

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

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

OFFICE ADAPTIVE REUSE TASK FORCE MEETING 2

22 September 2022



Introductions



Dan Garodnick
Commissioner, CPC
Director, DCP



Kim Darga
Acting Deputy
Commissioner, HPD



Wendy Wan
Director of
Architecture, DOB



Cecilia Kushner
Chief Strategy
Officer, EDC



James Colgate
Partner, BCLP



Denis Johnston
EVP, 32BJ



Basha Gerhards
SVP, REBNY



Nicole LaRusso
Senior Director of
Research, CBRE



Wendi Shafran
Principal,
FXCollaborative
Architects



Gary Rodney
Head of Affordable
Housing, Tishman
Speyer



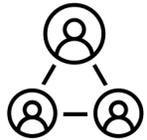
Cea Weaver
Campaign
Coordinator,
Housing Justice for
All



Perris Straughter
Director of Land Use
at the City Council



Identify categories of office buildings likely to be unviable as offices moving forward



Review conversion trends over the last decade



Establish a path forward and priority research areas

1. **Welcome, introductions, task force reminders** (20 mins)
2. **Update on office real estate market** (15 mins)
3. **Identifying at-risk office buildings** (20 min)
4. **Conversion trends over the last decade** (20 mins)
5. **Future sessions & priority research topics** (15 min)

Optional – site tour

Task Force Overview

Scope

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

Membership

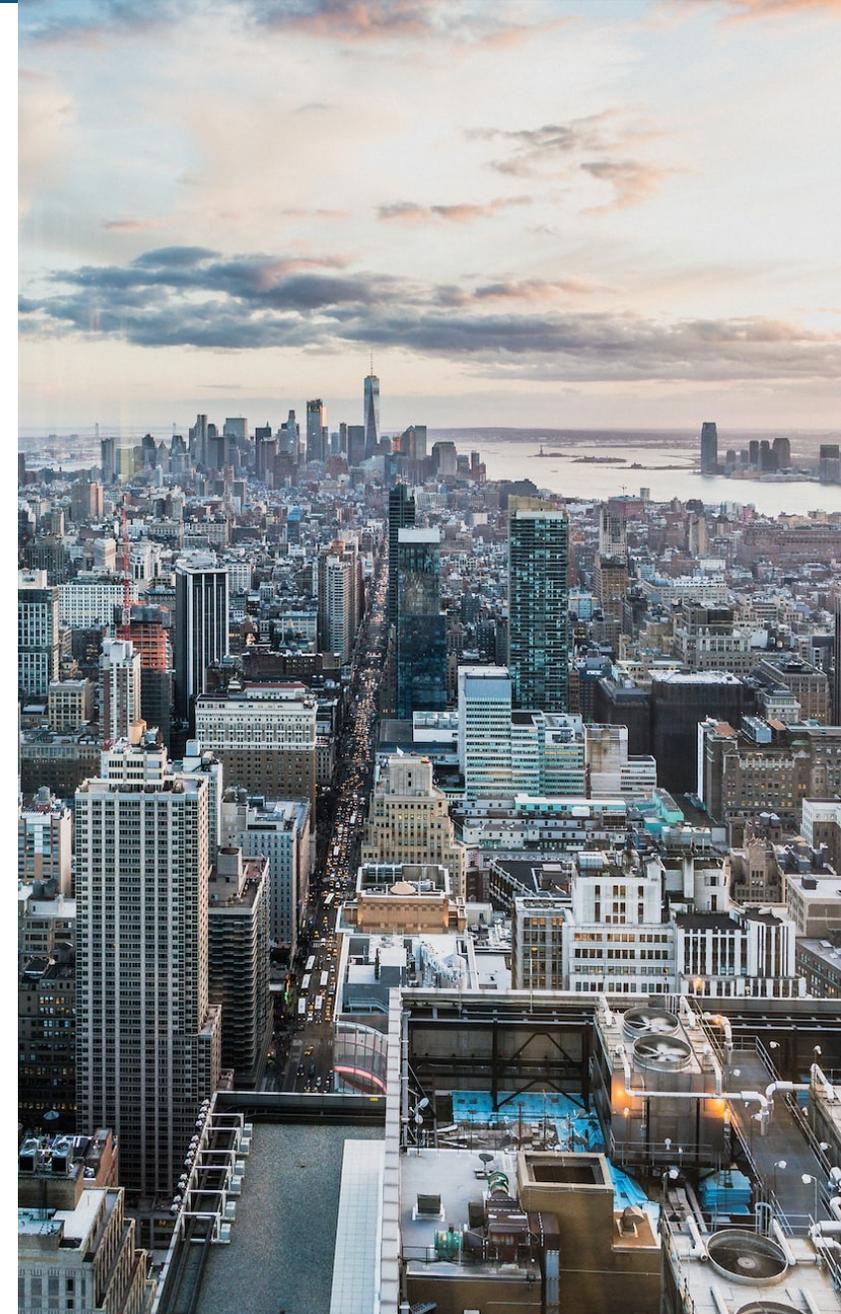
- 12 members
- Supported by agency staff and consultant analysis

Duration

- Anticipated to end Dec 2022

Deliverable

- Public report outlining recommendations



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

Sessions (draft)

1 (20 July)	<ul style="list-style-type: none">• Kickoff and alignment on goals
2 (22 Sep)	<ul style="list-style-type: none">• Types of office buildings at risk• Physical considerations in conversion
3 (19 Oct)	<ul style="list-style-type: none">• Regulatory factors limiting reuse
4 (16 Nov)	<ul style="list-style-type: none">• Financial feasibility of conversion• Mixed-income housing viability
5 (7 Dec)	<ul style="list-style-type: none">• Recommendations

Supporting background research by city agencies and consultant

- A. Regulations** governing conversions
- B. Office market conditions** and outlook
- C. Historic office conversion activity**
- D. Physical** conversion considerations
- E. Financial** feasibility of conversion
- F. Mixed-income housing** opportunities
- G. Property tax** implications of conversions

