

1. PROJECT DESCRIPTION

1.1. INTRODUCTION

In November 2015, Mayor de Blasio announced a 10-point Industrial Action Plan (NYC Office of the Mayor, 2015), which aims to: strengthen NYC's most active industrial areas, invest in industrial and manufacturing businesses, and advance industrial-sector training and workforce development opportunities for New Yorkers. The Plan's proposals include zoning changes, infrastructure investments and loans and grants for mission-driven developers. The Industrial Action Plan specifically mentions Industrial Business Zones (IBZs), which are subsets of the City's manufacturing zones. These IBZs aim to support employment growth, industrial innovation, and the provision of industrial services, which allow New York City to function and prosper.

The New York City Department of City Planning proposes a zoning text amendment to establish restrictions on new self-storage facilities within IBZs to ensure that their development does not unduly limit future siting opportunities for industrial uses. The proposed restrictions would apply within newly established "Designated Areas" in Manufacturing districts, which largely coincide with Industrial Business Zones, and are established as text maps, as shown in Appendix B (Appendix A includes references).

Self-storage facilities are low job-generating uses that primarily serve household needs, rather than business needs. They typically occupy large sites near Designated Truck Routes, which may be utilized by more job-intensive types of industrial activity in New York City's most active industrial areas. Given the City's numerous measures to support industrial businesses in IBZs, and the fact that industrial employment has been growing in IBZs since 2010, the use of such sites for self-storage conflicts with the City's economic development objectives. The proposed text amendments will address these concerns by requiring a City Planning Commission (CPC) Special Permit for any new self-storage development within these Designated Areas. A Special Permit is a discretionary action by the City Planning Commission, subject to the public review process (ULURP), which may modify use regulations if certain conditions specified in the *NYC Zoning Resolution* are met.

The proposed Special Permit will ensure that self-storage development does not utilize locations that may otherwise be used by an industrial use, and is expected to result in the greater availability of sites in Designated Areas in Manufacturing districts for either existing businesses to remain, or for potential development of more job-intensive industrial businesses. This will be achieved by verifying that proposed self-storage facilities only take place only on sites that are suboptimal for industrial businesses and would prove unlikely for future industrial business locations.

Since the issuance of the DEIS, DCP has prepared and filed an amended zoning text application that expands upon the Mixed Use Alternative presented in the DEIS. The amended application, filed as ULURP application N 170425 (A) ZRY consists of modifications to the Proposed Action that would allow self-storage facilities as of right in Designated Areas in Manufacturing Districts by providing more job intensive industrial uses on the site. The amended application was analyzed in a technical memorandum issued on August 7, 2017, and is further analyzed as the Mixed Use Alternative or A-Text Alternative in this FEIS.

1.2. BACKGROUND

1.2.1. Background: Industrial Business Zones

The present City administration has recognized the importance of the industrial sector for New York City, which employs 524,000 people (NYSDOL QCEW 2016(P)). Industrial businesses provide essential services such as building construction and maintenance; food and beverage distribution; bus, taxi and air transportation; freight management; waste disposal; and recycling services. These industrial businesses typically generate truck traffic, noise, odors, emissions, require relatively large sites and may be incompatible with residential and high density commercial or community facility development. For these reasons, such businesses and uses are typically only permitted in Manufacturing districts and C8 districts, most of which do not permit new residences.

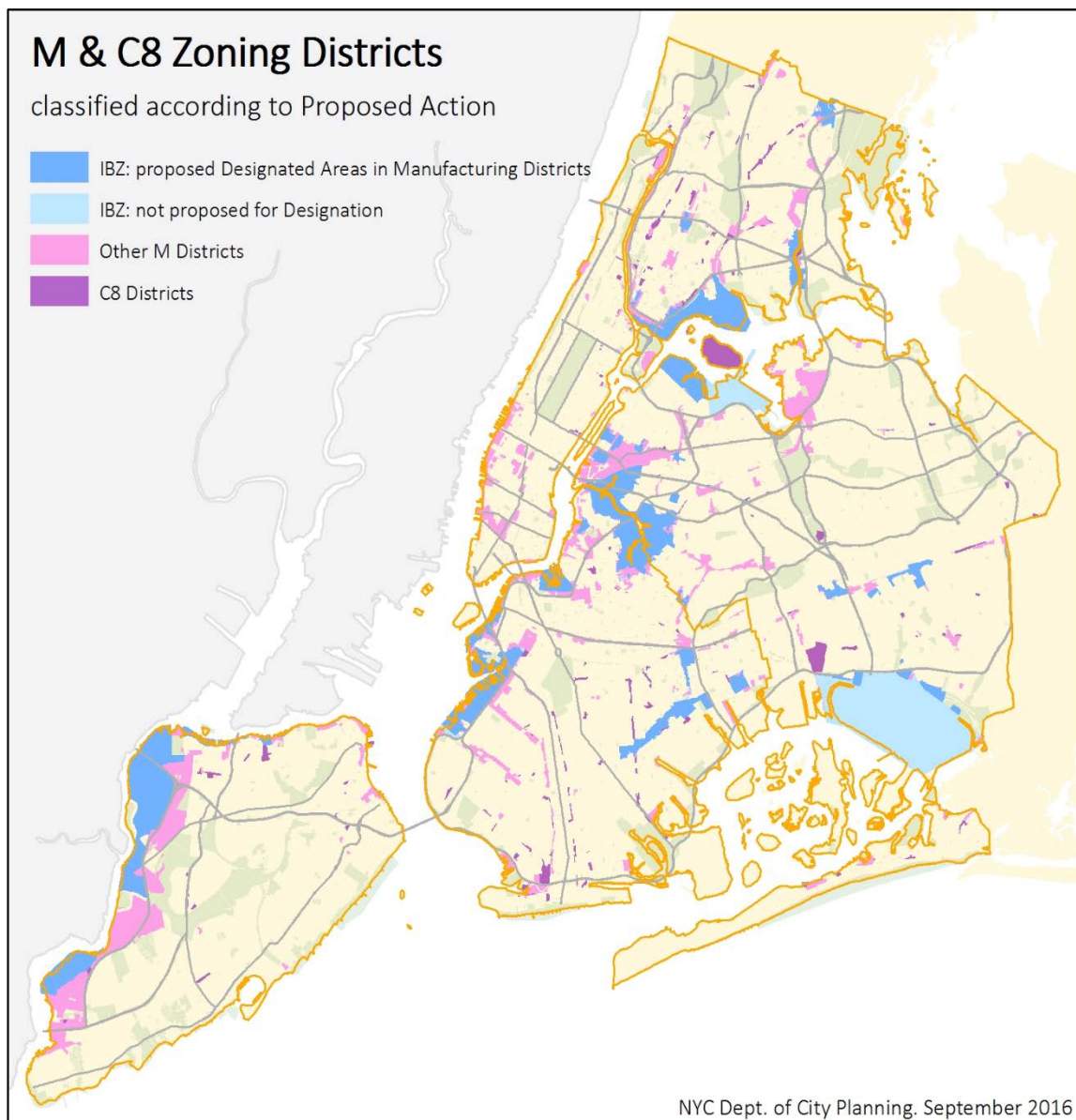


Figure 1: M and C8 Zoning Districts

A manufacturing district, designated by the letter M (M1-1, M2-2, for example), is a zoning district in which industrial and manufacturing uses, most commercial uses and some community facility uses are permitted. Industrial uses are subject to a range of performance standards. Performance standards are minimum requirements or maximum allowable limits on noise, vibration, smoke, odor and other effects of industrial uses listed in Use Groups 17 and 18 in the *NYC Zoning Resolution*. New residential development is typically not allowed, except in some districts with special designations.

A C8 district is a type of commercial zone that does not allow residential uses and is often mapped along automotive corridors. Similar to M1 districts, C8 districts allow industrial and manufacturing uses, most commercial uses and some community facility uses.

