

Annual Report 2005

Introduction

The Real Estate Board of New York made valuable contributions to the City's economic vitality; to the adoption of major planning initiatives crucial to continued growth; to legislative proposals that improved the business climate for our industry and the well-being of all city residents. We continued to implement new organizational initiatives to serve our expanding membership and to promote a variety of philanthropic endeavors. Here are highlights of our activity in 2005.

Major Planning Accomplishments

REBNY played a critical role in the passage of the rezoning of the Far West Side and the Brooklyn waterfront. The Hudson Yards and Greenpoint-Williamsburg rezonings will transform large underutilized industrial areas into vibrant neighborhoods. Hudson Yards will include more than 24 million square feet of office space over the next three decades; nearly 14,000 units of housing including a tremendous amount of affordable housing; a unique network of open space including a local park in the Hell's Kitchen south community; and an extension of the number 7 subway line to serve the new mixed-use neighborhood.

The comprehensive plan for Greenpoint-Williamsburg will create 10,800 new housing units, and – through a creative combination of zoning bonuses, financial incentives and city-owned land – 3,500 of those units will be affordable. In addition, the rezoning will open up two miles of waterfront to create 54 acres of open space, including a continuous public esplanade and a 28-acre park. These major planning accomplishments will permit the expansion of Midtown's Central Business District, will provide a splendid opportunity for the development of much needed housing and will reclaim a major portion of our waterfront.

Federal Issues

There were a number of critical issues in Washington in which we were involved – among them, Terrorism Insurance (TRIA) and the trade-in of unused 9/11 business tax credits to fund the Lower Manhattan rail link to Kennedy Airport and the Long Island Rail Road (JFK/LIRR Link).

Neither item has been concluded at the time of this writing, although both the Senate and the House have passed TRIA bills. We expect a reconciliation of the two extension bills by the end of 2005. We have stated our concerns with the Senate bill, supported by the administration and Republican leadership, and have continued to press for a bill that includes coverage for domestic terrorism and chemical, biological, and nuclear acts.

It appears that the tax credit trade-in for the JFK/LIRR Link will be included as part of the budget reconciliation process in 2006. Although the amount of the credits under discussion is \$1.3 billion, we continue to push for \$2 billion which is the amount of unused credits according to the City's analysis.

Another important item we supported was the Energy Tax Incentives Act of 2005, signed by the President in August. This law contained a provision to provide tax deductions in commercial buildings – which is defined to include residential rental and office buildings, as well as the full range of commercial uses – for energy efficiency. The tax benefit was a temporary, targeted deduction for lighting, heating, cooling, hot water and building envelope of up to \$1.80 per square foot for buildings placed in service in 2006 and 2007.

With the release of the report by the President's Advisory Panel on Federal Tax Reform we began preparing for a campaign to protect existing tax benefits, such as the deduction of state and local taxes and the deduction for mortgage interest. These deductions are critical for the industry and New Yorkers.

Lastly, the recent Supreme Court decision, *Kelo*, has ignited an outcry against the use of eminent domain. Congress has taken steps to prohibit the use of funds in a recently approved appropriations bill from being used on projects that use eminent domain. In New York City, eminent domain was essential in the creation

of Lincoln Center and the redevelopment of 42nd Street. We have begun to focus our Washington activity on this issue to protect the use of eminent domain for economic development projects that are vital to the growth of our City.

State Issues

A major legislative accomplishment was the new economic incentives for Downtown. The new incentive package encourages commercial and retail tenancy and development by offering significant cost savings for businesses to remain in, or to relocate to, Lower Manhattan. Key provisions of the new incentives include: the exemption of the commercial rent tax for retail tenants south of Murray Street, office tenants at the World Trade Center site, and a five-year exemption for commercial businesses south of Canal Street; sales and use tax exemptions for build-out costs and for the World Trade Center sites and Battery Park City an additional exemption from sales and use tax for furniture and equipment; Relocation Employment Assistance Program (REAP) benefits (a 12 year \$3,000 per employee tax credit) for businesses with operations in Manhattan that relocate existing employees from locations outside New York City to the area south of Houston Street; and a \$5 per square foot incentive for the first 750,000 square feet of space leased at the World Trade Center site; and a \$3.80 per square foot incentive for the first 750,000 square feet leased at Seven World Trade.

