Chapter 3: Socioeconomic Conditions

3.1 Introduction

This chapter assesses whether the Proposed Action would result in significant adverse impacts to the socioeconomic character of the area within and surrounding the proposed East Midtown rezoning area. As described in the *2014 CEQR Technical Manual*, the socioeconomic character of an area includes its population, housing, and economic activities. Socioeconomic changes may occur when a project directly or indirectly changes any of these elements. Although some socioeconomic changes may not result in impacts under CEQR, they are disclosed if they would affect land use patterns, low-income populations, the availability of goods and services, or economic investment in a way that changes the socioeconomic character of the area. In some cases, these changes may be substantial but not adverse. The objective of the CEQR analysis is to disclose whether any changes created by the action would have a significant adverse impact compared to what would happen in the future without the Proposed Action.

As described in Chapter 1, "Project Description," the New York City Department of City Planning (DCP) is proposing to establish the East Midtown Subdistrict within the Midtown Special District. The Proposed Action consists of zoning map and zoning text amendments within the East Midtown neighborhood of Manhattan Community Districts 5 and 6. The Department of City Planning has identified 16 Projected and 14 Potential Development Sites within an area comprising 78 blocks, generally bounded by East 57th Street to the north, East 39th Street to the south, a line 200 feet easterly of Third Avenue to the east, and a line 250 feet westerly of Madison Avenue to the west. The Proposed Action would establish the East Midtown Subdistrict within this area of Manhattan. It is intended to facilitate the construction of new office space and replacement of outdated office stock within East Midtown.

Under the reasonable worst-case development scenario (RWCDS), the Proposed Action would result in 13,394,777 gross square feet (gsf) of office floor area, 601,899 gsf of retail floor area, 237,841 gsf of residential floor area, and no hotel or parking floor area. The projected incremental (net) change between the No-Action and With-Action Conditions would be a net decrease in residential units (approximately 44 dwelling units), a net increase of approximately 6,581,857 gsf of office space, a net increase of 139,025 gsf of retail, a net decrease of 810,171 gsf of hotel space (1,246 rooms), and a net decrease of 158,441 gsf of parking area (564 spaces).

Since no residential units are reported in any of the Projected Development Sites identified as part of the RWCDS, the Proposed Action would displace fewer than 500 residents and would not induce a trend that could potentially result in changing socioeconomic conditions for residents within the rezoning area; therefore, an assessment of direct or indirect residential displacement is not warranted for the Proposed Action. In accordance with *CEQR Technical Manual* guidelines, a preliminary assessment was warranted for three of the five specific elements that can result in significant adverse socioeconomic impacts: (1) direct displacement of existing businesses or institutions on a project site; (2) indirect displacement of businesses or institutions in a study area; and (3) adverse effects on specific industries. Based on the results of the preliminary assessment, a detailed assessment of potential direct and indirect business and institutional displacement was prepared.

In considering the likely socioeconomic effects of the Proposed Action, it is important to note that Proposed Action-induced development on the RWCDS Projected Development Sites is expected to occur over an approximately 20-year period on a site-by-site basis, rather than all at once. It is unclear exactly when over this long-term period each of the Projected Development Sites would be developed, or what businesses or tenants would occupy the sites at the time of redevelopment. During that time, the Proposed Action's overall effect on socioeconomic conditions would gradually increase, with the full effects being reached in 2036.

Principal Conclusions

This analysis finds that the Proposed Action would not result in any significant adverse impacts to the five socioeconomic areas of concern, including direct residential displacement, direct business/institutional displacement, indirect residential displacement, indirect business/institutional displacement, and adverse effects on specific industries. The following summarizes the conclusions drawn from the analysis.