Office real estate market

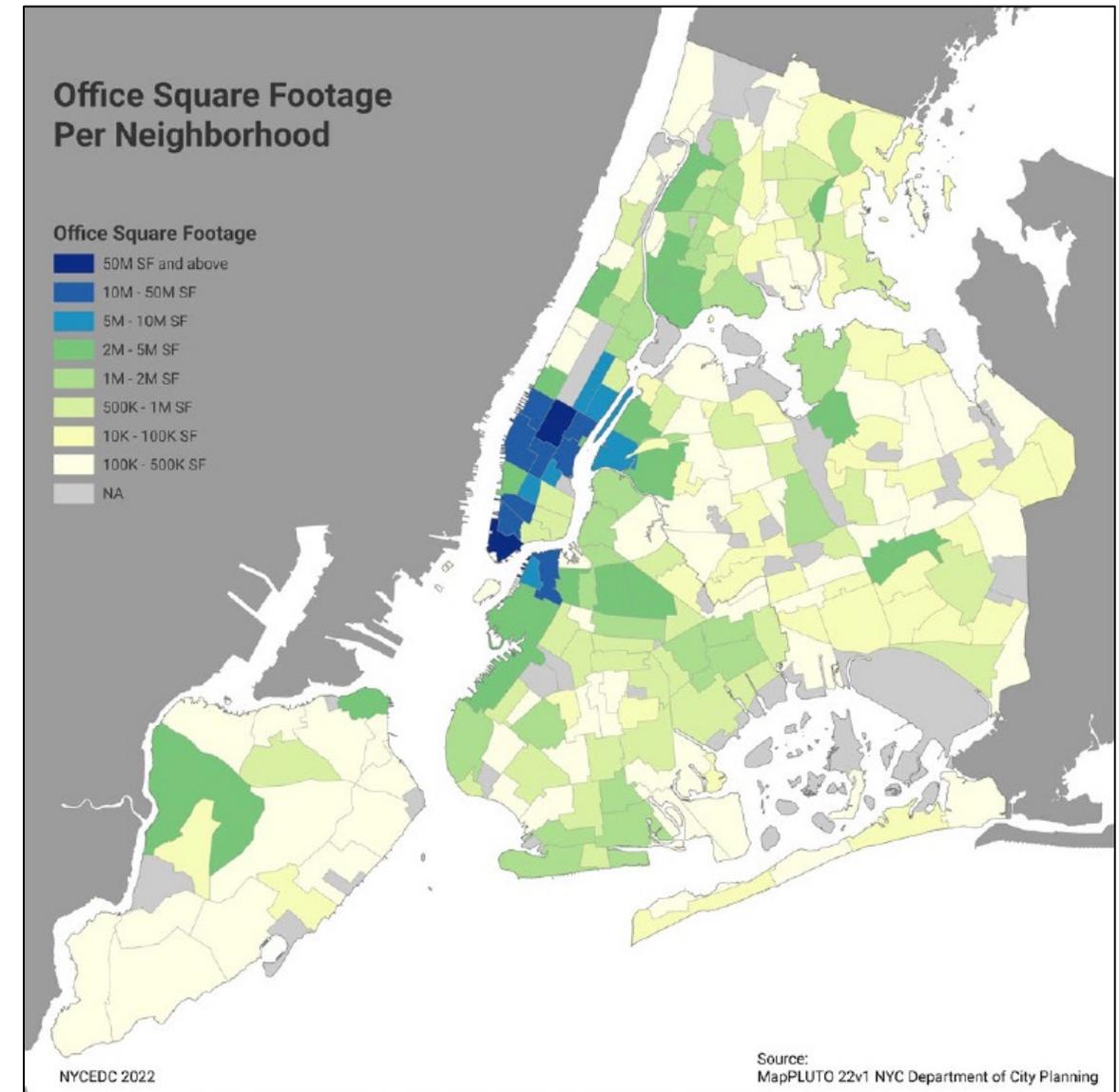
- NYC has the most office space in the country
- Midtown Manhattan has the largest concentration of office space, followed by Downtown Manhattan, Downtown Brooklyn, and Long Island City