The Private Activity Bond Allocation Act, that extends the multi-year funding of tax-exempt bonds to finance affordable housing projects as well as extending the State's current allocation system, was renewed. This legislation, which must be renewed annually, is vital to the City's production of affordable housing and the development of mixed-income neighborhoods.

To fund in part the MTA five-year capital program, there was a modest increase in the Mortgage Recording Tax (1/20 of one percent). Our efforts turned back two proposals (a 10% surcharge on all non-corporate entities and a .3% increase in the Mortgage Recording Tax on the Transit Tax) that would have imposed a greater share of this funding burden on our industry and would have had a more costly impact on real estate.

We vigorously opposed a bill that would have made the publication requirements for LLC's and sub-chapter-S Corporations more expensive and would have required a list of the ten most active members of the entity to be included in this public notice. The Governor vetoed this costly and intrusive bill.

In a state-wide referendum, the voters rejected a state legislative budget amendment that would have adjusted the balance of power between the executive and legislative branches of government. This change would have resulted, according to many budget experts, in more spending and borrowing and

weaken the State's fiscal position. For this reason, we opposed this referendum item.

In a state-wide proposition, the voters approved the \$2.9 billion "Rebuild and Renew Transportation Bond Act". Fifty percent (\$1.45 billion) of the bond proceeds will be used to support a number of major Metropolitan Transportation Authority infrastructure and expansion projects, such as East Side Access, Second Avenue Subway, JFK/LIRR rail link and the state of good repair program. We strongly supported this proposition as a necessary element in the upkeep and expansion of our mass transit system.

City Issues

REBNY, the Fashion Center Business Improvement District, UNITE (the union representing apparel workers), and the Garment Industry Development Corporation (GIDC) had a series of positive meetings on a proposal to establish a zoning mechanism to permit owners, subject to the preservation requirements of the Special Garment Center District (SGCD), to convert their buildings to all commercial or residential use. The City has been generally supportive of the proposal, though they have questions about the potential impact on existing jobs with the introduction of residential uses in the district. This was an important breakthrough in our persistent effort to modify the zoning in the Fashion Center and to revitalize this location in the center of our expanding Midtown Central Business District.

The City Council has a central role in two areas vital to our industry. The Council approves land use actions – zoning changes and landmark designations – and sets the rate at which real property is taxed.

In addition to their approval of Hudson Yards and Greenpoint-Williamsburg rezonings, the Council approved two other rezonings, initiated by the administration and supported by REBNY. The West Chelsea rezoning established a provision to transfer development rights from under the High Line to either 10th or 11th Avenues between 16th and 30th Streets; and permitted residential uses along these avenues. As a result of these and other provisions, the High Line would be retained and transformed into an elevated park. Art galleries, which have been gathering in this area, would continue to be permitted to locate here easily and museums would become an as-of-right use.

In the Far West Village rezoning, REBNY's effort preserved development opportunities in the vibrant area that has seen the City's most exciting new architecture, against well-organized community efforts to curtail these opportunities beyond the restrictions in the new zoning.

Some members of the Council, however, had introduced a wide range of legislation which would be harmful to the industry. In these cases, we have

detailed our concerns as well as the adverse unintended consequences of these bills on the City's well being.

We have effectively advocated our concerns with the following councilmember bills: restrictions on the conversion of hotels to condominiums; requiring co-op boards to provide written notice of the reason for rejecting a purchaser; requiring Landmarks Preservation Commission review before issuing a demolition permit; a vendor bill that would have eliminated the prohibited areas that we succeeded in achieving a year ago; and a requirement that retail stores that exceed 85,000 square feet obtain a license. The licensing process would have required an extensive background check, a disclosure of wages and benefits, and a public review.

In a city-wide referendum, the voters approved a change in the City Charter. The change required the City to balance its budget and follow other fiscal requirements enacted in response to the City's 1975 fiscal crisis, such as balancing the budget in accordance with generally accepted accounting principles and to develop each year a four-year financial plan. These practices had been imposed by State legislation which was scheduled to expire. These fiscal requirements have made New York City's budget practices a model for the rest of the country. We supported the continuation of these prudent practices.