However, not all M or C8 districts are characterized by the same amount or type of industrial and business activity. The previous administration under Mayor Bloomberg identified certain M districts as the most active industrial areas, designating those as Industrial Business Zones, while rezoning others to allow for

Industrial Employment Trends in M districts outside Manhattan

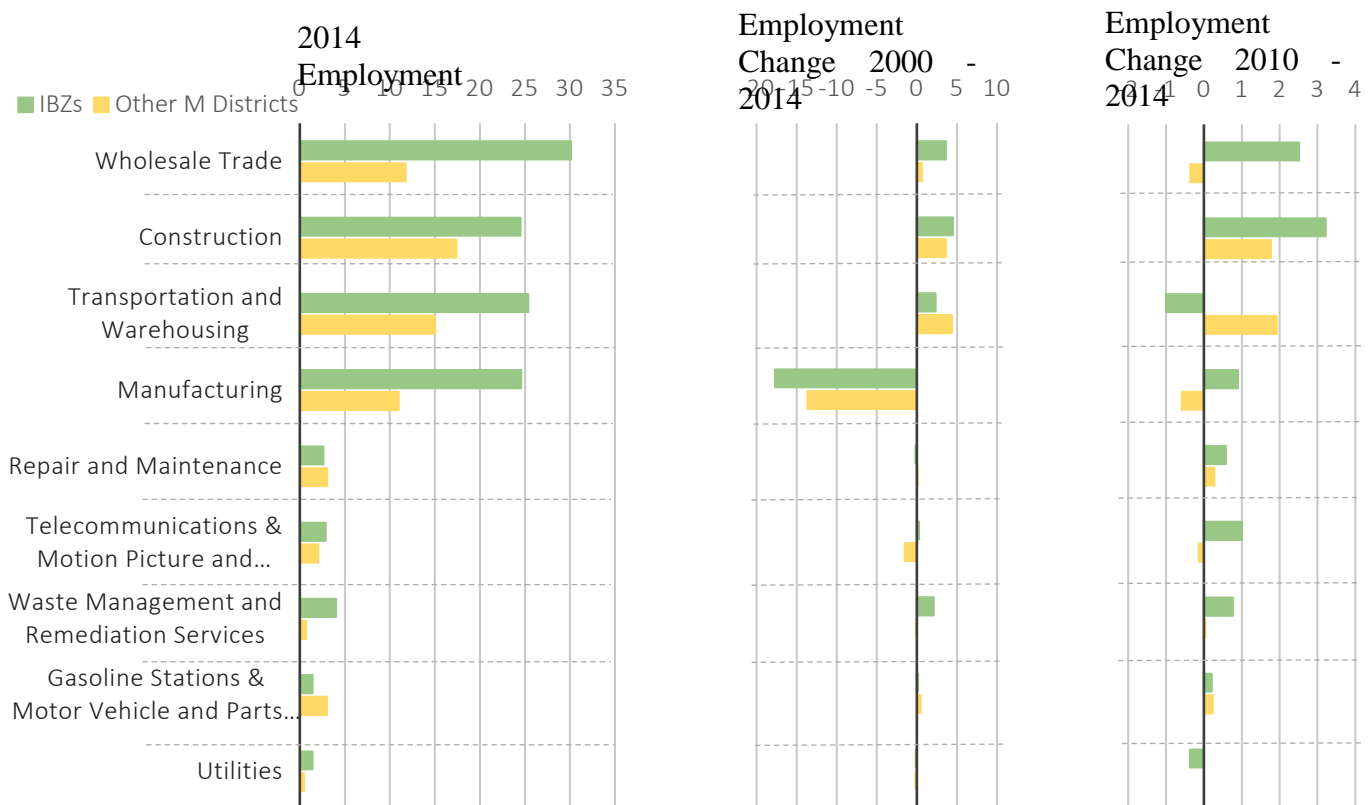


Figure 2: Industrial Employment Trends in M districts outside Manhattan

Source: NYSDOL QCEW 2000, 2010 & 2014 3rd quarter. Analysis excludes M districts in Manhattan, paired M/R districts and airport properties.

some residential development. Established in 2006, Industrial Business Zones (IBZs) function as key industrial areas that accommodate and encourage a range of industrial jobs and activities (NYC Office of the Mayor, 2005). IBZs contain only M districts, but do not comprise all of NYC's M districts (see [Figure 1: M and C8 Zoning Districts](#)). Industrial and manufacturing businesses in IBZs are served by City-selected nonprofit organizations and may be eligible for tax incentives, financing tools and workforce development programs. While, up to this point, no specific land use regulations have been tied to IBZs, the Bloomberg administration committed not to rezone these areas to permit residential use; this commitment was reaffirmed within Mayor de Blasio's 10-Point Industrial Action Plan.

An analysis recently completed by the New York City Department of City Planning's Housing, Economic and Infrastructure Planning (HEIP) division (DCP, 2016), showed significant employment growth in Manufacturing (M) districts outside Manhattan, in both industrial and non-industrial sectors between 2010 and 2014. Although non-industrial-sector employment experienced a higher net job growth between 2000 and 2014, M districts remain predominantly industrial, with Industrial Business Zones representing the largest concentrations and gains of industrial employment (see [Figure 2](#)).

The share of industrial sector employment in the total private sector was over 68 percent in IBZs and 46 percent in M districts beyond IBZs. This difference is mainly a consequence of how the IBZ boundaries were drawn; IBZs were created to encompass the most active industrial areas in New York City (NYC Office of the Mayor, 2005). However, between 2010 and 2014, industrial and non-industrial jobs grew at the same rate in IBZs, whereas other M districts became less industrial. In that sense, IBZs truly represent the industrial base of NYC and have outperformed other M districts in retaining, and to a certain extent growing, the industrial job base.

In 2014, the prevalent industry sectors in IBZs were *Wholesale Trade, Transportation and Warehousing, Manufacturing* and *Construction*, accounting for two thirds of all employment. Accordingly, the largest sectors in IBZs are all industrial. In M districts beyond IBZs, industrial sectors are somewhat smaller and just over half of the employees worked in *Retail Trade, Health Care & Social Assistance* (both non-industrial) *Construction* and *Transportation*.

A look at recent, post-recession industrial employment trends reveals that most industrial sectors grew, with a gain of 7,838 industrial employees in IBZs and 3,165 in other M-Zones (see Figure 2). *Construction* experienced the largest net gain, with a large part of the growth occurring in IBZs. As a matter of fact, all industrial sectors grew increasingly in IBZs over other M district, with the exception of the *Transportation and Warehousing* sector. Notably, due to growth in IBZs, *Manufacturing* ceased to lose employment and appears to have stabilized since 2010.

Mayor de Blasio's announcement of a 10-point Industrial Action Plan in November 2015 (NYC Office of the Mayor, 2015) specifically targeted IBZs, since these are areas especially well-suited to industrial activity and growth. IBZs are now, but have also historically been, New York City's most active industrial areas. IBZs typically offer the large sites industrial businesses require, access to truck routes and highways, and sufficient separation from incompatible uses such as residencies. As such, the economic development goals expressed for this area relate to the ability of industrial and manufacturing businesses to operate and find sites in IBZs, all while providing more job opportunities for New Yorkers.

For the purpose of the Proposed Action and in order to implement the goals expressed by the 10-point Action Plan within a zoning context, the IBZ boundaries needed to be translated into zoning boundaries. This is because IBZ boundaries were related to a tax program and do not exist in the *NYC Zoning Resolution*. See Appendix B for the proposed boundaries, which will be incorporated into the *New York City Zoning Resolution* as text maps.

1.2.2. Background: Needs of industrial businesses

In connection with a number of different research studies and planning efforts over the course of 2016 and 2017, DCP and its consultants have conducted substantial outreach to understand the space, infrastructure, and geographical needs of industrial businesses operating in New York City. DCP and its consultants interviewed over 80 industrial and non-industrial businesses in manufacturing districts in Crown Heights, Gowanus, Greenpoint-Williamsburg, North Brooklyn, Port Morris, Red Hook, the Southwest Bronx, and Wallabout. DCP conducted 50 of these interviews directly.