NYC Office Space vs. Other Cities

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

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

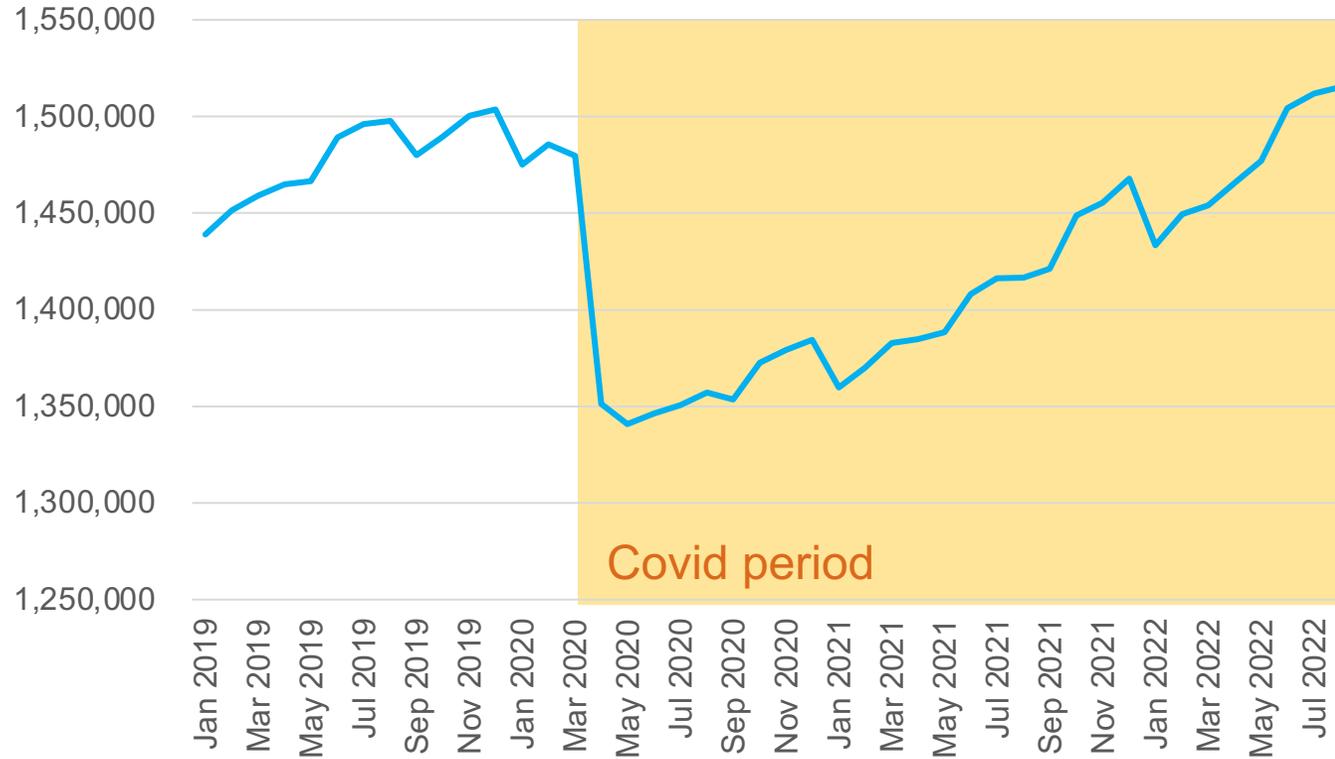
Density of Office Space



Source: NYCEDC analysis of DCP PLUTO data

Office jobs surpass pre-covid levels and continue to grow

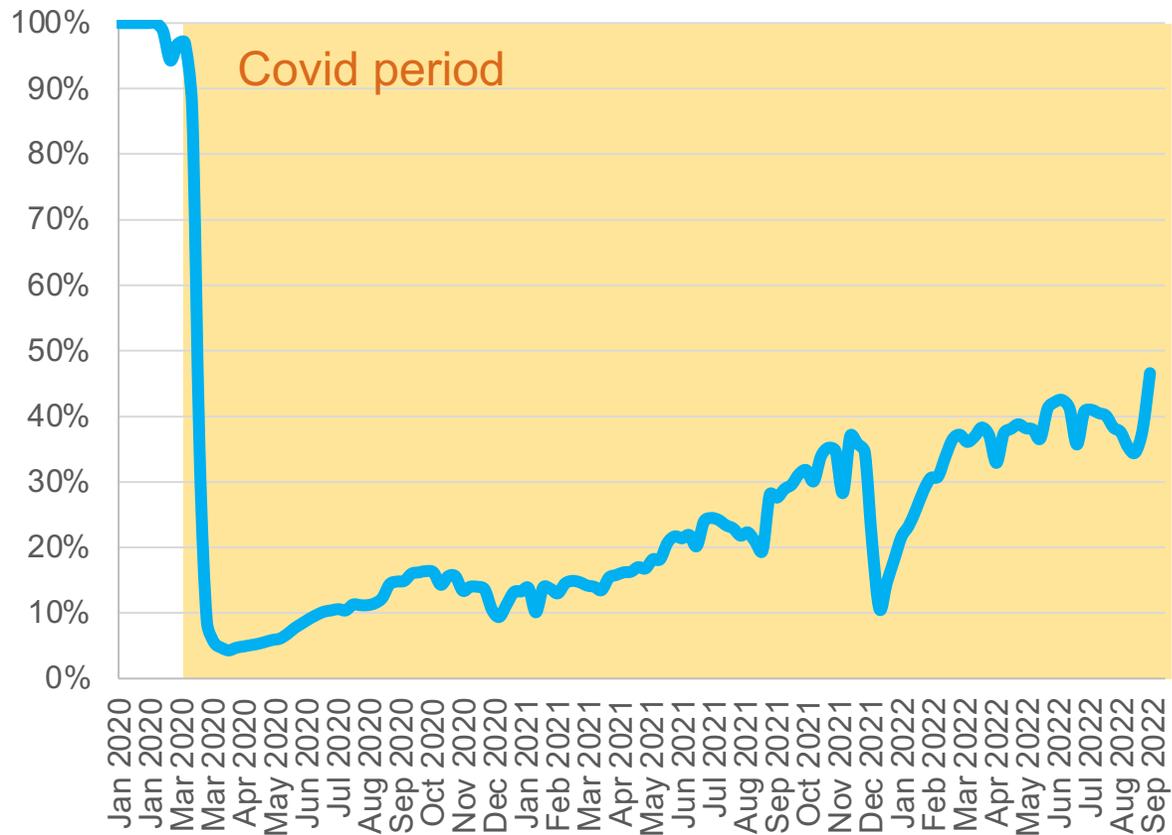
Traditionally Office-Based Jobs *
 NYC Jan 2019 – Aug 2022



Traditionally Office-Based Jobs = Non-seasonally adjusted jobs within the following NAICS-based Super Sector industries: 1024 Professional and Business Services, 1023 Financial Activities, and 1022 Information. Note: Other sources may use other definitions.
 Source: NYS DoL Current Employment Statistics

Employee office attendance remains low by pre-covid standards

Percentage of employees in office relative to pre-covid
NYC 2019 to Sep 2022



Employee schedules (Sep 2022):

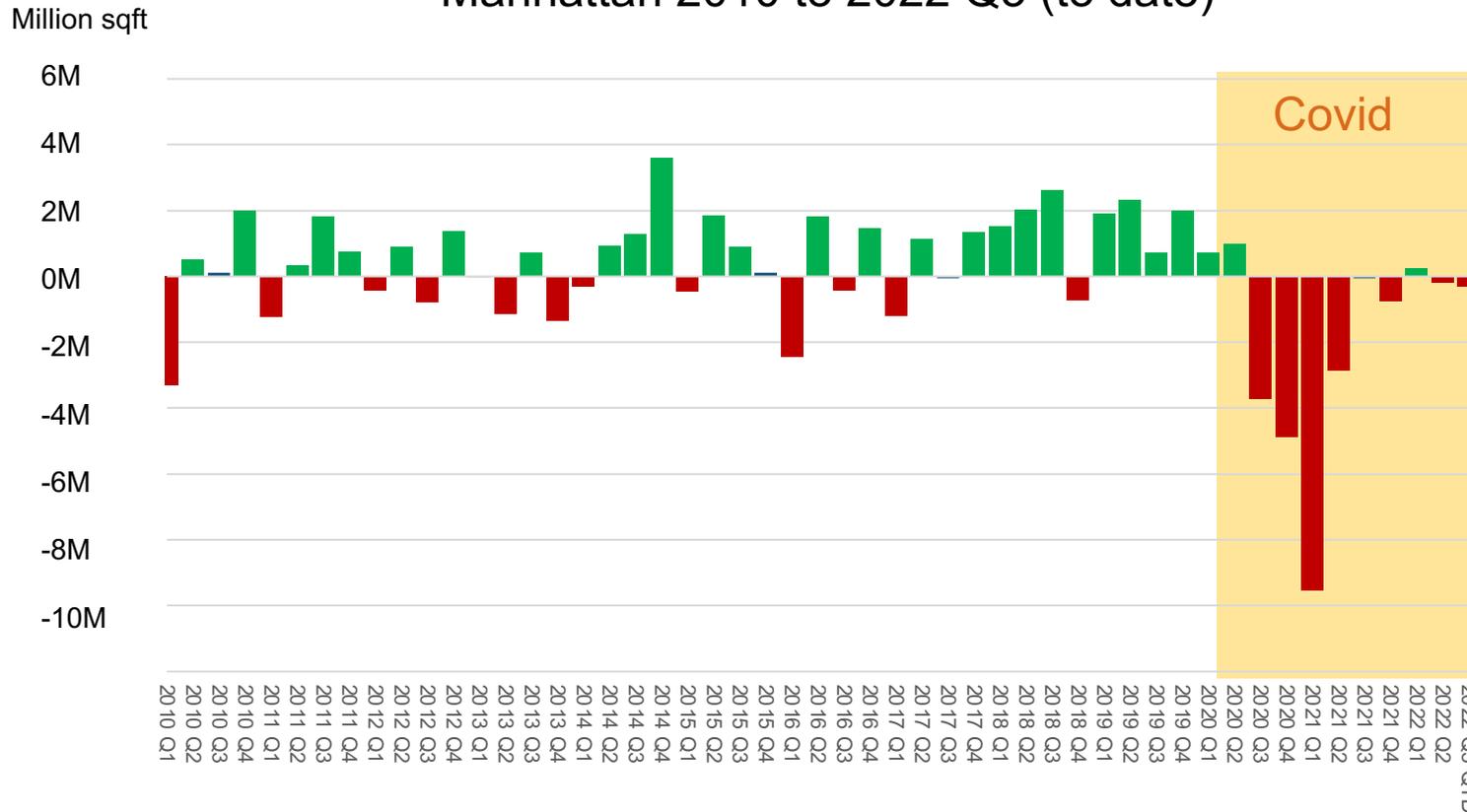
- 9% back 5 days per week
- 77% hybrid schedule
- 14% fully remote

... but will attendance continue to rise?