Other Activities

We have vigilantly monitored regulatory and government agency activity, seeking to protect the interest of our members and our industry. We have been deeply involved in the process to revise the City's building code. Throughout this on-going process we have advocated code requirements that were effective, prudent, economically responsible and that would work with our large diverse and complex building inventory.

We worked with the Department of Buildings on the requirements for photoluminescent sign and markings, and with the Fire Department to ensure that office building evacuation rules are practical. We have always supported new initiatives that improve the safety of New York City buildings. With new initiatives of this kind, we strive to make these new requirements suitable for the many different building types.

Construction labor agreements were another area in which REBNY represented our member's interest. We held numerous meetings the Building Contractors Association and the Contractors Association of Greater New York to ensure that our interests are represented by both groups in a unified manner. Additionally, we took an active role with Local 1 and EMANY, the association representing the elevator contractors, to facilitate a settlement to avoid economic hardship on

projects in construction and to ensure efficient and uninterrupted elevator service in existing building.

We worked closely with the Office of Emergency Management to revamp their corporate emergency access system to ensure adequate access to buildings by building staff in an emergency. On all types of building operation issues, we have been the primary industry representative.

Member Services

Last January we officially launched the Commercial Listing Exchange, a service which permits members to exchange weekly their exclusive office space listings. Over the year, we received submissions regularly from our participants and membership grew from six to thirty-six firms.

We held three major sold-out members' luncheon that presented leading individuals in our industry. Offering insight on the market and their successful business philosophy our guests' luncheon topics included: West Side development and the State of the Market. In our first luncheon of the year, Mayor Michael Bloomberg delivered a major policy speech on the administration's economic development initiatives.

Another popular event was our panel discussions for residential members entitled “Inside Secrets of Top Brokers”. This monthly event offered practical advice from successful brokers on topics such as “Making Money as a Rookie Agent” and “Ethical Dilemmas: Broker’s Survival Guide”.

Our broker licensing courses continued to be well-attended. Our success here has been attributable to the many gifted teachers who are REBNY members and offered sound information on their topic and useful suggestions about emerging trends in the various segments of the market. We have continually strived in our classes, seminars and luncheons to have presentations that are entertaining, lively and informative.

We continue to display on the website extensive information about the market. We added property information for the Bronx and Queens to complement the Manhattan and Brooklyn data. In addition, we added a Brooklyn map function to make it easier to locate a particular property in this borough. This website contains the following information: new residential and commercial projects in construction; co-op, condo and townhouse sales information from our quarterly reports; and authoritative reports on the retail market. The property data base with its historical information about property taxes and mortgage and sales activity that we regularly update and expand has been an invaluable resource for our members.

Another aspect of our educational services is for property managers. We trained over 300 Fire Safety Directors and held several seminars on new regulatory requirements for these members.

Philanthropic Activity

The REBNY Foundation with our members' generous support contributed to a wide-range of worthy causes. Two major fund drives were for the victims of the Tsunami in southern Asia and of Hurricane Katrina. The foundation directly and REBNY members individually contributed more than \$2 million to aid these areas destroyed by natural disasters.

The Residential Brokers' Division held its annual gala and deal of the year awards. Proceeds from this event were donated to the following organizations: The American Cancer Society – Hope Lodge New York City; Project Find – Fund for the Aged, Inc.; the REBNY Foundation – Katrina Relief Fund and REBNY's Member in Need Fund.

Another successful charitable event was the annual Pro-Am Tennis Tournament that raised funds for the Children's programs of the Big Apple Circus.

In addition to these major philanthropic activities, the REBNY Foundation supported numerous not-for-profit housing and social service organizations, educational programs, cultural and civic groups and child welfare organizations.

Conclusion

Our accomplishments were the result of the strong, active support of our members. The Board of Governors, the Divisions' Board of Directors, and the Committee Members generously gave their time and energy in support of the Board's many activities. The staff worked tirelessly for our members in this extremely busy year. They have our thanks and our gratitude. In the 2006, we will continue to be a strong, effective and respected voice for our members, for our industry and for the good of the City.