Direct and Indirect Residential Displacement

The preliminary socioeconomic assessment demonstrated that additional analysis of direct and indirect residential displacement was not warranted. More specifically, according to the *CEQR Technical Manual*, direct displacement of fewer than 500 residents would not typically be expected to alter socioeconomic characteristics of a neighborhood. There are only 68 residential units within the Projected Development Sites that could be directly displaced, so any direct residential displacement that would occur under the Proposed Action would accrue to an estimated 111 persons, and thus, the Proposed Action would not result in direct residential displacement levels that could alter the socioeconomic character of the study area or significant adverse impacts. With respect to indirect residential displacement, the Proposed Action would forestall conversion of office to residential space, resulting in a net reduction of residential units compared to the future without the Proposed Action, and would therefore not induce a trend that could potentially result in changing socioeconomic conditions for the residents within the East Midtown rezoning area. Therefore, an assessment of indirect residential displacement is not warranted for the Proposed Action and significant adverse impacts would not result.

Direct Business and Institutional Displacement

The preliminary assessment finds that the Proposed Action would not result in significant adverse impacts due to direct business displacement. Under the Proposed Action, the number of employees would increase from 27,500 to 55,390 employees, a net increase of an estimated 27,890 employees on the Projected Development Sites between the No-Action and With-Action Conditions. Some of the businesses and employment located on Projected Development Sites within the proposed rezoning area could be displaced by future development in the No-Action Condition. Not including displacement that would occur as a result of development in the No-Action Condition, there are approximately 1,238 existing businesses/institutions, varying in type and size that could be potentially displaced by the Proposed Action on the 16 Projected Development Sites. These businesses/institutions provide jobs for an estimated 23,794 people, comprising approximately 9 percent of the total primary

study area employment and about 5 percent of the secondary study area employment.[1] By industry sector, Professional Service businesses represent the largest share of potentially displaced businesses (429 businesses, or approximately 35 percent of the total businesses displaced), followed by Finance and Insurance (208 businesses, or approximately 17 percent of total businesses). Real Estate, Rental, and Leasing (76 businesses) services; Administrative and Support services; and Waste Management and Remediation Services (63 businesses) account for an approximate combined 11 percent of displaced businesses. The Professional, Scientific, and Technical Services sector employs roughly 25 percent of the workers to be displaced, followed by Finance and Insurance sectors with 20 percent, Manufacturing (which includes baking and commercial printing) with 13 percent, and Information with 10 percent.

The assessment finds that while these businesses are valuable individually and collectively to the City's economy, according to *CEQR Technical Manual* criteria the displaced businesses do not provide products or services that would no longer be available to local residents or businesses, nor are they subject to regulations or publicly adopted plans aimed at preserving, enhancing, or otherwise protecting them in their current location. The displaced businesses are not unique to the quarter mile secondary study area, nor do they serve a user base that is dependent upon their location within the study area. East Midtown commercial spaces are occupied by a diverse array of businesses and the potentially directly displaced businesses/institutions are found throughout the study area and the broader neighborhoods and borough.

It is expected that the potentially displaced businesses would likely be able to find comparable space within the study area or elsewhere within the city, especially given the extensive development becoming available at the World Trade Center site in Lower Manhattan and Hudson Yards on the west side. The Proposed Action would result in a limited and targeted amount of new high-density commercial development that is expected to protect, promote, and strengthen the East Midtown business district and provide support for the overall continued long-term health of the area as an integrated and dynamic office district. The Proposed Action would result in a net increase of approximately 6.58 million gsf of office space and 139,025 gsf of retail space over the No-Action Condition, creating new opportunities for existing businesses to expand and attracting new companies to locate in the City. The Proposed Action would also result in a net decrease of hotel space (-810,171 gsf) and parking (-158,441 gsf); however, this loss may be regained elsewhere in Manhattan. Additionally, the Proposed Action includes a special permit to allow hotels, and this is considered in Chapter 21, "Conceptual Analysis." In the scenario considered in the Conceptual Analysis, up to 1,542,833 gsf of hotel space and approximately 889 hotel jobs could be added.