Positive office leasing signals with net absorption close to zero for 5 quarters

Quarterly Net Absorption
(New office leases signed minus leases expired)
Manhattan 2010 to 2022 Q3 (to date)



... but nuance by neighborhood/building type and much uncertainty

Firm space planning (Sep 2022):

- 20% plan to **increase** sqft
- 22% **cut** sqft
- 25% not sure
- 33% no planned sqft change

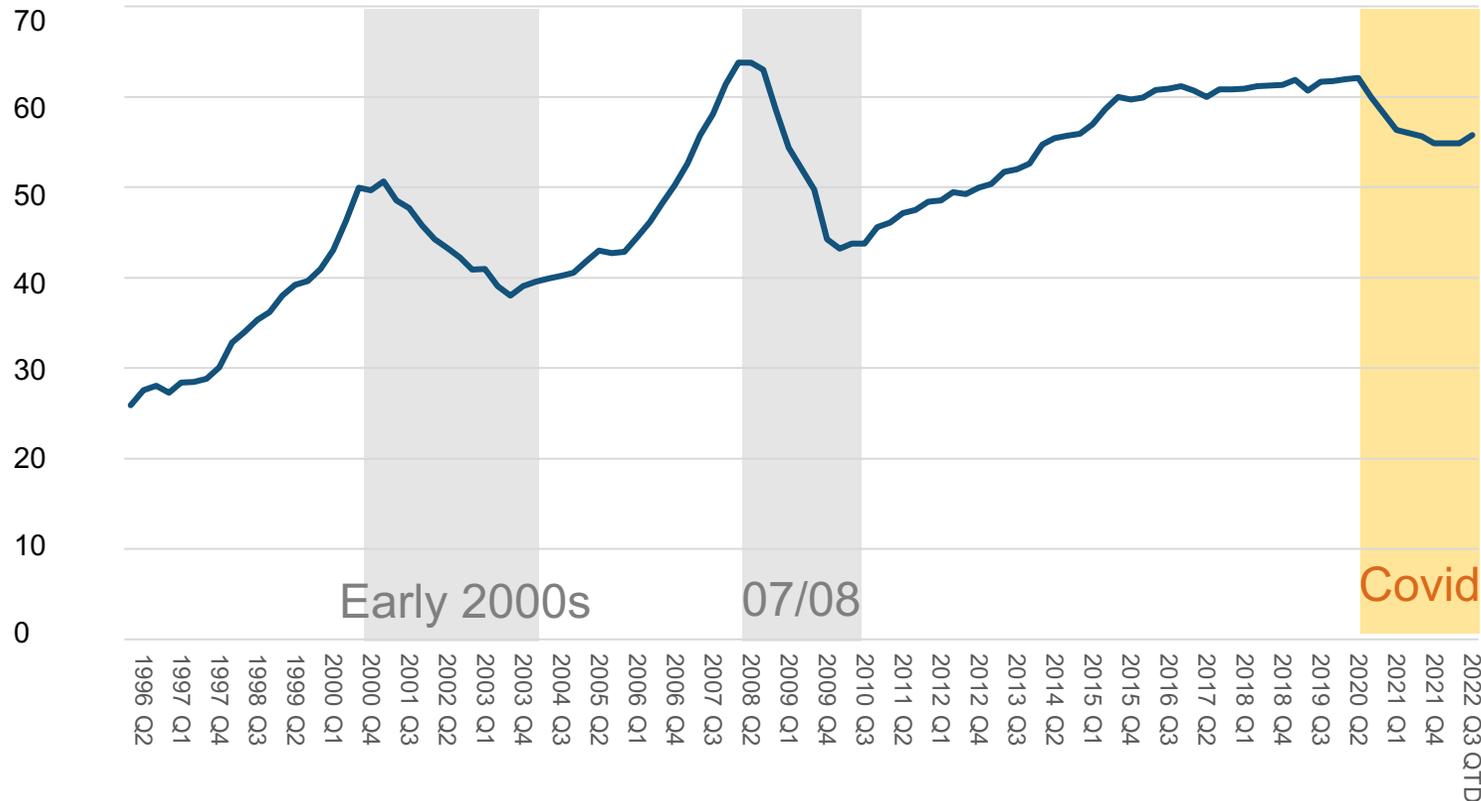
Sources: Left panel graph = CoStar. Right panel percentages = Partnership for New York City (Return to Office Survey Sep 2022)

Note: Net Absorption includes direct and sublet space. For existing buildings, the measure of total square feet occupied (indicated as a Move-In) less the total space vacated (indicated as a Move-Out) over a given period of time. Lease renewals are not factored into net absorption. However, in a lease renewal that includes the leasing of additional space, that additional space is counted in net absorption. Pre-leasing of space in non-existing buildings (Planned, Under Construction or Under Renovation) is not counted in net absorption until actual move in, which by definition may not be any earlier than the delivery date

Asking rents are more stable than during past period of turbulence, but many negotiated discounts

Office Asking Rents Manhattan 1995 to 2022 Q3 (to date)

Ave Asking Rent (\$)
(All building classes)

