warehousing uses, as well as a significant portion of presently vacant space, would also remain in the 39th Street Buildings under No Action conditions. The recently completed Nets training facility (74,824 gsf) would continue to be occupied and operated in the No Action scenario.

### *WITHIN THE STUDY AREA*

In the future without the Proposed Actions, the area west of 3rd Avenue would maintain the current mix of wholesaler, auto repair, and construction businesses, as well as high levels of vacant or low-employment storage and warehousing uses. Some overflow from other areas in Brooklyn and New York City that house industrial, manufacturing, and other Innovation Economy businesses, including the Brooklyn Navy Yard or the Maspeth industrial area, could gradually increase the

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<sup>24</sup> All historical and projected employment trends were obtained from the New York State Department of Labor's Labor Statistics portal.

<sup>25</sup> [https://nycfuture.org/pdf/Making\\_It\\_Here\\_Report.pdf](https://nycfuture.org/pdf/Making_It_Here_Report.pdf)

<sup>26</sup> <https://www1.nyc.gov/office-of-the-mayor/news/721-17/mayor-de-blasio-opens-one-largest-manufacturing-spaces-decades-building-77-brooklyn-navy#/0>

<sup>27</sup> <https://newyorkyimby.com/2018/06/groundbreaking-ceremony-for-steiner-nycs-399-sands-street-brooklyn-navy-yard.html>

share of Innovation Economy businesses within the Study Area over time. The rate of conversion of existing storage/warehousing and other traditional industrial spaces to Innovation Economy uses will be driven primarily by individual investors and users willing to take on the risk of investing in upgrades to existing facilities and necessary infrastructure.

Irrespective of the Proposed Project, the City is anticipated to continue to invest in the larger Sunset Park area to attract additional businesses. For example, just outside of the Study Area, the City has invested over \$200 million in upgrades to the Brooklyn Army Terminal (BAT). The City's economic and employment objectives as laid out in the New York Works Plan also center around the intersection of manufacturing and innovation uses, with an explicit focus on Sunset Park. As part of the New York Works initiative, the City will further "create space for both anchor tenants and smaller industrial tenants across traditional and advanced manufacturing, food and garment manufacturing, and media production."<sup>28</sup> The City recently launched a multi-million dollar fashion support fund for garment producers seeking to relocate to Sunset Park. The City also intends to invest \$136 million in Bush Terminal, located immediately adjacent to the 39th Street Buildings within the Study Area, to establish the "Made in NYC Manufacturing and Film Production HUB," a campus for fashion, film, and TV intended to help grow the global competitiveness of New York City's creative sectors.

In summary, large-scale investments in surrounding industrial portfolios were occurring prior to the repositioning of Industry City in 2013 and are anticipated to continue in the absence of the Proposed Project, as would any associated rise in industrial rents.

Businesses in the areas to the east of 3rd Avenue are expected to continue to cater to the diverse local residential population and serve as a borough-wide shopping and dining destination under a future condition without the Proposed Actions, as evidenced by the largely unchanged composition of retail businesses to the east of this major divide in recent years and the lack of identified pipeline projects.

To the north of the Project Area, the rezoning of large stretches of 4th Avenue has spurred sizable residential development activity. Rezoning of the southern portion of 4th Avenue between 40th Street and 65th Street, however, has not yielded much new development to date, with only two projects of significant scale currently filed with the Department of Buildings. Both projects are outside of the Study Area and south of 50th Street. One is the redevelopment of the Sunset Park Public Library at 4th Avenue and 51st Street; the current building will be razed and developed into a new library building with affordable housing. The development project at 63rd Street and 4th Avenue will replace a single-story church building with housing. It would be expected that development activity in the southern portion of the Study Area will pick up once development sites in the northern portion become unavailable and development pressure moves further south along 4th Avenue.

### **THE FUTURE WITH THE PROPOSED ACTIONS**

The analysis of potential indirect business displacement in the future with the Proposed Actions builds on the level of activity anticipated in the No Action condition described in the preceding section. Changes that could result from the Proposed Project are added to these future projected baseline conditions in order to evaluate the potential for significant impacts resulting from indirect business displacement.

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<sup>28</sup> New York Works—Creating Good Jobs, Page 64

Based on the criteria set forth in the preliminary assessment, this detailed analysis focuses on the following means by which development with the Proposed Actions could lead to indirect business displacement:

***Would the Proposed Project introduce or accelerate a trend that increases commercial property values, making it difficult for businesses essential to the local economy—or a business that is the subject of regulations or publicly adopted plans to preserve, enhance, or otherwise protect it—to remain in the Study Area?***

Under the Density-Dependent Scenario, the Proposed Project would replace all storage/warehousing uses within Industry City with Innovation Economy and related uses. To accomplish this goal, the Proposed Project would introduce a critical mass of new (i.e., academic and hotel) and existing (i.e., manufacturing, creative, tech) uses within the Study Area that, combined with event and retail amenities, have the potential to create a new Innovation Economy District at Industry City.