The following analysis summarizes the key findings related to industrial business operating, space and real estate needs based on conversations with 80 industrial and non-industrial businesses located in IBZs and manufacturing districts as well as industrial real estate brokers and developers, Industrial Business Service Providers and not-for-profit advocates. These interviews included 65 industrial businesses and 16 non-industrial businesses. These interviews included both on-site discussions with individual business owners as well as small-scale roundtables. The types of businesses interviewed included the following:

- Industrial: Manufacturing (33), Wholesale (12), Waste Management/Recycling (7), Construction (4), Film (4), Urban Agriculture (1), Transportation (1), Warehousing (1), and Heating Oil Supply (1).
- Non-industrial: Tech/Media (8), Entertainment (5), Arts (2), Non-Profit (1).
- Brokers and developers familiar with the real estate dynamics in the manufacturing districts listed above (17)
- Owners of light manufacturing/artist studio loft buildings (4)
- Advocates and not-for-profits active in the manufacturing districts listed above or for citywide policy (6)

1.2.2.1. Findings

To an extent, the space needs of industrial businesses vary by size and business model. They can be divided into roughly two categories: horizontally configured business that are truck- dependent or require open storage and parking, and smaller-scale, lower-impact businesses less reliant on vehicle parking and open storage. Although these operations are not always mutually exclusive by common sector categories, examples of the former often include companies engaged in wholesale distribution, construction, transportation, and open industrial uses such as scrap metal processing. The latter group generally encompasses small-scale manufacturers, such as small apparel or woodworking businesses, but can also include smaller scale construction and repair businesses as well as lower volume wholesale companies.

For both groups of businesses, securing appropriate space can be challenging, due both to the demand for space from a number of different competing business types, as well as the limited supply of sites that meet their geographic and physical needs.

1.2.2.2. Large-scale, truck-intensive industrial businesses

Businesses in this category include activities such as wholesale distribution, construction yards, and vehicle fleet parking; necessary public services such as utilities, bulk petroleum or fuel storage, railyards, tow-pounds and sanitation garages; heavy nuisance uses such as waste transfer stations, concrete and asphalt batching, auto dismantling and scrap metal salvage; and water-dependent uses such as dry docks for ship repair, commercial marinas, and operations such as aggregate suppliers and large scale auto salvage facilities whose heavy commodities are most practically transported by barge. This also includes larger scale manufacturers that move large and/or heavy quantities of materials and products by truck, and that may utilize heavy machinery that must be located on the ground floor.

These industrial businesses require access to major truck routes in order to be able to access customers and suppliers throughout NYC. They also benefit from a central location within NYC, or proximity to local consumers in specific neighborhoods. Industrial businesses highly dependent on truck deliveries to a wide geography, such as large construction supply companies and food wholesalers, have said that locating in the city near major truck routes is critical to efficient operations of their business. Industrial businesses with these needs, however, have described difficulty identifying sites that are available or affordable in appropriate locations, including near their existing sites, for expansion.

Some businesses also utilize other non-truck modes of freight transport, such as rail or barge; the locations within NYC with access to this infrastructure are limited. For example, based on a conversation with the New York & Atlantic Railway, which operates freight trains on lines owned by LIRR, there is a limit to the number of sites adjacent to many freight rail lines. Especially in the context of a tight supply of industrial space, many of the adjacent buildings may be occupied by businesses that have no use for the rail, further limiting access.

Because they tend to produce truck traffic, noise, and odors, these businesses also prefer to locate away from residential areas to avoid complaints and pedestrian conflicts. In a roundtable with open industrial use businesses, which produce particularly significant noise and odor impacts, several businesses agreed that locating amongst other similar industrial businesses and away from non-industrial uses was a priority when choosing a location.

These businesses are land-intensive, seeking large sites that provide adequate ground floor space for loading, unloading, and storage, and often have low-density warehouse buildings on site.

Although many industrial companies can and do operate on smaller sites, modeling exercises by architectural consultants to the Department have shown that when businesses such as wholesale and distribution facilities require dedicated loading docks, they operate most efficiently on sites over 50,000 sq. ft. to accommodate loading needs.

These types of businesses have specific building type needs and preferences. Many of these businesses utilize low-scale 1-2 story buildings. In general, their wish lists include loading docks, wide column spans, and high ceilings to facilitate the movement and storage of goods. However, many businesses have described having to be opportunistic given the limited availability of space. They have had to compromise

by locating in spaces even if they lack some ideal features or don't offer the right size. Multiple businesses DCP spoke to were in buildings without adequate off-street loading docks, which meant conducting loading and unloading on the streets, which is more time consuming and results in higher labor costs. Some businesses that have had difficulty finding adequately sized properties have had to find other ways to maximize space, even if resulting in less efficient operations. A food wholesaler DCP interviewed created a mezzanine to store dry goods in order to meet the growing demands of its customers. While acquiring an adjacent lot would be ideal, some businesses described purchasing off-site, nearby properties in order to satisfy needs for additional warehousing and storage space.

While these industries generally value larger lots, there are also some examples of smaller companies, such as small wholesalers, that can manage to operate on smaller lots, although they are still predominantly dependent on their ground floor space.

These businesses also often require a small amount of accessory office space for accounting, sales, and other administrative needs, which can be located either on the ground floor or upper floors.

1.2.2.3. Small-scale, lower-impact industrial businesses

There are also a number of lower-impact industrial businesses, which are generally of a smaller scale. Unlike the land-intensive industrial businesses described above, there are some other categories of businesses that can operate on smaller lots and utilize upper floor space. Due in part to smaller business volumes, these smaller industrial businesses generate less truck traffic from bringing in materials or shipping out products. Depending on business activities, they also may produce lesser amounts of nuisances such as odors and noise.

While space needs of manufacturing businesses vary widely depending on the size and volume of production, machinery used, and products created, this category generally includes smaller-scale light manufacturing businesses. This category may also include smaller-scale wholesalers or contractors' yards.

Manufacturing accounts for a much smaller share of industrial jobs in NYC than the ones described in the previous section. But as lower-margin, large-batch manufacturing firms move to areas with lower operating costs, smaller, more specialized manufacturing businesses in sectors such as woodworking, apparel, and food appear, seem to be staying as they produce higher end products for a local market. There is also an emerging segment of businesses that are on the spectrum between manufacturing and commercial office uses, such as technology-based fabrication businesses. DCP interviewed multiple businesses in all of these categories.

The small-scale manufacturers DCP interviewed were located in a variety of different types of sites. Some were on small lots in low-scale warehouses that are smaller than but similar to those occupied by large-scale, truck-intensive industrial businesses. Some also occupied small units within multi-tenant multi-story industrial loft buildings. Many of these businesses stated that they enjoy and benefit from the clustering of different types of manufacturers and artisans in these buildings. The small size of these units also makes them more affordable to startups.

While it is difficult to generalize across different manufacturers' business models, some themes emerged through outreach. Ground floor space is preferable, but moving smaller volumes of goods and/or lighter weight material, enables some to more easily occupy upper floor space.

Some small manufacturers generate strong odors or noise (such as woodworking with varnish), while others produce minimal impacts (such as apparel making). While their negative impacts may be not as great, these businesses still prefer to locate within manufacturing zones where they are adjacent to other industrial and non-residential businesses, large and small, and will not encounter conflicts with residential uses. In areas where there is a significant amount of non-conforming residential uses, even manufacturers of food products as innocuous as confections described having received odor complaints.

Different manufacturers have different specialized building requirements. This could include freight elevators for upper floor space, open, flexible workspace with wide column spans, natural light for artisanal activities, more robust ventilation systems for odors, loading docks, sound mitigation, broadband, and greater power supply and heavier floor loads for heavy machinery. Flexibility and the potential to expand space is also important to many of these small businesses that may be seeking to scale up over time, sometimes very quickly.

Some of these small-batch manufacturing businesses also benefit from having a ground floor retail space in order to generate revenue, ideally visible and located on a pedestrian corridor.

For businesses without significant specialized building needs, such as a 3D printing company DCP interviewed, their space may look very much like office space.

1.2.2.4. Limits on supply of space

Industrial businesses and advocates stated that it is difficult to find the right space at the right price. In other words, industrial business' challenges to finding space are due both to market conditions – competing with non-industrial uses that can pay more for space – as well as limitations on the supply of the types of spaces that industrial businesses need to operate. This is true of both industrial businesses seeking to lease space as well as those seeking to buy. Longtime property owners do not face such challenges, unless they are seeking to buy new properties to expand their business.

Given the specific neighborhood and infrastructure requirements of industrial businesses, there is a limited amount of land area appropriate for their activities. This includes an overall limit on the land area zoned for manufacturing in NYC. Areas adequately buffered from residential areas with access to major truck routes are even further constrained.

There is also a limit on the number of large lots available in these areas. Individuals businesses may be able to create assemblages to create the large lots they need, but the opportunity to do this varies on a site by site basis and has not proved to be a significant solution to this issue.