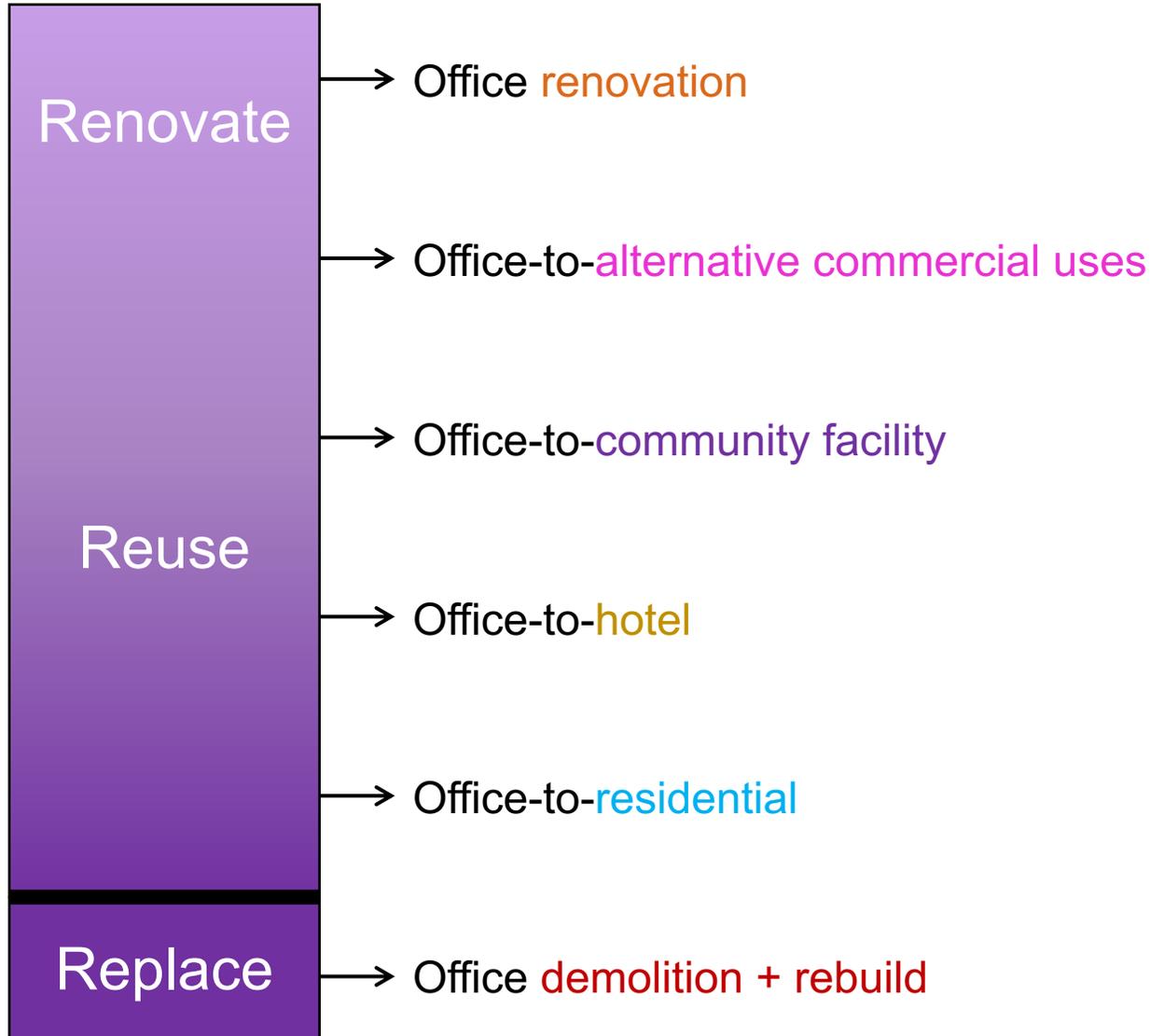


.... but uncertain trajectory and significant discounts being negotiated by tenants

- Rent free months
- High tenant improvement allowances
- Other concessions

Characteristics of office buildings likely to be less viable as offices moving forward

Struggling office buildings have several options:



Office **renovation** (77 Water Street)



Office-to-**lab** (345 Park Ave S)



Office-to-**middle school** (75 Morton St)



Demolition and rebuild (415 Madison Ave)

- **Building-level physical characteristics**

- Smaller or non-standard floorplates
- Tight column spacing and lower ceilings
- Outdated amenities and systems (e.g., HVAC, elevators, communal space)

- **Neighborhood-level characteristics**

- Located in a less desirable neighborhood for office tenants (e.g., limited transit access)
- Strong competition with other office space close by

- **Building-level tenant dynamics**

- Persistent vacancy issues pre-covid
- Building tenanted by an industry that has indicated will aggressively reduce sqft

Common physical characteristics among converted office buildings (2010 to 2020)

50+ office buildings (10m+ sqft) converted over last decade

Office-to-residential

- Most common conversion type
- Frequently in FiDi
- 4,200+ units created (2010-2020)

Office-to-hotel

- 2nd most common
- Frequently in Midtown
- 3,800+ hotel rooms created (2010 to 2020)

Office-to-community facility/labs/other*

* Office-to-community facility/labs/other uses beyond hotel and residential is not shown on the graphic or accounted for in the 10m sqft estimate as they are harder to comprehensively track.

Office to Residential and Hotel Conversion

Completed Since 2010, More than 10 Units/Rooms

of Units

• Less than 50 (5)

• 51 - 100 (12)

• 101 - 150 (6)

• 151 - 250 (3)

• More than 250 (4)

of Hotel Rooms

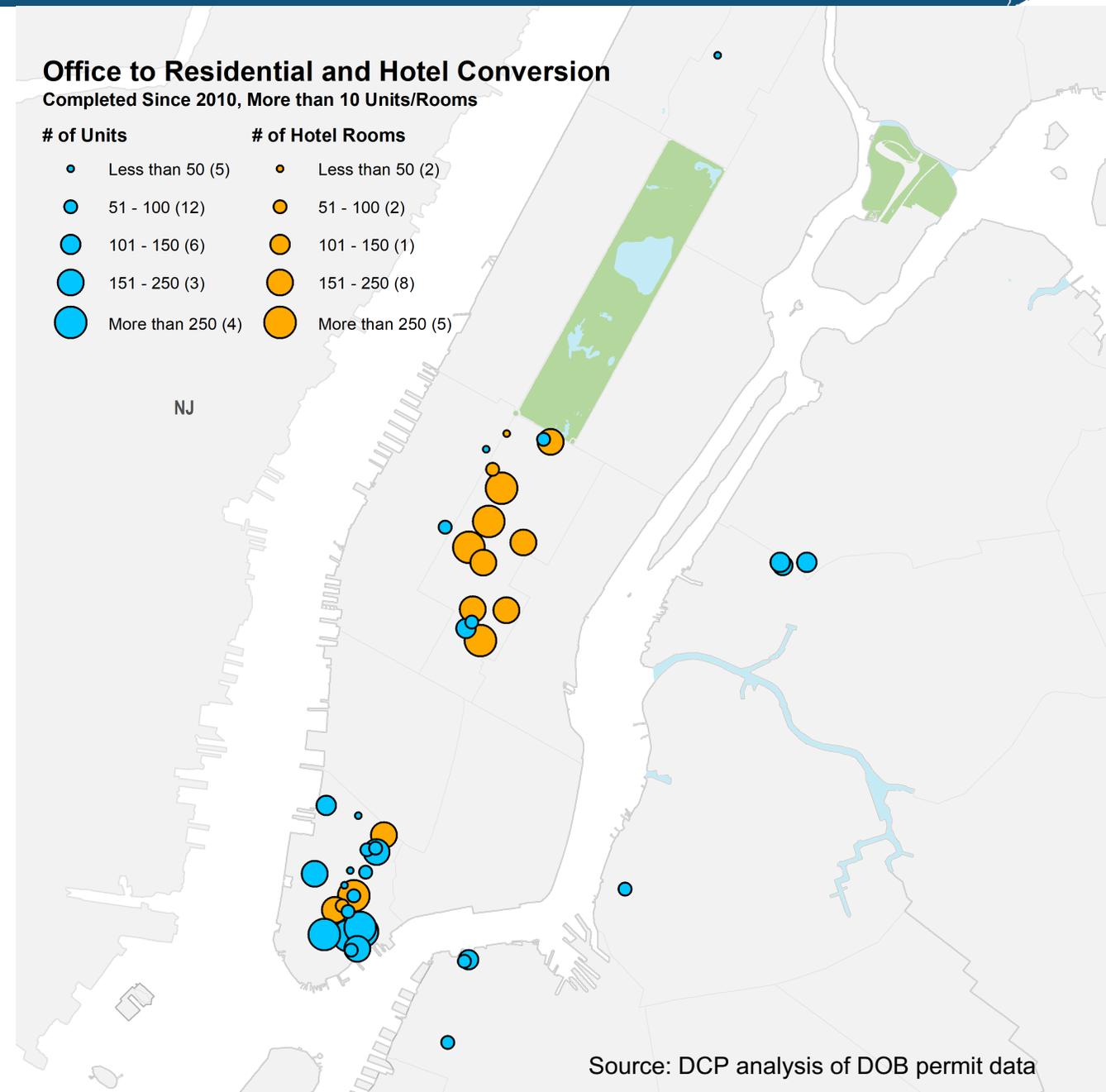
• Less than 50 (2)