Indirect Business and Institutional Displacement

The preliminary assessment finds that the Proposed Action would not result in significant adverse impacts due to indirect business/institutional displacement. The primary and secondary study areas already have well-established commercial markets, and therefore the Proposed Action would not introduce to the Projected Development Sites or to the study areas new economic activities that would alter existing office and retail economic patterns. East Midtown, one of the most sought-after dynamic

[1] Employment for firms located on the 16 Projected Development Sites is sourced from Reference USA which includes location-specific employment for individual firms. Primary and secondary study area employment includes covered employment and is sourced from the Census Bureau's Quarterly Workforce Indicators program, which is derived from New York State unemployment insurance earnings records, the Census Bureau's Quarterly Census of Employment and Wages and Business Dynamics Statistics program.

office markets and central business districts (CBD) in the New York region, is largely defined by a wide variety of office space. The largest share of office buildings (36 percent) in the two submarkets that straddle the study area are categorized as Class A space, prestigious buildings with state of the art system infrastructure and high quality finishes; 32 percent are Class B, slightly older buildings with adequate systems and average finishes; and 32 percent are Class C, older, functional space with lower than area average rents. The area is a very dense urban center with few vacant properties. The primary study area includes approximately 67 million gsf of office space, and the secondary study area has approximately 142 million gsf of office space according to the DCP PLUTO 16v1 data.

The office and retail uses introduced by the Proposed Action would not be of an amount that would alter or accelerate commercial market trends within the study area. The Proposed Action would potentially directly displace 1,238 existing businesses from the 16 Projected Development Sites. None of the potentially displaced businesses provide substantial direct support to other businesses in the study area, nor do they bring substantial numbers of people to the area that form a customer base for local businesses such that indirect business displacement would result.

Three of the displaced businesses are hotels, and with the Proposed Action, hotels would be allowed by special permit of the CPC. The proposed Hotel Special Permit is further analyzed in Chapter 21, "Conceptual Analysis." This approach developed as a result of public comment on the 2013 Proposed Action, and would allow for appropriate hotel development with the types of amenities and services that are appropriate to the East Midtown area. Therefore, no indirect business effects among hotel businesses are expected.

The goods and services offered by potentially displaced uses can be found elsewhere within the study area, and the Proposed Action would introduce or limit similar uses. Therefore, according to *CEQR Technical Manual* criteria, the displacement of these businesses would not have adverse indirect effects on the remaining businesses or consumers in the study area. Although the employees of the directly displaced businesses form a portion of the customer base of neighborhood service establishments (e.g., food and drink establishments, retail), the Proposed Action would increase the overall employment in the rezoning area compared to the No-Action Condition. The influx of residents and employees to the study area would add to the customer base of existing study area businesses compared to the No-Action Condition, while the limitations on conversion of properties to hotels would help preserve the business climate of the study area as a world class office destination.

Adverse Effects on Specific Industries

Although the Proposed Action's proposal to allow hotel construction only by special permit could limit the number of businesses in that industry, based on the preliminary assessment provided below, the Proposed Action would not significantly affect business conditions in any specific industry or any category of businesses, nor would it indirectly reduce employment or impair the economic viability of any specific industry or category of business. The special permit requirement is intended to ensure the development of full-service hotels that would support the overall East Midtown business district while maintaining the CBD's character as a world class office destination. The proposed Hotel Special Permit is further analyzed in Chapter 21, "Conceptual Analysis." Therefore, there would be no significant adverse impacts from the Proposed Action due to adverse effects on specific industries.

3.2 Methodology

Under CEQR, the socioeconomic character of an area is defined by its population, housing, and economic activities. The assessment of socioeconomic conditions distinguishes between the socioeconomic conditions of an area's residents and businesses. However, proposed projects affect either or both of these segments in the same ways: they may directly displace residents or businesses, or they may alter one or more of the underlying forces that shape socioeconomic conditions in an area, causing indirect displacement of residents or businesses.