The supply of appropriate space is further limited by the fact that industrial businesses typically seek preexisting buildings that suit their needs. Moreover, many companies reported unfavorable (short) lease terms that increase the risk and reduce the potential return on investments in or upgrades to existing space. Depending on the business, they must seek particular building characteristics, such as wide column spacing, high ceilings, loading docks, and heavy floor loads. While repurposing an existing building is more cost effective than building a new one, they sometimes still require significant investment to suit different businesses. For example, for manufacturers or wholesalers needing refrigeration, building out the interior of preexisting industrial can pose a substantial cost.

Interviews with brokers and businesses have also indicated that there are gaps in the market for industrial spaces of different sizes. As the economy has grown since the Great Recession, many industrial businesses have also grown. Smaller startup businesses might initially lease inexpensive spaces as small as 500-6,000 sq. ft. While some brokers and businesses indicated that these extremely small spaces are easier to find than medium and large spaces, there is still a limit to the creation of this space because subdividing larger buildings sometimes requires significant investment items such as water, freight elevators, plumbing and electrical wiring.

Many businesses, brokers, and IBSPs interviewed indicated that “step-up” space is difficult to find. Once growth businesses are ready to expand distribution, step-up space to 10,000 sq. ft. to 30,000 sq. ft. is extremely difficult to find. Brokers have said that despite the significant demand spaces in this size range, the market has not responded by creating new space due to the limits on rents that industrial businesses are willing to pay.

In response to these constraints on expansion, some businesses have responded by growing production facilities outside of NYC. The owner of woodworking company DCP spoke to with a 6,000 sq. ft. workshop indicated that due to ongoing growth of his business he was contemplating opening a much larger production space – potentially 40,000 SF – but that this would likely only be feasible for outside of NYC, potentially in Pennsylvania. The owner indicated that he would continue to keep his space in NYC to be able to meet with and show materials to high-end Manhattan-based customers. He stated that this was a model many others in his industry were adopting.

Conversely, some space-constrained businesses have continued fabrication activities within NYC, utilizing storage space outside the City. Industrial businesses dealing in lighter materials, such as food wholesalers, do their best to work around space constraints by using mezzanines for storage.

Brokers say they generally see demand for all space sizes, up to 100,000 sq. ft. of space, but rarely larger. These spaces are also very limited in supply. There appeared to be consensus among brokers and business owners that once a business was seeking a space close to such a large scale, it would almost certainly need to look outside of NYC.

1.2.3. Background: Scarcity of industrial properties in M districts

An analysis of NYC Department of Finance Detailed Annual Sales data supported the qualitative insights described above.

DCP studied recent trends in the real estate market in IBZs and other M districts by means of publicly available DOF Detailed Annual Sales data (DOF, 2017) from 2010 until 2016, with the intention of gaining insights into changes in land prices and the number and volume of transactions. The Annualized Sales files display yearly sales information of properties sold in New York City, and also have information such as neighborhood, building type, square footage and other data. The dataset was geocoded based on the BBL codes included in the original dataset, and the corresponding zoning district (as of January 2017) was assigned to every sale.

Given this study’s specific interest in large lots in M districts, only sales of lots larger than 19,000 SF were included. Since assemblages of lots are always a possibility, it was deemed that 19,000 SF presented an

appropriate minimum size for an analysis of price changes of large lots. Only sales of lots in regular M districts were considered, excluding paired M/R districts and –D, and all sales of properties in Manhattan and Downtown Brooklyn were excluded. Although M-zoned, those areas represent mostly Central Business districts and are subject to very different market conditions and dynamics.

The DOF Annualized Sales dataset contains many so-called duplicates, as a result of several buyers or sellers participating in a real estate transaction. Due to uncertainty in the interpretation of these duplicates, they were excluded: any same-day sale detailing the same address (BBL), was defined as such a duplicate and was excluded. Finally, transactions with a sale price of less than \$100,000 were excluded for the purpose of understanding changes in land prices, since transactions below \$100,000 typically are not sales, but gifts or transfers to land trusts or LLCs.

The results were filtered according to the DOF’s building classification system. It separates residential, commercial and industrial properties into detailed building typologies. Due to this study’s particular interest in industrial property types, only sales of buildings classified as warehouses, commercial garages, factories, loft buildings, utility properties and transportation facilities were taken into account, and as a group considered industrial.

When analyzing the number and volume of transactions, properties with a sale price of less than \$100,000 were not excluded, since the change in ownership alone is seen as an indicator of market activity. Furthermore, sales of vacant properties were included. Otherwise, the above described filters were maintained.

In studying transactions of industrial properties in M districts between 2010 and 2016, it became clear that the number of transactions, the volume of land that changed hands, as well as the price of land on a per square foot basis, all increased. [Figure 3](#) illustrates substantial increases in average per square foot prices – table shows nominal prices, and does not adjust price for inflation – of large industrial lots in M districts, as well as a general gain in the number of properties sold.

NUMBER AND AVERAGE PER SQUARE FOOT PRICE OF SALES (NOMINAL) OF INDUSTRIAL PROPERTIES IN M DISTRICTS

2010		2011		2012		2013		2014		2015		2016	
SALES	\$/ SF	Sales	\$/ SF	Sales	\$/ SF	Sales	\$/ SF	Sales	\$/ SF	Sales	\$/ SF	Sales	\$/ SF
45	\$138	58	\$162	72	\$192	76	\$151	80	\$235	74	\$243	68	\$370

FIGURE 3: INDUSTRIAL PROPERTY SALES

SOURCE: NYC DEPARTMENT OF FINANCE DETAILED ANNUAL SALES DATA

Most of the higher-priced transactions of industrial properties were located in M districts in Long Island City, North Brooklyn, JFK, Gowanus, Red Hook and Port Morris. In these areas, but also in other M districts citywide, large industrial lots have become more expensive – an expression of the large demand for these sites, and their increasing scarcity. The boost in market activity and interest in large industrial properties in M districts is also represented in [Figure 4](#): although there are fluctuations, the total square footage of transactions between 2010 and 2016 increases overall by more than sixty percent.

NUMBER AND TOTAL SQUARE FOOTAGE OF SALES OF INDUSTRIAL AND VACANT PROPERTIES IN M DISTRICTS

2010 SALES	SF	2011 Sales	SF	2012 Sales	SF	2013 Sales	SF	2014 Sales	SF	2015*	SF	2016 Sales	SF
130	9.4 M	156	8.7 m	161	9.1 M	147	11.6 M	172	14.9 M	141	16.6 m	158	15.5 M

FIGURE 4: INDUSTRIAL PROPERTY SALES 2
*EXCL. TRANSACTION OF PROPERTY AT LA GUARDIA AIRPORT
SOURCE: NYC DEPARTMENT OF FINANCE DETAILED ANNUAL SALES DATA

Finally, DCP studied large industrial properties in M districts that were sold multiple times between 2010 and 2016. 30 properties sold twice within that time span, and three properties sold three times¹. On average, the nominal price increase between a first and a second sale amounted to 113%, meaning that average nominal prices more than doubled for the same property between 2010 and 2016. On a monthly basis, the average value of these 33 properties increased by a nominal 10 percent.

These average increases in land prices are very high and the Department of City Planning sees such upward trends in land prices as an expression of scarcity: Only an increased demand for large, industrial lots in M districts could result in such dramatic price increases over a short time period. The increased number of transactions and volume of land that has changed hands furthermore points to a growth of real estate interest and market activity in large industrial properties in M districts.

Specifically for these reasons, the Industrial Business Zones have been the objective of a public policy, the 10-point Industrial Action Plan (NYC Office of the Mayor, 2015), which aims to maintain and strengthen these areas for industrial uses, invest in industrial and manufacturing businesses, and advance industrial-sector training and workforce development opportunities for New Yorkers. Ensuring the availability of large industrial lots as future industrial business locations, in a context where such businesses already are experiencing difficulties to operate and expand their NYC base, is a crucial component of the Industrial Action Plan.