• 51 - 100 (2)

• 101 - 150 (1)

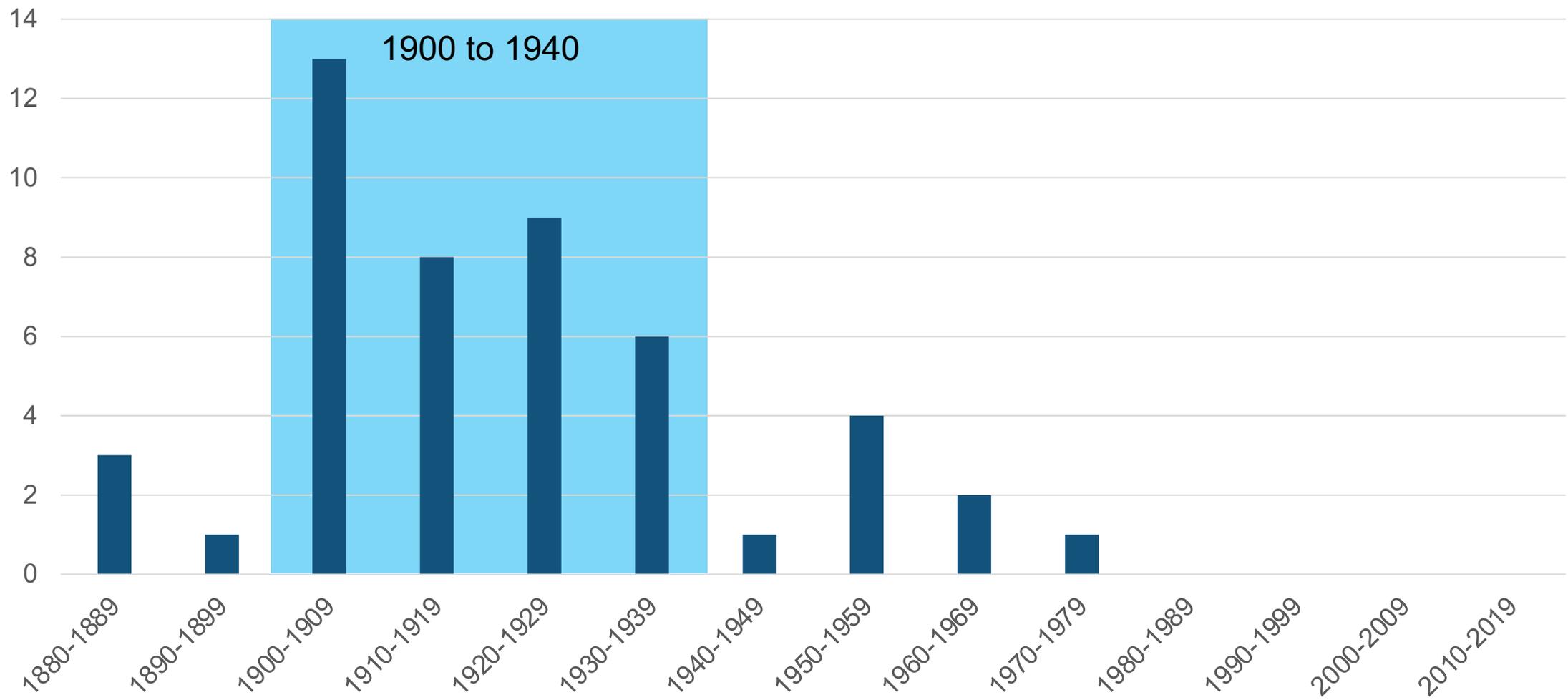
• 151 - 250 (8)

• More than 250 (5)





Large office buildings converted between 2010 and 2020 (by year originally built)



With a few exceptions, conversions had common characteristics:

- **Shallower, "letter-shaped"***, or less “boxy” floor plates than modern office buildings
- **Utilizing old buildings** (normally pre-war buildings)
- **Individual operable windows** rather than a sealed glass curtain wall facade
- **Historical features** of interest



** L, H, C, and U-shaped floor plates

**Any façade modification triggers a chain of issues related to BC compliance (i.e. natural light and natural air, energy code, etc.)

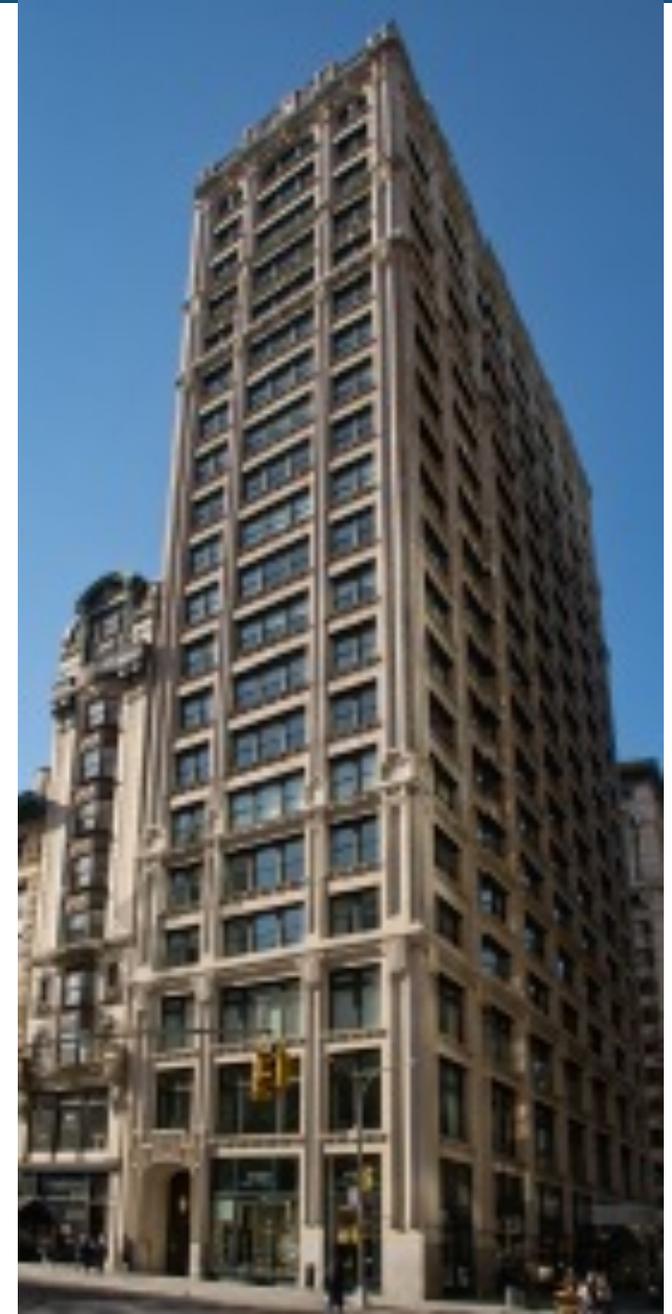
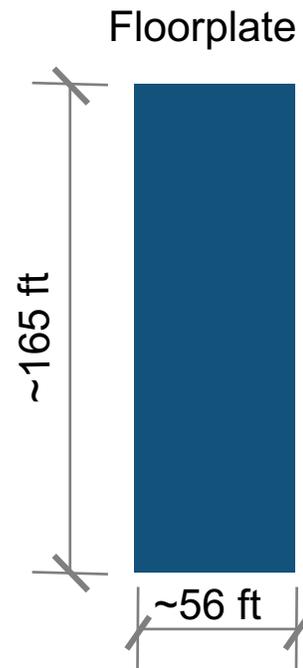
212 Fifth Avenue