Direct displacement is defined as the involuntary displacement of residents, businesses, or institutions from the actual site of (or sites directly affected by) a proposed project or action. Examples include proposed redevelopment of a currently occupied site for new uses or structures, or a proposed easement or right-of-way that would take a portion of a parcel, thus rendering it unfit for its current use. For a project covering a large geographic area, such as an area-wide rezoning like the proposed Greater East Midtown rezoning, the precise location and type of development may not always be known because it is not possible to determine with certainty the future projects of private property owners, whose displacement decisions are tied to the terms of private contracts and leases between tenants and landlords at the time of redevelopment. Therefore, sites are analyzed to illustrate a conservative assessment of the potential effects of the Proposed Action on sites considered likely to be redeveloped (i.e., Projected Development Sites), and examine whether existing businesses and residents on those sites may be displaced.

Indirect or secondary displacement is defined as the involuntary displacement of residents, businesses, or institutions in an area adjacent to a proposed Projected or Potential Development Site, due to socioeconomic changes resulting from the Proposed Action. Examples include rising rents from a new concentration of higher-income housing introduced by a project that ultimately could make existing housing unaffordable to lower income residents; a similar turnover of industrial to higher-rent commercial tenancies induced by the introduction of a successful office project in an area; or the flight from a neighborhood that can occur if a proposed project or action creates physical conditions that disrupt the community's pattern (such as a highway dividing the area).

It may be possible for a given project to affect the operation and viability of a specific industry not necessarily tied to a specific location. If the following questions cannot be answered with a clear "no," then a detailed investigation is appropriate:

- Would the project significantly affect business conditions in any industry or any category of businesses within or outside the study area? It may be necessary to refer to information provided in Chapter 2, "Land Use, Zoning, and Public Policy," to make this determination.
- Would the project indirectly substantially reduce employment or impair the economic viability in the industry or category of businesses?
- Industries or categories of businesses considered in this assessment are those specified in the North American Industry Classification System (NAICS) as promulgated by the U.S. Census Bureau. The analysis focuses on the potential effects upon specific industries that are not related to the displacement of businesses or residents, as this was considered in the direct and indirect displacement analyses above.

Analysis Approach

As the socioeconomic conditions analysis is a density-based technical analysis, only the anticipated development on the 16 Projected Development Sites (including With-Action Development Sites, Future No-Action Development Sites Affected by the Proposed Action, and With-Action Replacement of Existing Office Buildings) form the basis for this impact assessment. As discussed in Chapter 1, "Project Description," the Potential Development Sites are considered less likely to be developed within the 20-year analysis period, and therefore are not included in this assessment.