1.2.4. Background: Self-storage

Self-storage, also known as mini-storage, is a business model in which space, often within a warehouse, is rented to individuals under a lease or rental agreement, usually on a month-to-month basis, specifically for the purpose of storing personal property. In no case may a self-storage unit be used for residential purposes. The tenant, a household or a business, has sole access to the storage unit, which could be a

¹ Two properties were excluded from this part of the analysis, since the price increases between the first and second sale amounted to more than 10,000%. These sales were deemed to be extreme outliers and were excluded in order to avoid distortion of the results.

room, a container or a locker. A typical self-storage facility in NYC is a multi-story building, converted from a prior industrial use, containing several hundred or thousand storage rooms of about 5 – 10 x 10 feet, separated by interior metal partition panels and often accessed by roll-up doors. While conversions still account for the majority of existing self-storage facilities in NYC, they are becoming less popular, with the majority of newly opening self-storage facilities being purpose-built.

Unlike a warehouse operator or a moving business, who becomes a bailee of the entrusted goods, self-storage operators do not enter a bailment relationship. “A bailment is the relationship established when someone (the bailor) entrusts his property temporarily to someone else (the bailee) without intending to give up title.” (Mayer et al., 2012). In other words, a bailment is “the rightful possession of goods by one who is not the owner.” *Zuppa v. Hertz*, 268 A.2d 364 (N.J. 1970). Accordingly, a self-storage operator’s liability for the stored goods is limited by the signing of a rental lease agreement and the establishment of a landlord and tenant relationship with the customer. The self-storage operator, not owning keys to locks on leased units, is not able to access those. In order to further ensure limited liability, self-storage operators will not themselves offer moving services or handle any of the stored goods, but rather recommend the hiring of third parties, who are equipped with adequate insurances packages and licenses to provide such services. Only when a tenant fails to pay the rent, and in accordance with NY State Lien law, may a self-storage operator enter a storage unit and take possession of the stored property.

Self-storage, in its current form, was born in the 1970s and has become increasingly prevalent in the United States since the 1990s. It is commonly understood that the industry came into existence as a result of a consumer society that possesses more goods than it can use or fit in their dwellings (Hamilton & Denniss, 2005; Hinterreiter, 2013; Mooallem, 2009). While a growth in the population who lives in small, space-constrained apartments has contributed to the increased demand for self-storage, the fact that self-storage has thrived also in suburban and rural settings, where 68% of self storage facilities are located (SSA, 2015b), hints at a broader cultural phenomenon.

New York City has been described as ‘the best storage market in the world’ (Morris, 2016): The city is large and very densely populated. Residents tend to live in small apartments, which often cannot accommodate all of their belongings. Furthermore, partially due to the high rate of renter versus owner-occupied households, there are many households moving in, out and around the city. Finally, many New Yorkers have high incomes, affording them the option of renting a self-storage on a monthly basis. The successful self-storage market in NYC is also reflected in the numbers: For the second quarter of 2015, the average asking rent was an annual \$36 per square foot for a climate controlled 10x10 foot unit in New York City, as compared to a national average of \$19 per square foot, according to REIS, a commercial real estate data analytics firm. Both nationally and in New York City, the asking rent per square foot is projected to increase steadily over the next five years, although asking rent growth rates are expected to decelerate (REIS, 2015).

Self-storage being a relatively young industry, *New York City’s Zoning Resolution*, dating from 1961, does not consider self-storage as a specific use but regards it more generally as a warehouse or a moving and storage office (Use Group 16D). While Use Group 16 is typically an industrial use, self-storage is for the most part better understood as a commercial use: The North American Industry Classification System, which is regularly updated, places self-storage within the *Real Estate and Rental and Leasing* industry sector. This is mostly because over the last decade, due to the large and growing demand for storage and the relative ease of developing self-storage facilities, commercial real estate investment has recognized the

potential of self-storage as a valuable property type. Self-storage has even stood out as one of the best-performing commercial real estate asset classes (Carr, 2016; Morris, 2016). In that sense, self-storage resembles a real estate investment business more than a moving or warehousing company, and national, publicly-traded self-storage Real Estate Investment Trusts have come into existence.

Self-storage customers are mainly households, who have usually been understood to rent self-storage units as a cause of a major life event, such as a move, a house renovation, a death or a divorce. The temporary storage of belongings in a self-storage unit can make such transitions easier. In New York City, where many households move – over 900,000 people moved within or into NYC in 2014 according to the American Community Survey (US Census, 2014) – there is a large demand for self-storage. However, DCP has been told by industry representatives that depending on the location and level of accessibility of a self-storage facility, movers represent a smaller share of customers, and most units are typically rented on a long-term basis. Often, households rent a self-storage unit as an off-site storage room; a result of New York City apartments being small, expensive and often lacking in storage space.

Besides households, between 20 and 30 percent of units nationwide are estimated to be leased by small businesses, such as food truck operators, pharmaceutical reps, contractors for construction, and building maintenance jobs or artists. Small businesses, independent contractors and the self-employed often do not require or cannot afford leasing larger spaces, and self-storage can fulfill their limited storage needs. In a meeting with the NY Self-storage Association, the Department of City Planning was told that the proportion of business and household tenants is quite similar in New York City, and varies largely between individual storage facilities. Self-storage operators have told the Department of City Planning on several occasions that they do not collect information on tenants and can thus not easily distinguish between household and business tenant. Often, units may be registered under a customer's given name, even if the unit is used entirely or partially for business purposes. A recent estimate by a self-storage development group considered that about 40 percent of New York City self-storage customers are local businesses (Goldensohn, 2017). No evidence was provided or cited.

In January 2017, New York City had approximately 240 self-storage facilities, two-thirds of which were conversions of existing buildings and one-third were new construction. According to accounts from self-storage developers, some may specialize in ground-up new construction self-storage facilities, while others prefer to convert existing buildings. The prior business model has gained predominance over the last

Estimated new self storage facilities per year, by type*

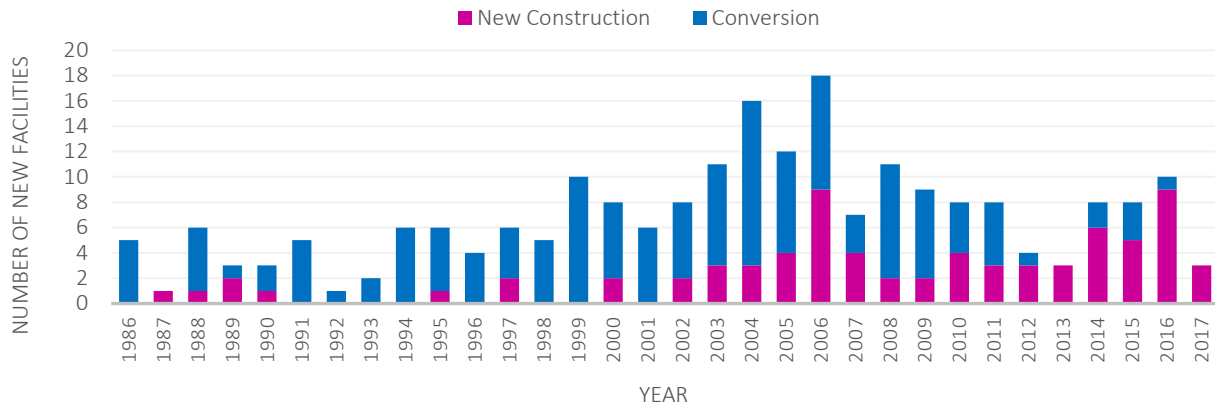


Figure 5: Estimated new self-storage facilities per year

*approx. 7 percent of facilities lack data and are not included in this chart

NYC Dept. of City Planning, January 2017. Sources: PLUTO v16 Year Built/Year Altered or

decade, as Figure 5 shows: conversions of existing buildings are becoming less common, while new construction accounts for an increasingly large share of new self-storage facilities.²

Since New York City is large and very densely populated, New York City has been described as ‘the best storage market in the world’ (Morris, 2016). The successful self-storage market in NYC is also reflected in the numbers: according to REIS, a commercial real estate data analytics firm, for the second quarter of 2015, the average asking rent was an annual \$36 per square foot for a climate controlled 10x10 foot unit in New York City, as compared to a national average of \$19 per square foot. Both nationally and in New York City, the asking rent per square foot is projected to increase steadily over the next five years, although asking rent growth rates are expected to decelerate (REIS, 2015).

