

REBNY Testimony | December 15, 2020

The Real Estate Board of New York to New York State Assembly Standing Committee on Housing Regarding Repurposing Vacant and Underutilized Real Estate for Affordable Housing Development

The Real Estate Board of New York (REBNY) is the City's leading real estate trade association representing commercial, residential, and institutional property owners, builders, managers, investors, brokers, salespeople, and other organizations and individuals active in New York City real estate. REBNY thanks Committee Chair Assemblymember Cymbowitz and members of the New York State Assembly Standing Committee on Housing for the opportunity to provide comments today on the opportunity to repurpose vacant and underutilized real estate for affordable housing development.

COVID-19 has created a significant disruption in the real estate market with supply and demand imbalances in many subsectors. As of September 2020, YTD there has been 13.5 million SF in available sublet space in Manhattan, representing 25% of all available space in Manhattan, numbers comparable to what was seen after 9/11 and the Great Recession. The number of new construction projects planned for the city has reached its lowest point since the aftermath of the [Great Recession](#) a decade ago, according to a new [analysis](#) REBNY has completed, with a decline of almost 22% compared to the first three quarters of last year. Additionally, pre-covid challenges remain and in many cases are exacerbated. The need to meet the Fair Housing goals laid out in the city's plan, [Where We Live NYC](#), and addressing a historic lag in unit production as compared to population and job growth, per reports from the [Office of the Comptroller](#) and the City of New York's [Department of City Planning](#), all need to be addressed.

Policies that prioritize as-of-right and flexible zoning will allow the market to respond as quickly and efficiently as possible. Converting hotels and older Class B and C office buildings to residential uses will increase housing supply, present opportunities to support affordable housing development, and create significant development activity that will result in good paying jobs. Additionally, a true live-work community will also bolster local retail by providing neighborhood services that are less reliant on office workers. While this news is terrible for commercial real estate and our broader economy, it presents an opportunity for us to rethink neighborhoods within our central business district and apply smart planning principles to assist in the city's economic recovery and ensure New York City will be stronger and more resilient in the future.

Lower Manhattan is a prime example of how converting a neighborhood can help raise the City's recovery from a crisis. In the early 1990s, the office vacancy rate was approaching 25%. Government

programs and incentives led to the conversion of older Class B and C office space to residential use, which resulted in the creation of over 25,000 housing units over the past few decades. This activity laid the foundation for a dynamic, live-work neighborhood in Lower Manhattan and was central to the neighborhood's recovery after the devastating impacts of 9/11, the Great Recession, and Hurricane Sandy.

Today, there is an estimated 220 million sqft of Class B and C office space citywide, with approximately 160 million sq ft in Manhattan. Not all Class B and C office buildings are candidates for conversion due to economic constraints and floorplate limitations. Assuming a conservative conversion rate of 10%, and 1,500 sq ft allowance per unit, office conversions could generate approximately 14,000 residential units. Specifically, neighborhoods like Midtown East, the Garment District, and Flatiron should be examined due to their great transit access and concentration of older office buildings. Conversions in these neighborhoods could provide an additional opportunity for injecting affordable and supportive housing where there is little to none, and could potentially aid NYCHA as it explores options to aid their sizeable rehabilitation efforts.

However, conversions face a number of obstacles that state and local policy will need to address. First, the State's Multiple Dwelling Law caps the residential floor area ratio to 12 FAR. The multiple dwelling law will need to be changed to allow existing floor area to be converted. Second, a tax incentive program will be needed to offset the physical costs of conversions, lost rent collections, and ensure upgrades align with the latest sustainability targets. And finally, the City will need to rezone portions of Manhattan to better facilitate residential conversions. For example, there are still over 100 acres of manufacturing zoning between 14th and 42nd Streets.

All of these constraints warrant continued collaborative discussion with stakeholders across multiple sectors. What is clear from the discussions to date is the importance of taking a flexible approach to help drive New York City's economic recovery. Flexibility is what has helped in past crises, and will serve us well through this one. Creatively adapting existing, empty spaces or buildings will help our city bounce back faster and address long-term needs. REBNY has great confidence that New York City will be stronger, more resilient, and healthier one day, but that future requires demonstrable action. We again thank the Chair and the committee for the opportunity to weigh in.

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