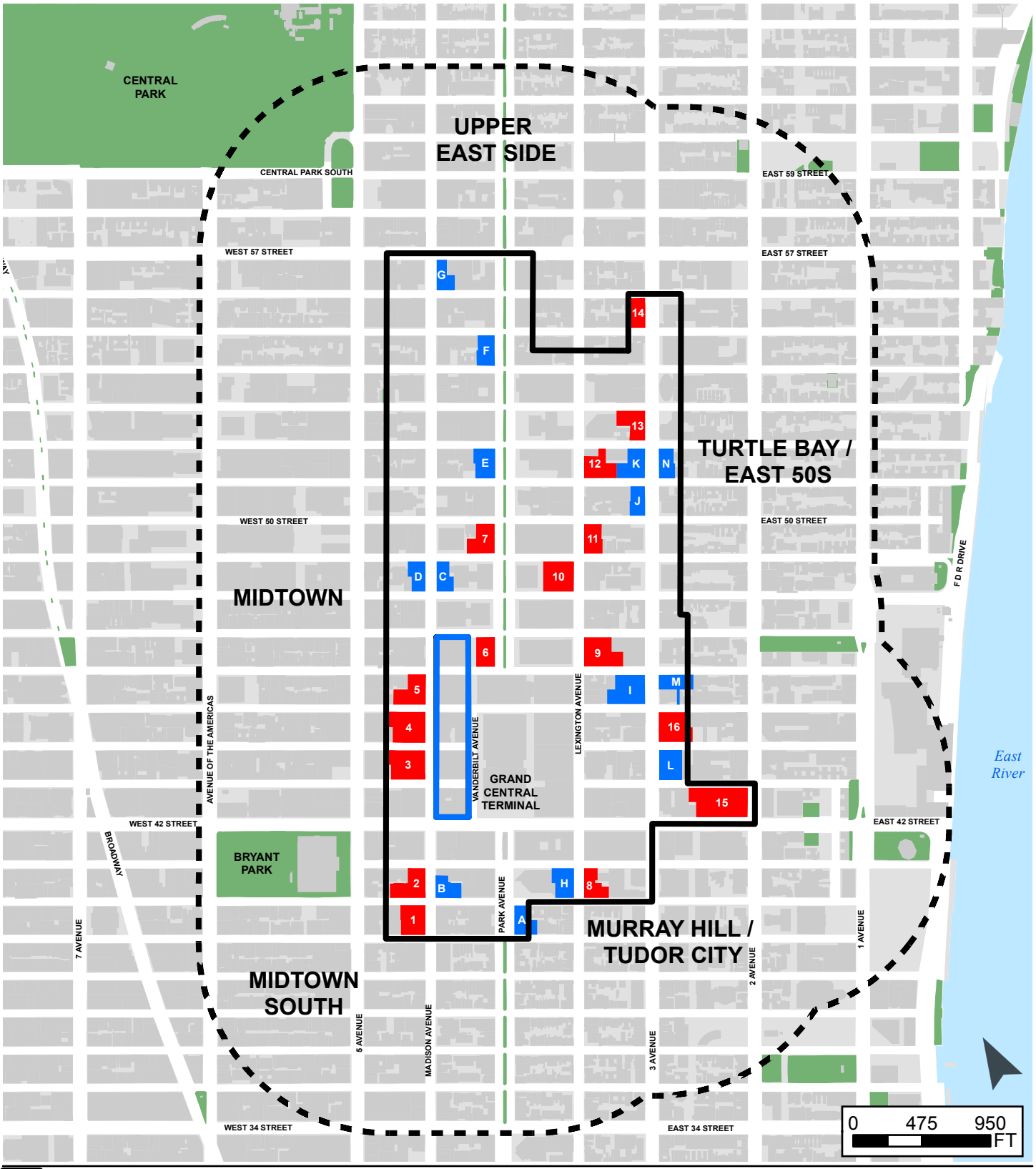
Following *CEQR Technical Manual* guidelines, the socioeconomic analysis begins with a preliminary assessment. As described above, for two of the five areas of concern—direct residential displacement and indirect residential displacement—the effects of the Proposed Action were not significant enough to warrant a preliminary assessment. For the remaining three areas of concern (direct business displacement, indirect business displacement, and adverse effects on specific industries), preliminary assessments were conducted.

The purpose of the preliminary assessment is to learn enough about the effects of the Proposed Action to either rule out the possibility of significant adverse impacts, or determine that a more detailed analysis is warranted to resolve the issue. A detailed analysis, when required, is framed in the context of Existing Conditions and evaluations of the future without the Proposed Action and the future with the Proposed Action by the project build year. In conjunction with the land use analysis in Chapter 2, "Land Use, Zoning, and Public Policy," specific development projects that occur in the area in the future without the Proposed Action are identified, and the possible changes in socioeconomic conditions that would result (such as potential increases in population, changes in the income characteristics of the study area, new residential developments, possible changes in rents or sales prices of residential units, new commercial or industrial uses, or changes in employment or retail sales) are discussed. Those conditions are then compared with the future with the Proposed Action to determine the potential for significant adverse impacts. For two areas of socioeconomic concern—direct business displacement, and indirect business and institutional displacement—a detailed assessment was warranted in order to rule out the potential for significant adverse socioeconomic impacts. A preliminary assessment concluded that the Proposed Action would not result in significant adverse socioeconomic impacts related to specific industries.