Since the self-storage industry is a relatively young industry, *New York City’s Zoning Resolution*, dating from 1961, does not consider self-storage as a specific use but regards it more generally as a warehouse or a moving and storage office (Use Group 16D). While Use Group 16 is typically an industrial use, self-storage is better understood as a commercial use: The North American Industry Classification System, which is

² Year estimates are based on two data sources: PLUTO v16, which is based on DOF data *Year Built/Year Altered*, or the DOB Permit database, *Year Building Permit Issued* (P or Q permits). These sources are not perfectly comparable and may contain certain errors. DCP uses these sources for a general indication of self-storage development trends, since there are no other, more reliable sources. The created charts are meant to depict general trends and should not be analyzed on a year-by-year basis. Due to potential data inaccuracies and the presence of certain market cycles, future self-storage development projections are based on general trends in the last decade, rather than recent short-term trends, which are typically less reliable. Furthermore, the chart does not include approximately seven percent of existing self-storage facilities, because the build year of those facilities could not adequately be determined. The actual development numbers would be slightly higher than those represented in the chart.

regularly updated, places self-storage within the *Real Estate and Rental and Leasing* industry sector. This is mostly because over the last decade, due to the large and growing demand for storage and the relative ease of developing self-storage facilities, commercial real estate investors have recognized the potential of self-storage as a valuable property type. Self-storage has even stood out as one of the best-performing commercial real estate asset classes (Carr, 2016; Morris, 2016). In that sense, self-storage resembles a real estate investment business more than a moving or warehousing company, and national, publicly-traded self-storage Real Estate Investment Trusts have come into existence.

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Regarding the number of jobs generated by self-storage, the national Self-storage Association states that an average of 3.5 employees work at each facility (SSA, 2015b). According to recent New York City employment data (NYSDOL Quarterly Census of Wages and Employment, 3rd quarter of 2015), 1,130 employees worked in the self-storage industry, classified as *Lessors of Miniwarehouses and Self-Storage Units* by the North American Industry Classification System. Industry sources have told the Department of City Planning that their employees tend to work at multiple facilities. Accordingly, if 1,130 employees worked at the approximately 226 facilities that existed in the 3rd quarter of 2015³, each facility would have an average of 5 employees. In that sense, NYC self-storage facilities hire a greater number of employees, on average, than nation-wide, but are nevertheless low job-generators, considering the facilities' large sizes and the fact that the storage space offered benefits primarily households. Additionally, self-storage is increasingly incorporating automated technology, which would further reduce its already low need for personnel. Fully-automated facilities have seen success in some areas; these are unmanned facilities, which combine various technologies including access control, automated kiosks and electronic locks (ISS, 2016). To DCP's knowledge, such fully-automated facilities have not yet become a business model in NYC.

Other considerations reported by self-storage operators include the importance to customer service, an attractive location and storefront and security within the storage complex. Some facilities provide 24-hour access, while others are only open during regular business hours. DCP was told by industry representatives

³ This is an estimate based on available information. There were approximately 239 self-storage facilities in January 2017, 13 of which were permitted in 2016 and 2017.

that the limited opening hours were more cost-effective, because the staffing of night time shifts was not required, and it also largely solved the issue of tenants illegally using their units as residencies.

In NYC, over 70 percent of self-storage facilities are owned and operated by just ten companies, three of which are publicly traded Real Estate Investment Trusts (REIT). The other 30 percent of facilities in NYC, approximately 70 in number, are owned by about 30 smaller firms. Average vacancy rates in New York City were generally around 12% in 2015, which is similar to national market (REIS, 2015).

Finally, an alternative business model in the household storage market is gaining popularity. Valet or on-demand storage businesses typically works as following: A customer doesn't typically rent a unit, but any number of storage bins. The company provides the bins, which the customer packs at home. The company then transports the bins to a storage facility and may or may not photograph and inventory the content. The client may look up the stored belongings online and retrieve the bins by scheduling a delivery. Delivery has an additional cost while pick up is usually included in the cost. As such, on-demand storage businesses work much like a moving company. Clients don't usually visit the storage facility and many transactions occur online or via apps. DCP was told by on-demand storage industry representatives that since access to the cubicle is not a factor, most bins are stored not in NYC, but in New Jersey, where warehousing space is cheaper. While the on-demand business model has grown over the last years, with a number of companies offering such services, it is still a small segment of the household storage market.

1.3. PURPOSE AND NEED

The present City administration has recognized the importance of the industrial sector for New York City – a sector, which employs 524,000 people (NYS DOL QCEW 2016(P)). Industrial businesses provide essential services such as building construction and maintenance; food and beverage distribution; bus, taxi and air transportation; freight management; and waste disposal and recycling services. Industrial Business Zones (IBZ) represent the most active industrial areas in New York City, which recent data shows have gained industrial employment since 2010.

Industrial businesses often need specialized space, geographically separated from potentially conflicting uses. In general, these businesses may generate truck traffic, noise, odors or emissions, and consequentially, prefer to locate away from residential, commercial, or community facility developments. These businesses also require relatively large sites and prefer to occupy ground floor space, for loading/unloading and the operation of heavy machinery. Since New York City is dense, and contains a narrow, historic transportation grid, the number of lots that are large and appropriate for truck-intensive uses are limited. Compounding this scarcity is that these lots are in limited supply and high demand.

For the above reasons, Industrial Business Zones have been the objective of several economic development policies and are the City’s target areas for the realization of economic development goals supporting a range of industrial and other employment-generating business activities and industrial innovation. The

Construction Business, Maspeth IBZ



Food Manufacturing, Bathgate IBZ



Food distribution, North Brooklyn IBZ



Motion Picture, North Brooklyn IBZ



Figure 6: Examples of recent new investments in industrial businesses
Source: Google Earth and Google Streetview, 2016. Accessed December 20th 2016

announced 10-point Industrial Action Plan (NYC Office of the Mayor, 2015) builds on existing economic development policies for IBZs, which include Industrial Service Provider contracts, tax incentives and the pledge not to rezone IBZs for residential uses. The developments in Figure 6 are examples of recent industrial investments that the City is trying to support.

Self-storage development detracts from the City's economic development objectives for IBZs for several reasons. Firstly, it is a low job-generating use that primarily serves household rather than business needs (SSA, 2015a, p.12). Self-storage facilities typically only store goods, without handling or taking custody for such goods, and even a very large facility may employ only a handful of workers. In NYC, self-storage facilities employ an average of five workers (see previous chapter). Other types of warehouses, commercial storage spaces and moving companies provide not only storage but other essential services, such as moving, distribution, logistics and/or supply chain management services. Since these other warehouse generally offer other services, they also tend to hire a greater number of employees. Employment data from the Quarterly Census of Employment and Wages, collected by the New York State Department of Labor, supports this. According to 2015 3rd quarter QCEW data, there were 386 *Warehousing and Storage* (NAICS code: 4931) and *Used Household and Office Goods Moving* (NAICS code: 48421) firms in New York City. On average, each firm employed 17.8 workers, more than 3.5 times the amount of self-storage.

Self-storage also utilizes land that may be utilized by industrial uses. Recent new construction of self-storage facilities in M districts (30 facilities) were built on lots with an average size of 49,500 square feet; and conversions in M districts (42 facilities) present an average built area of 111,000 square feet. Lots and buildings of such sizes provide important siting opportunities for many industrial businesses, which tend to require sites large enough to accommodate horizontal operations, off-street loading and vehicle fleet parking.

Moreover, they are in limited supply in New York City: throughout DCP's studies of industrial areas, interviewed industrial businesses explained that they were finding it difficult to maintain operations in New York City in general, amongst other reasons due to the challenge of expansion and finding appropriate sites, in a context of low industrial vacancy. These statements are supported by an analysis of DOF Detailed Annual Sales data between 2010 and 2016, which reveals dramatic increases in prices for large industrial lots in M districts outside Manhattan. Furthermore, the volume of transactions for such properties has grown significantly, which is another indicator for increased market activity and a potential lack of future siting opportunities for industrial businesses (see chapter II B & C).

Additionally, self-storage facilities typically site along arterial highways and designated truck routes, as shown by the map below (see Figure 7). Sixty-five self-storage facilities have been developed in proposed Designated Areas in M districts: all sixty-five are within a half-mile of a Designated Truck Route, and over 75 percent are within 500 feet of a Designated Truck Route. These are crucial locations for truck-dependent businesses in the wholesale, freight and logistics, construction and other industries. Self-storage facilities have also been developed on sites near transit, which could be ideal for businesses with more employees, who depend on reliable public transportation options to access their work site.