Build year	1913
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Wall-to-Window Ratio	~40%
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Operable Office Windows	Yes
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Floor plate



Unusual example

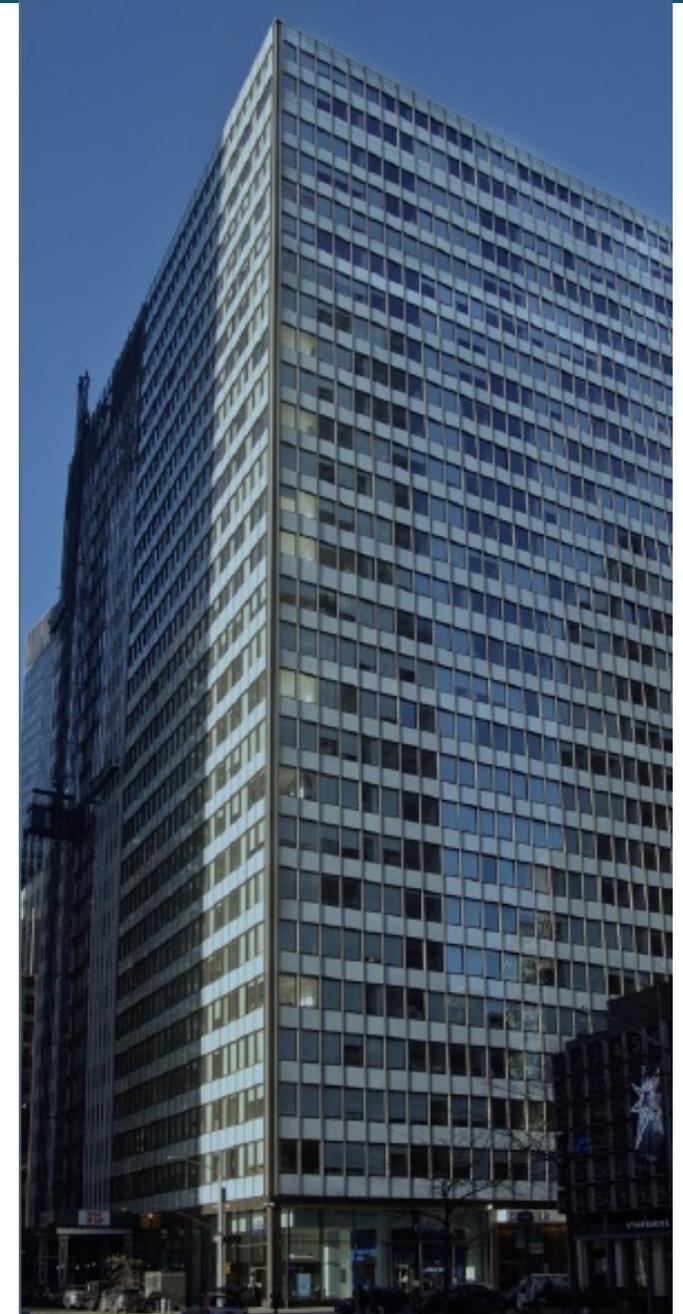
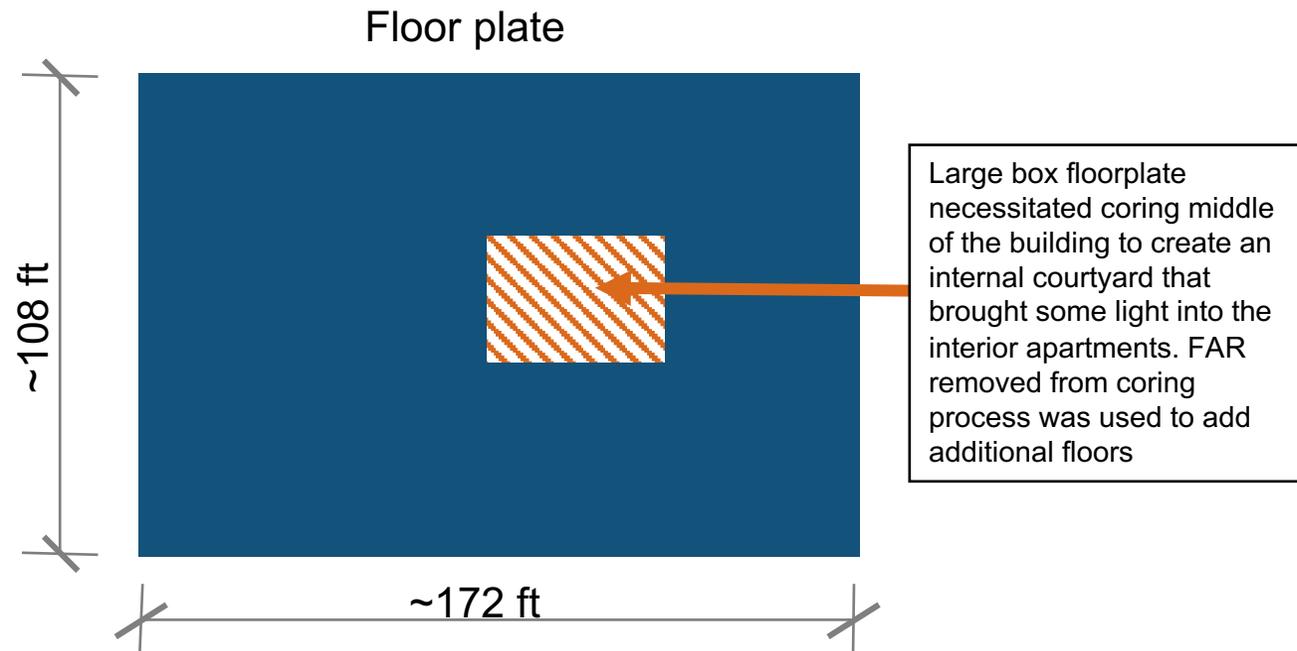
180 Water Street