Study Area Definition

According to the *CEQR Technical Manual*, the appropriate socioeconomic study area typically reflects the land use study area. For the Proposed Action, the land use study area approximates a quarter-mile radius around the East Midtown rezoning area. This quarter-mile study area (Figure 3-1) is appropriate for the assessment of socioeconomic conditions.

Similar to the land use and zoning analysis in Chapter 2, "Land Use, Zoning and Public Policy," the socioeconomic assessment includes two study areas: the primary study area (i.e., the area to be rezoned) and the secondary study area (i.e., the approximate quarter-mile area around the primary study area). As shown on Figure 3-1, the secondary study area is roughly bounded by East 62nd Street to the north, East 34th Street to the south, First Avenue and the F.D.R. Drive to the east, and the Avenue of the Americas (Sixth Avenue) to the west.



Proposed Greater East Midtown Rezoning Boundary

Vanderbilt Corridor (Existing Regulations Apply)

Quarter-Mile Socioeconomic Study Area

1 Projected Development Site (w/ I.D. Label)

A Potential Development Site (w/ I.D. Label)

Greater East Midtown Rezoning
New York, New York

Socioeconomics Study Area

Figure 3-1

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Data Sources

Employment data was obtained from the New York State Department of Labor (NYSDOL), Quarterly Census of Employment and Wages for 2014 (as compiled by DCP), and the U.S. Census's 2000 and 2010 County Business Patterns. However, as NYSDOL and the U.S. Census County Business Patterns employment data is available at the zip code level, rather than smaller geographic areas such as census tracts or block groups, employment estimates for the study area are based on a slightly different geographic area than the actual boundary of the study area, but nevertheless is still representative of conditions in the study area given the proximity of the zip code boundaries to the study area's boundary. In order to achieve a more consistent data set, firm and employment data by sector for the primary and secondary market area (inclusive) were obtained from ESRI.com Business Analyst for 2016.

The employment data gathered identifies the industry sectors that dominate or characterize the study area. Employment data on specific businesses on Projected Development Sites was estimated based on field surveys and secondary research using Reference USA verified business listings with employment for 2016 on the Projected Development Sites. Employment for the net change in With-Action floor space was estimated based on the approximate square footage and standard ratios of one employee per 250 sf of office space and three employees per 1,000 square feet (sf) of retail space.It should be noted that the jobs identified on the Projected Development Sites in this assessment might not be located on the affected sites at the time the sites are redeveloped. The analysis represents a "snapshot in time" that describes the existing socioeconomic conditions in the vicinity of the rezoning area. The employment data was current as of 2016, second quarter.

Retail and office market trends and current conditions for the primary and secondary study areas and Manhattan overall were obtained from Costar, and through available reports on the websites of the commercial real estate brokerage firms, including Cushman & Wakefield, and Colliers International. This includes yearly and quarterly market overviews. Current retail and office conditions were portrayed using data from the second quarter of 2016.

It should be noted that there is no industry-wide standard for office classification. While there is variation from firm to firm, the criteria brokers typically apply to differentiate commercial offices consist of building age, location (or address), curb appeal, tenancy, building infrastructure, and ownership. Classifying office space allows brokers to categorize average rents, vacancy and absorption rates, and market space to tenants. It is also used by the New York City Department of Finance to determine real estate taxes and property values. Traditionally, there are four general classifications of office space in New York City, including "Trophy" properties, which are mostly new construction that offer tenants the latest technologies, best locations, an array of amenities, and the most exclusive tenancies, as well as command highest rents (e.g., 1 World Trade Center and 1 Bryant Park); Class A, typically older buildings than Trophy Properties but with favorable location, landmark architecture, or amenities, and demands above-average rents (e.g., Empire State Building and Chrysler Building); Class B, located primarily on Midtown side streets or peripheral locations, which offer ordinary designs with average rents, services and building systems (e.g., 28 West 44th Street); and Class C, generally older buildings that lack services (i.e., no lobby attendant). Class A, B, and C as well as Trophy buildings are located throughout the primary and secondary study areas.