Considering all of the above, self-storage stands out as a low-density employment use when compared to other storage and warehousing businesses, which furthermore tends to occupy large sites along designated truck routes, in a context where such large sites are becoming increasingly scarce. Almost one quarter of new construction permits issued for large sites in Designated Areas in M Districts are for self-storage developments: An analysis of new building permits issued by the Department of Buildings between 2010

and the end of 2016 for new constructions on sites larger than 20,000 SF in Designated Areas in M Districts shows that a total of 44 new building permits were issued, of which ten, or 23 percent, were self-storage facilities.

Given the City's numerous measures to support industrial businesses in IBZs and the fact that industrial employment has been growing in IBZs since 2010, the use of such sites for self-storage detracts from the City's economic development objectives.

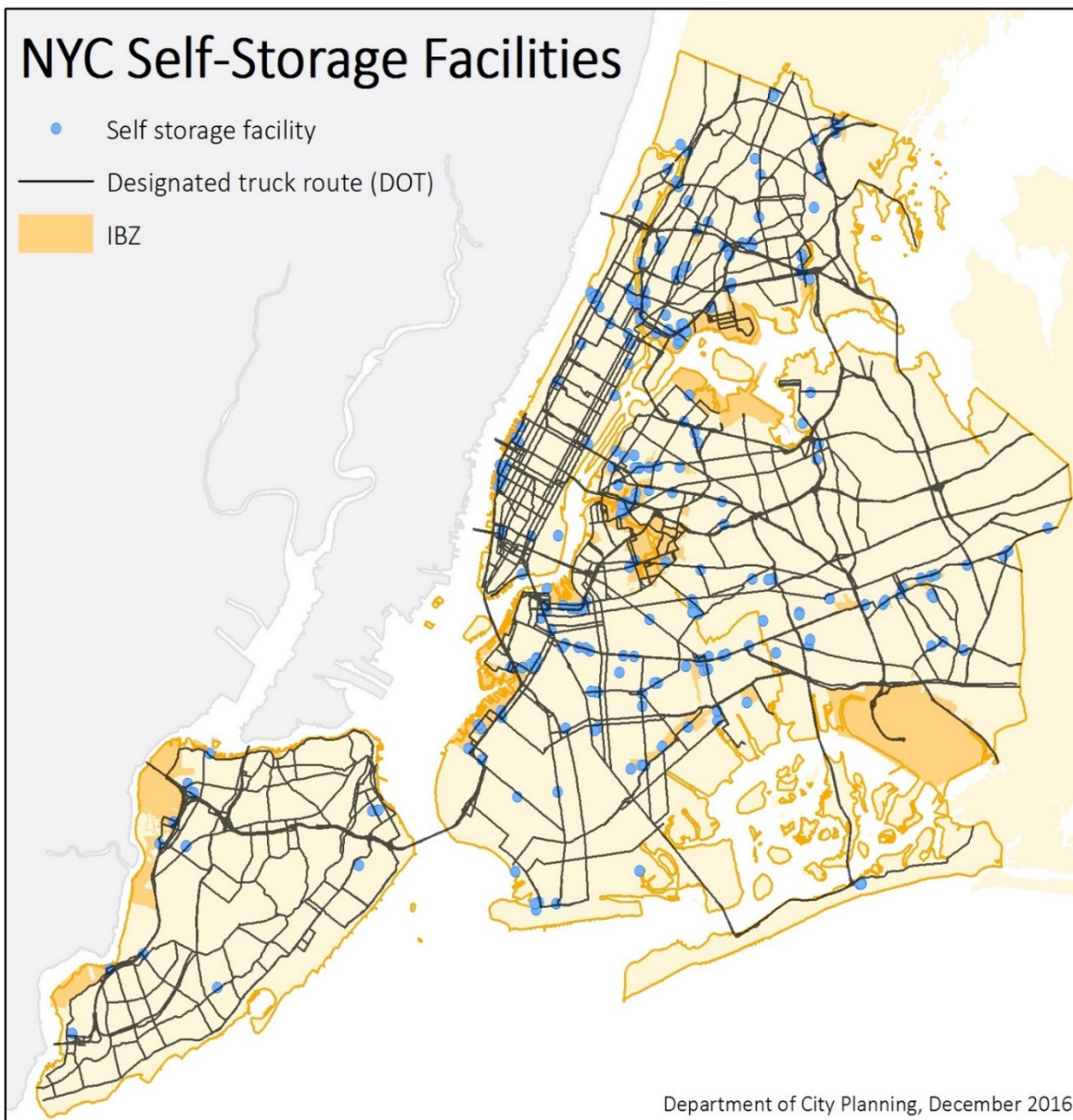


Figure 7: Locations of self-storage facilities and truck routes

1.4. DESCRIPTION OF THE PROPOSED ACTION

1.4.1. Proposed regulatory mechanism

The Department of City Planning proposes a citywide zoning text amendment to introduce a Special Permit under the jurisdiction of the City Planning Commission for all new self-storage development in proposed Designated Areas in M districts. A Special Permit is a discretionary action by the City Planning Commission, subject to the public review process (ULURP), which may modify use regulations if certain conditions specified in the *Zoning Resolution* are met. The public review process includes Community Board, Borough President and City Planning Commission review. The City Council may elect to review a Special Permit application and Mayoral review is also optional.

By introducing a Special Permit, the Department of City Planning proposes to establish a framework to conduct a case-by-case, site-specific review to ensure that the development of self-storage facilities does not occur on sites that should remain available to industrial, more job-intensive uses. Additionally, a case-by-case framework would allow self-storage facilities to locate in Designated Areas in M districts on sites where self-storage facilities are found to be appropriate.

Currently, self-storage facilities are classified in zoning as Use Group 16D, either as warehouses or moving and storage offices, and are permitted as-of right in all M districts and C8 districts. With the enactment of this proposal, self-storage will remain in Use Group 16D, but will be specifically defined in the *Zoning Resolution*. The currently proposed definition goes as follows:

Self-service storage facility⁴

A “self-service storage facility” is a moving or storage office use or a warehouse use listed in Use Group 16D, for the purpose of storing personal property, and where such:

- (a) facility is partitioned into individual, securely subdivided space for lease; or
- (b) facility consists of enclosed or unenclosed floor space which is subdivided by secured bins, boxes, containers, pods or other mobile or stationary storage devices; and
- (c) floor spaces or storage devices are less than 300 square feet in area and are to be leased or rented to persons or businesses to access, store or remove property on a self-service basis.

A CPC Special Permit would be required for the defined use in proposed Designated Areas in M districts, which cover a portion of M districts and represent the City’s target areas for the realization of economic development objectives.

⁴ Subject to change

The findings of the proposed Special Permit will require the City Planning Commission to evaluate whether a lot or building would be optimal for conforming, modern-day industrial uses, based on a set of criteria. In making its determination, the Commission considers such factors as:

- a) the size and configuration of the lot and its suitability for an industrial use
- b) the accessibility of the lot to an arterial highway, or a designated truck route and the ability of streets providing access to the lot to handle generated traffic;
- c) the proximity of the lot to transit, which could serve employees;
- d) in the case of an existing building: its suitability for an industrial use, by considering the design and layout of loading docks, interior column spacing, floor-to-floor height and other relevant physical characteristics
- e) the need to undertake environmental remediation work on the lot;
- f) recent development trends and levels of investment in the surrounding area for industrial uses within the last five years; and
- g) the potential for conflict between potential industrial uses on the lot and existing uses in the surrounding area.

Existing self-storage facilities could continue to operate as legal non-conforming uses. Extensions and enlargements of such grandfathered self-storage facilities would be permitted within the original zoning lot and the reconstruction of a grandfathered self-storage facility to the previously existing FAR, should it be damaged or destroyed, would be permitted.

Since the issuance of the DEIS, DCP has prepared and filed an amended zoning text application that expands upon the Mixed Use Alternative presented in the DEIS. The amended application, filed as ULURP application N 170425 (A) ZRY consists of modifications to the Proposed Action that would allow self-storage facilities as of right in Designated Areas in Manufacturing Districts by providing more job intensive industrial uses on the site. The amended application was analyzed in a technical memorandum issued on August 7, 2017, and is further analyzed as the Mixed Use Alternative or A-Text Alternative in this FEIS.