As described in the “Future without the Proposed Actions” section above, Sunset Park has been the focus of recent economic development initiatives that have helped to attract significant private and public investments. It is within this context that the Applicant intends to build upon these previous and ongoing initiatives through the Proposed Actions. In addition, it is the intention of the Applicant to add uses and activities that would create a sustainable employment cluster, such as local workforce development initiatives, research and entrepreneurship programs, and other community-supporting activities. These initiatives would build on the work of Industry City’s Innovation Lab, which launched in 2016 to connect local workers to jobs with Innovation Economy tenants at Industry City, as well as to facilitate job creation, training, entrepreneurship, and technology transfers between tenants, workers, and academic partners.

The acceleration of the above trends have the potential to lead to increases in commercial rents and thus the indirect displacement of businesses vulnerable to rent increases, as detailed below.

***IMPACT OF INCREASED PROPERTY VALUES ON SMALL BUSINESS RETAILERS***

The Proposed Project could increase property values—and thus, rents—among retail corridors experiencing heightened demand from new tenants, workers, and visitors. To the extent that existing businesses experience an increase in foot traffic or demand such that property values are meaningfully impacted, the resultant increase in rents could be potentially offset by increased sales revenues. This is particularly true among independent contractor and professional services firms concentrated to the west of 3rd Avenue, many of which already perform tenant fit-out and equipment upgrades throughout Industry City. Demand for these services is likely to increase under the Proposed Project as new buildings are constructed and existing underutilized structures are adapted to meet the needs of Innovation Economy tenants.

New restaurants, food stands, and ancillary food manufacturing retail uses introduced by the Proposed Project are expected to serve workers, destination shoppers, and visitors, capturing much of the newly created demand and incremental expenditure potential anticipated under future With Action conditions while also helping to meet existing unmet demand. An analysis of businesses along major commercial corridors within the Study Area (i.e., 1st through 5th Avenues) found low-to-moderate rates of tenant turnover between 2007 and 2017 despite significant investments in nearby Industry City, suggesting limited future indirect displacement upon continued improvements and expansion within the Project Area.

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More specifically:<sup>29</sup>

- The 1st and 2nd Avenue corridors south of 39th Street are currently home to smaller industrial, professional services, and construction businesses. While occupancy improved along these corridors with the renovation of existing space and new infill development, the two corridors remained relatively unchanged between 2007 and 2017.
- Turnover was generally low throughout the 3rd Avenue corridor, with a minimum amount of renovations and changes in use. Based on the composition of businesses today, i.e., primarily construction supply and other b2b businesses, the 3rd Avenue corridor caters primarily to contractors (e.g., Galactic Tiles) and other building supply firms (e.g., LC Supply Corp), and less to residents and visitors.
- Five years after the repositioning of Industry City, the composition of retail businesses at the intersection of 36th Street and 4th Avenue, where the vast majority of pedestrians taking public transportation arrive, shows very few signs of change. The 4th Avenue corridor continues to be dominated by local retailers at the northern end, transitioning to institutional and residential uses along the southern half. Overall, the character of the corridor remained constant between 2007 and 2017. While turnover in the northern portion of the corridor (i.e., the Greenwood Heights neighborhood) was moderate with a limited number of new tenants, the portion south of 36th Street went largely unchanged.
- The 5th Avenue corridor transitions from a light industrial character between 36th and 39th Streets to one comprised primarily of local retailers between 39th and 41st Streets. Its character remained relatively constant between 2007 and 2017, with no turnovers between 36th and 39th Streets and limited turnover between 39th and 41st Streets. Where turnover was observed, the nature of products and price points offered remained relatively constant. Potential future impacts to the existing retail character along 5th Avenue under the Proposed Project are limited given the need for Project-generated foot traffic to traverse the residential area between 4th and 5th Avenues before reaching shops and restaurants.

In summary, existing construction and professional services firms would likely be able to offset any potential increase in rents through a concomitant rise in demand for their services brought about by the Proposed Project, while demand for neighborhood retail services along 4th and 5th Avenues would go largely unaffected owing to the stability of the local residential market and the corridors' physical isolation from the Project Area. Furthermore, to the extent that some retail uses—particularly those immediately upland of the Project Area—could be indirectly displaced as a result of the Proposed Actions, the effects on the economic value to the city and region associated with such potential dislocation would not constitute significant adverse impacts under CEQR.

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<sup>29</sup> Google Street View comparisons were conducted by observing business conditions along the designated corridors in the Study Area (i.e., 1st Avenue, 2nd Avenue, 3rd Avenue, 4th Avenue, and 5th Avenue) captured by Google Street View in 2007. Conditions were compared to businesses conditions captured by Google Street View in 2017 to document changes in neighborhood uses and character. Google Street View imagery for 2007 is not available for a small number of sections within the observed corridors. In these instances, the most recently captured imagery, typically from 2011, was used.