3.3 Preliminary Assessment

Direct Business and Institutional Displacement

The *CEQR Technical Manual* defines direct business and institutional displacement as the involuntary displacement of businesses from the site of (or a site directly affected by) a proposed action or project. While some of the businesses and employment located on the 16 Projected Development Sites could be displaced by planned projects in the No-Action Condition, there would be some direct displacement attributable to the Proposed Action, and the amount of employment associated with that displacement could exceed the 100-employee *CEQR Technical Manual* threshold warranting a preliminary assessment.

Approximately 6.86 million gross square feet (gsf) of office space, 810,171 gsf of hotel use, and approximately 467,202 gsf of retail use could potentially be directly displaced beyond displacement that would otherwise be anticipated to occur as a result of development under future conditions without the Proposed Action. In most cases, direct displacement of businesses or institutional uses would not constitute a significant adverse impact under CEQR. The preliminary assessment of business and institutional displacement directly resulting from a proposed action looks at the employment and business characteristics of the affected businesses to determine the significance of the potential impact. However, it should be noted that businesses in the Midtown corridor are always changing--moving, expanding, or contracting in reflection of economic cycles as evidenced by 25.5 percent of the office space within the GEM boundary having been constructed or altered within the past 10 years (since 2007) according to 2016 PLUTO data, and there were lease transactions for 5.8 million square feet of office space in East Midtown in FY2015 according to Cushman & Wakefield. The estimates of direct displacement are based on current business conditions at the Projected Development Sites and do not account for any changes in business activities that would occur irrespective of the Proposed Action by 2036. Therefore, the actual displacement by 2036 could be different depending on the number and types of businesses that voluntarily move into or out of the Projected Development Sites prior to 2036.

CEQR seeks to determine whether displacement of a single business or group of businesses would rise to a level of significance in terms of impact on the City's or the area's economy or the character of the affected neighborhood. Pursuant to *CEQR Technical Manual* guidelines, the preliminary assessment of direct business and institutional displacement examines the following circumstances described in Section 321.2 of Chapter 5 of the *CEQR Technical Manual:*

- Do the businesses or institutions to be displaced provide products and services essential to the local economy that would no longer be available in its "trade area" to local residents or businesses due to the difficulty of either relocating the business or establishing new, comparable businesses?

By 2036, the Proposed Action could directly displace an estimated 1,238 business establishments/ institutions, of which 10 are public agencies/organizations, from the 16 Projected Development Sites. These businesses that could be directly displaced conduct a variety of business activities including: retail and wholesale establishments; restaurants and personal service establishments; hotels; professional, scientific, and technical services; finance, insurance, and real estate firms; management companies; health care, social, and educational services establishments; public administration; and administrative and support services, among others. Institutional uses that could be directly displaced include permanent missions, observer missions, and international relations organizations affiliated

with the United Nations (U.N.), consulates, and academic institutions. Given the large numbers of businesses and institutional uses that could be directly displaced as a result of the Proposed Action, a detailed analysis is required to determine if the Proposed Action would result in significant adverse direct business/institutional displacement impacts (Section 3.4, "Detailed Analysis").

- Is the business(es) or institution(s) to be displaced a category of businesses or institutions that is the subject of other regulations or public adopted plans to preserve, enhance, or otherwise protect it?

The potentially displaced businesses and institutions are not the subject of current public policy seeking to preserve and protect the businesses or institutional categories. There are no policies or regulations that directly protect the 1,238 businesses/institutions that are expected to be potentially displaced as a result of the Proposed Action (i.e., the affected businesses do not fall within any in-place industrial parks or a designated Industrial Business Zone). The majority of the proposed rezoning area falls within portions of three business improvement districts (BIDs), including the East Midtown Partnership, the Fifth Avenue BID, and the Grand Central Partnership (refer to Figure 2-7 in Chapter 2, "Land Use, Zoning, and Public Policy"). As described in Chapter 2, these three non-profit corporations were established in the past 25 years to stimulate economic activity by developing commercial and service establishments, spurring private investment, and improving their respective areas' physical appearance through enhanced safety and sanitation services, capital improvement and maintenance, tourism and visitor services, and special events and promotion, all funded by the properties and businesses that lie within the BIDs.