1.4.2. Designated Areas in M districts

Since IBZ boundaries were created for a tax program, and do not exist in the *NYC Zoning Resolution*, zoning maps needed to be created for the Proposed Action. Accordingly, the Department of City Planning analyzed the existing IBZ boundaries on a case-by-case basis, and in very limited cases, rationalized them to ensure that the proposed boundaries would be consistent with zoning practices. The resulting rationalized boundaries are referred to as Designated Areas in Manufacturing districts (see Figure 8).

Overview of Nomenclatures

IBZs or Industrial Business Zones: Manufacturing-zoned areas in NYC, which were designated under the Bloomberg Administration. The boundaries define eligibility for tax incentives and do not exist in the *NYC Zoning Resolution*. IBZ boundaries are

based on tax lots and do not follow the mapping conventions of the *Zoning Resolution*. Not all M districts are IBZs.

Designated Area in Manufacturing districts: Manufacturing-zoned areas, where the application of a CPC Special Permit for self-storage is proposed. These areas largely mirror current IBZ boundaries, but adhere to the mapping conventions of the *Zoning Resolution*, and will be incorporated into the *Zoning Resolution* as text maps.

Furthermore, other than the few above-explained individual tax lots or blocks, the John F. Kennedy and La Guardia airport areas have been excluded from the proposed Designated Areas in M districts. These airport areas are not subject to the City's *Zoning Resolution* and play a unique economic role in New York City, providing essential airport services.

See Appendix B for the proposed boundaries, which will be incorporated into the *New York City Zoning Resolution* as text maps.

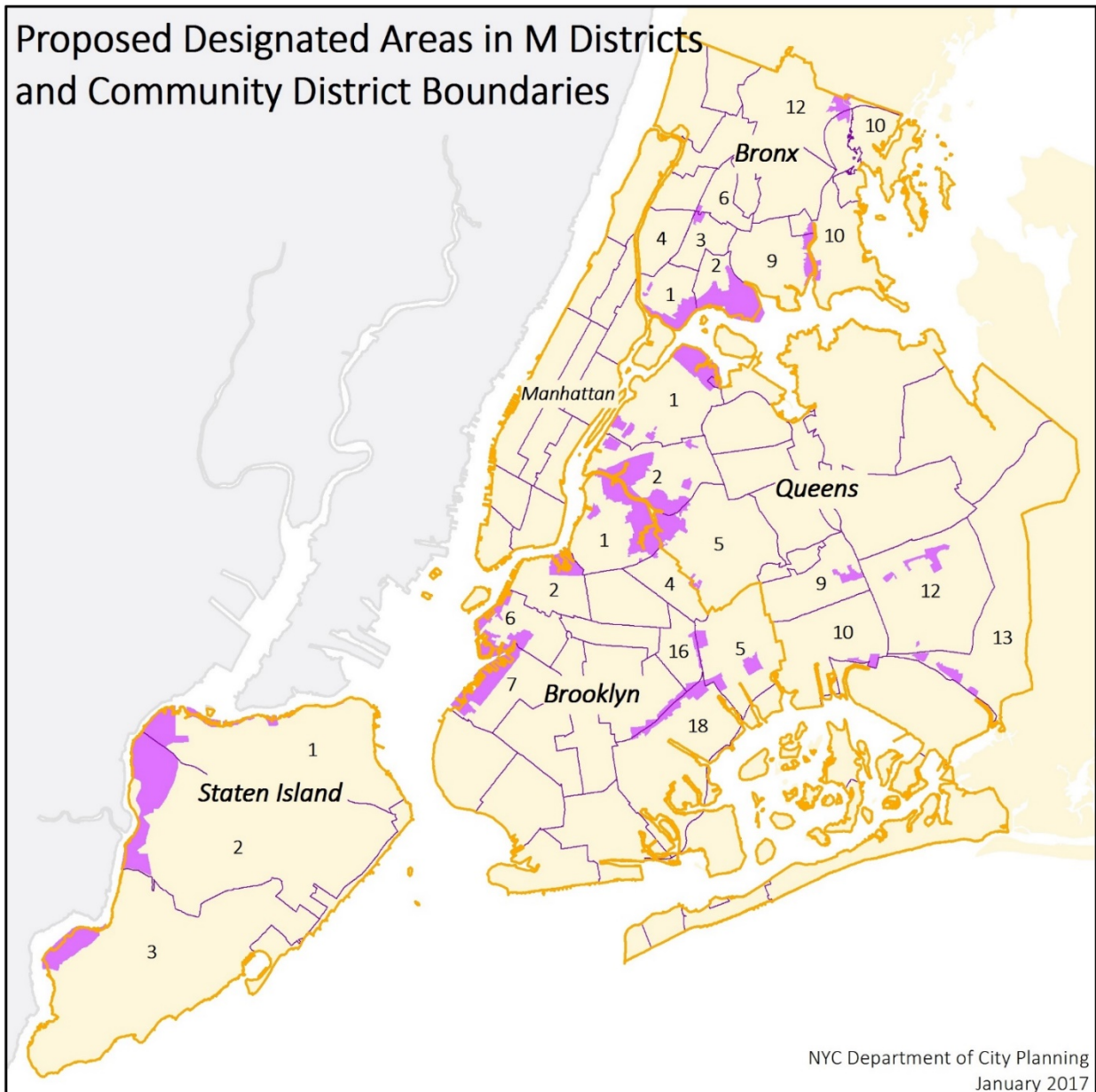


Figure 8: Proposed Designated Areas in Manufacturing Districts

1.4.3. Intended Effects of the Action

By introducing a Special Permit for the development of self-storage in proposed Designated Areas in M districts, the Department of City Planning proposes to establish a framework to conduct a case-by-case, site-specific review to ensure that the development of self-storage facilities does not occur on sites that should remain available to more job-intensive industrial uses. Additionally, a case-by-case framework would allow self-storage facilities to locate in Designated Areas in M districts on sites where self-storage facilities are found to be appropriate.

The availability of future siting opportunities for industrial businesses in IBZs is a key component of the City’s Industrial Action Plan. In order to advance the City’s economic development objectives for Industrial Business Zones, the City aims to ensure that the kind of sites that have in the past often been occupied by self-storage facilities, which are typically large, adjacent to a Designated Truck Route and are in limited supply in NYC, remain available to industrial businesses. The Proposed Action is expected to result in the greater availability of sites in Designated Areas in Manufacturing districts, either for existing businesses to remain, or for potential development of more job-intensive industrial businesses, which provide essential industrial services, offer a greater number of jobs to New Yorkers and support the infrastructure of NYC.

ZONING FRAMEWORK: FUTURE WITH AND WITHOUT THE ACTION

	As-of-right	by Special Permit:
FUTURE NO-ACTION	C8 and M districts	-
FUTURE WITH-ACTION	C8 districts and M districts that are not Designated Areas	Designated Areas in M districts

FIGURE 9: ZONING FRAMEWORK WITH AND WITHOUT THE ACTION

The examples below are illustrations of existing self-storage sites within Designated Areas in M Districts, where the Department of City Planning believes the self-storage use to be appropriate and not present a lost opportunity for potential future industrial, more job-intensive development.

1.4.3.1. Example A

Example A (see Figure 10) is a conversion of a post-1961 two-story warehouse at the edge of the Designated Area. The building’s indoor loading area fits only small trucks. Access to the major highway occurs via a narrow, one-lane service road, which significantly complicates potential truck entry and exit. DCP expects that a job-intensive industrial business would experience major operational difficulties at this location.



Figure 10: Example A
Source: Google Earth, 2017. Accessed January 18th 2017

1.4.3.2. *Example B*

Example B is a new construction and is located next to elevated rail tracks, at the edge of the Designated Area, on a 10,000 square foot lot (see Figure 11). Entrance and egress to the facility are oriented toward a narrow, two-way dead-end road, which has only one travel lane. Any potential truck traffic would be required to first navigate the dead-end, pass the elevated rail tracks, and then cross an entirely residential block, on a road with only one travel lane. On the whole, the site would be very small for an industrial business and would provide deficient truck access.



Figure 11: Example B
Source: Google Earth, 2017. Accessed January 18th 2017