Build year	1971
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Wall-to-Glazing Ratio	~75%
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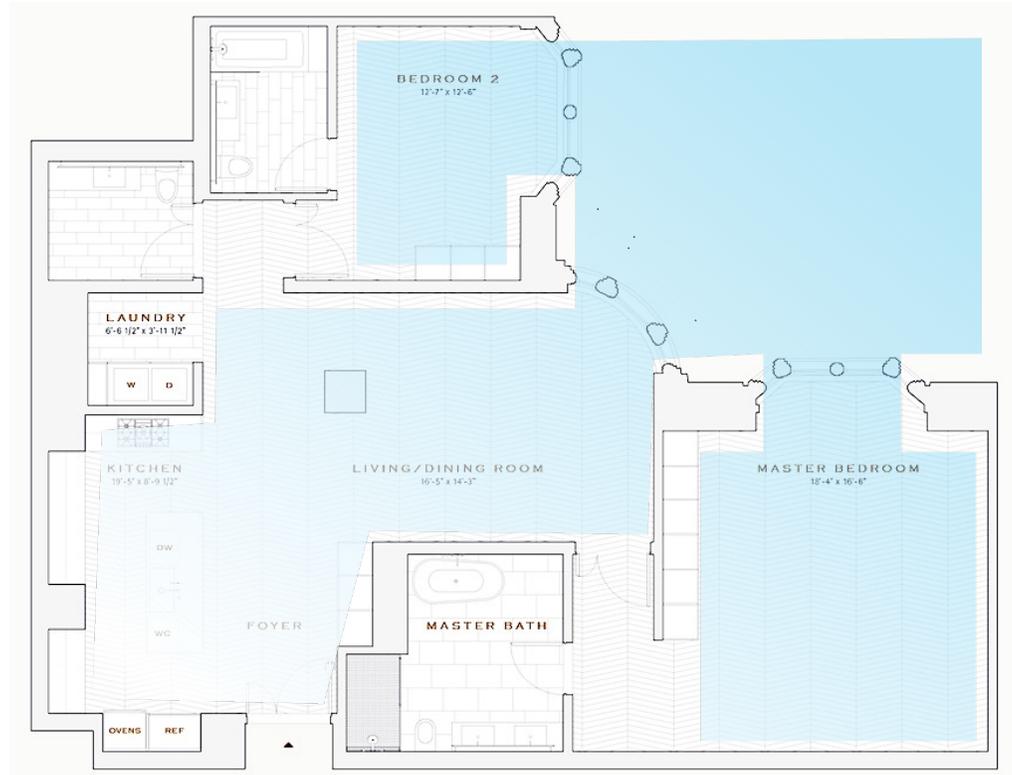
Operable Office Windows	No
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Floor plate



Residential units in office conversions

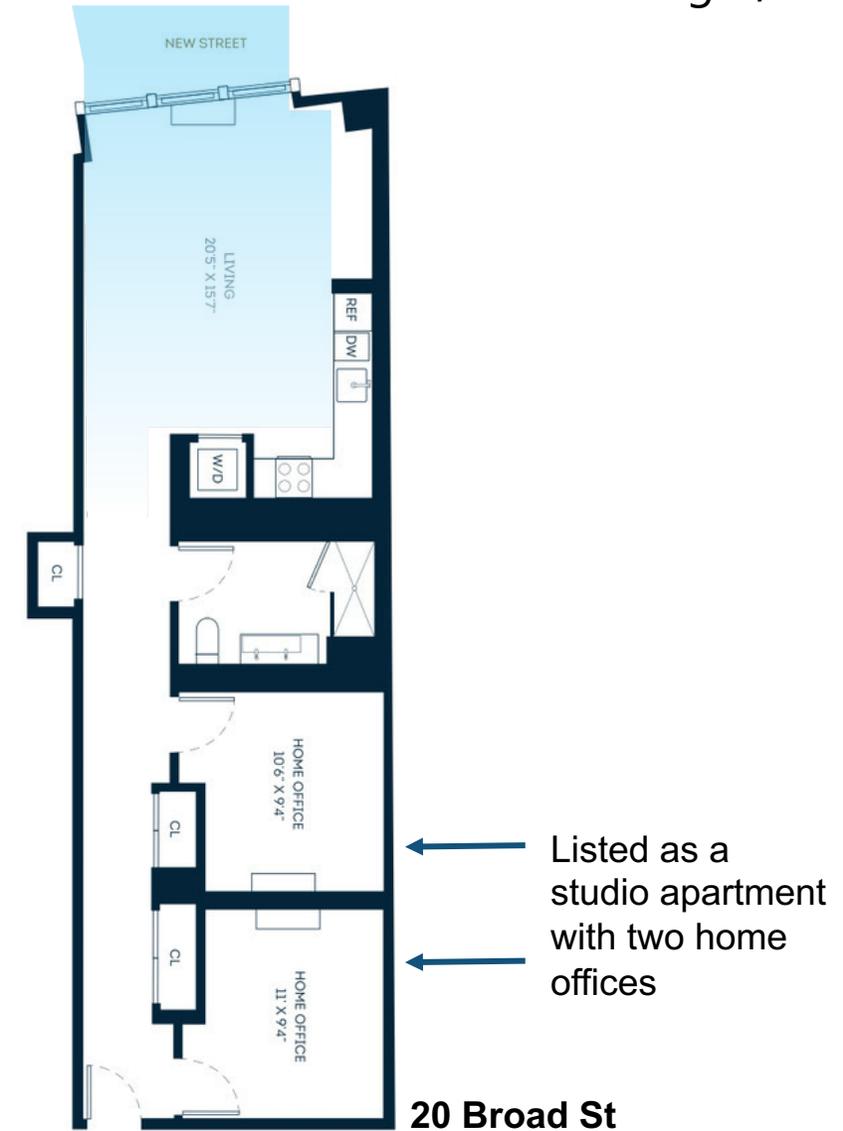
Shallower floorplates allow easier natural light/air access



Luxury 2 Bedroom, 2 Bathrooms

49 Chambers St

Deeper floorplates can result in units with limited light/air



20 Broad St

Natural Light & Natural Air

Building characteristics:

- Floor plate dimensions that allow for easy segmentation to apartments with adequate natural light and air
 - Typically, shallower floorplates or "letter-shaped" -L, H, C floor plates
- Windows/façade/envelope
 - Which requires minimal façade work to meet Building Code
 - Typically, individual operable windows
- Other categories attractive for office and residential tenants alike
 - High ceilings, corner lots, historical features

Location characteristics:

- Attractive, connected, and amenity-rich neighborhood
- Neighborhood with high average residential rent

Commercial tenant characteristics:

- High building vacancy or alignment of lease terms

Eligibility criteria for conversion in Zoning Resolution & Multiple Dwelling Law

Teaser for October session

Obsolescence of an office building can be marked by depressed market value, infeasibility of investment for upgrades, and/or attractiveness of alternative uses. Regulations that provide more lenient paths to conversion are tied to building age rather than attempting to define obsolescence.

Building age cutoff in regulations:

- Regulations restrict flexible conversion regulations to buildings built before 1961 (or 1977 in some locations)*
- An office building needs to be 45 to 60 years old before it can access the most lenient conversion rules
- Some building age cutoff is important to ensure buildings are built in good faith

Should the cutoff be updated?

- Should we shorten it from 45 to 60 years to a shorter period?
- What categories of buildings are not captured by the current cutoff year(s)?

* Only applies where underlying zoning allows “use” being converted to and in some geographies: Manhattan Community Districts 1, 2, 3, 4, 5 and 6, Brooklyn Community Districts 1, 2, 6 and 8, and Queens Community Districts 1 and 2 + St. George, Downtown Jamaica Special, Coney Island Special Districts + Special (Industrial/Residential) Mixed Use Districts.

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