*IMPACT OF INCREASED PROPERTY VALUES ON TRADITIONAL INDUSTRIAL AND WAREHOUSING BUSINESSES*

The applicant seeks to create a vibrant Innovation Economy District at Industry City that behaves like an ecosystem, enabling Innovation Economy firms, particularly entrepreneurs and small business owners, to identify opportunities for cross-collaboration, inspiration, and business growth. Innovation Economy firms benefit from co-locating in spaces with other firms integral to their work product, as well as with like-minded firms, in order to create opportunities for collaboration, synergy, and business-to-business sales. Employees, in turn, need access to research and training opportunities, along with places to eat and buy goods. Zoning actions that broaden the permitted use and bulk at Industry City would enable this collaborative District to grow in Sunset Park.

The resultant growth of the Innovation Economy District at Industry City may encourage the co-location of other manufacturing and Innovation Economy firms within the vicinity of Industry City as they seek to tap into the knowledge and experience of existing businesses, enjoy immediate access to new retail and hospitality amenities, and share in the benefits from increased visitation to Industry City.

Future co-locations within the Study Area are likely to derive from businesses seeking flex industrial space with large floor plates that can easily be converted into work studios and laboratories. Office-using tech firms are similarly likely to prefer adaptive re-use properties similar to what exists at Industry City today. Owing to the nature of such demand, the limited number of suitable traditional industrial, storage, and warehousing properties may become attractive targets for conversions to maker and Innovation Economy spaces. The potential reduction existing industrial space as a result of the Proposed Actions is likely to be concentrated among presently vacant or underutilized storage and warehousing facilities in the area. Nearly 1.6 million square feet of industrial space within the Study Area, or more than 14 percent of total inventory, was vacant in 2017.<sup>30</sup>

As described in the “Existing Conditions” section above, the area west of 3rd Avenue contains a range of industrial buildings that currently house low-employment storage and warehousing, parking, and automotive service uses. Such businesses are particularly vulnerable to indirect displacement should rents increase as a result of increased demand among higher-value Innovation Economy uses. Average industrial rents within the Study Area have increased significantly over the past 10 years. Rental data from CoStar, a commercial data provider, indicate that despite consistently high direct vacancy (13.3 percent in 2017), industrial rents in the Study Area more than doubled between 2008 and 2017, rising from \$10.82 per square foot to \$22.17 per square foot. This equates to a compound annual growth rate of 8.3 percent per year. In comparison, retail uses, which experienced more stable demand pressures over the period, saw rent growth of 2.5 percent on a compounded annual basis.

Currently, annual rents at Industry City range between \$15 per square foot and \$35 per square foot, in line with rents for industrial uses in the Study Area more generally. While some traditional industrial and warehousing businesses could be indirectly displaced under the Proposed Project as a result of competitive pressures from higher-value uses, such displacement would not meet the criteria for a significant adverse impact owing to the following factors:

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<sup>30</sup> Source: CoStar

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- Potentially displaced businesses were not they determined to meet the CEQR definition of businesses having substantial economic value to the city. Furthermore, alternative sources for the goods and services provided by these businesses can be found elsewhere within the products' respective trade areas. Warehousing and traditional manufacturing businesses, for example, tend to serve a more regional customer base, and are the destination for many contractors and businesses servicing all five boroughs. With no single dominant manufacturer within the Study Area, potentially displaced uses are also not part of the supply chain for a major local producer.
- Potentially displaced uses can largely be relocated elsewhere in New York City, including in other industrial neighborhoods outside of the Study Area with good transportation access, such as Maspeth in Queens or Flatlands in Brooklyn.
- Potentially displaced uses are not subject to regulations or publicly adopted plans to preserve, enhance, or protect them. Industrial uses currently protected by the Southwest Brooklyn IBZ would still be permitted and protected in the area under the Proposed Actions. New uses introduced to the area would not compete with existing low-employment industrial uses because they would either be categorized as non-industrial uses that complement aspects of the manufacturing process—such as tech, film, and television—or light manufacturing uses such as niche and small batch manufacturing.
- Existing industrial buildings would continue to be rehabilitated for industrial and Innovation Economy uses under the Proposed Project, preserving defining elements of neighborhood character. Newly constructed buildings would help meet the spatial needs of Innovation Economy tenants while continuing to house industrial uses. The Proposed Project would therefore result in an “upgrading” of existing infrastructure and would not have adverse impacts.

In conclusion, while the Proposed Actions have the potential to result in the indirect displacement of low-employment traditional industrial and warehousing uses as a result of competing spatial demands on the part of high-employment manufacturing and Innovation Economy users, such displacement would not result in adverse impacts the areas ability to accommodate industrial and manufacturing businesses. That such conversions were taking place within the Study Area prior to the conception of the Proposed Project and given that vacancy rates remain high among such uses despite continued conversions further suggests that future potential impacts would not be considered significant or adverse. \*