The Proposed Action is intended to ensure that the East Midtown area continues to remain a strong and dynamic premier central commercial district and facilitate the long-term expansion of the City's overall stock of office space. The Proposed Action would result in a limited and targeted amount of new higher density, modern office buildings on large sites with full block frontages on the avenues around Grand Central Terminal, with slightly lower densities proposed on Park Avenue and in the remainder of the rezoning area. The Proposed Action would not alter or conflict with the BIDs' goals of stimulating the economic life of East Midtown, since it is intended to spur increased investment in this transit-rich area. The Proposed Action is intended to protect and strengthen East Midtown as the world's premier business district and key job center for the City and greater region, and would improve the area's pedestrian and built environments to make East Midtown a better place to work and visit.

The Proposed Action would also be consistent with the City's long-term sustainability plans. The Proposed Action meets PlanNYC's goal of making New York City more competitive and attractive to companies and talent as well as OneNYC's goal of supporting the growing population by promoting job growth, through the preservation Greater East Midtown as a premiere office district. Though the Proposed Action would not create or preserve affordable housing due to its location primarily within an office district, it would involve significant investment in infrastructure both above and below grade and support the development of a vibrant neighborhood, both goals of OneNYC.

As outlined in Chapter 1, "Project Description," the Proposed Action would increase office space from approximately 6.8 million gsf to 13.4 million gsf, a net increase of approximately 6.58 million gsf of office space and increase from about 462,874 to 601,899 gsf of retail space, an increment 139,025 gsf of retail space, and net decreases of 810,171 gsf of hotel use and 158,441 gsf of parking over the No-Action Condition, creating new opportunities for existing businesses to expand, and attracting new companies to locate in the City. The limited amount of new commercial development is expected to reduce the long-term shortfall in new office space constructed in Midtown Manhattan, as identified in the 2011 report prepared by Cushman and Wakefield in connection with the 2011 Hudson Yards bond

financing.[2] It is anticipated that the Proposed Action would result in a net increase of an estimated 27,890 employees on the Projected Development Sites compared to the No-Action Condition. In addition, the transportation and quality of life improvements supported by the proposed Transit Improvement Zones (TIZ) and the related Public Realm Improvements Fund to address the above and below-grade improvements comprising the Concept Plan (refer to Chapter 1, "Project Description") use would improve the area's public transportation system and make the East Midtown neighborhood more desirable for global businesses, thereby strengthening the City's economic foundation.

Furthermore, by concentrating increased density west of Second Avenue, the Proposed Action is consistent with the 197-a *Plan for the Eastern Section of Community Board 6*'s goal of maintaining the residential scale and of preventing significant expansion of the Midtown business district beyond the boundary line 100 feet west of Second Avenue. The Proposed Action would ensure that future development in the affected area would not extend east of the rezoning area, upholding the goals of the 197-a plan.

As discussed above, the Proposed Action would not result in the direct displacement of any business/institution that is the subject of regulations in the publicly adopted plans to preserve, enhance, or otherwise project it, and therefore, no further analysis of this aspect is warranted.

Indirect Business/Institutional Displacement

The objective of the indirect business and institutional displacement preliminary assessment is to determine whether the Proposed Action would introduce trends that would make it more difficult for nearby existing businesses that provide products or services essential to the local economy or that are targeted to be preserved in their current locations under adopted public plans to remain in the area. A proposed action could introduce such a trend by causing a marked increase in rents and property values in the area (such as by stimulating the demand for more lucrative land uses and thus redevelopment or by increasing the demand for new commercial or retail services with which the existing businesses cannot compete). A proposed action could directly displace businesses or residents who serve as suppliers or the customer base for nearby businesses, affecting their viability or altering the desirability of their existing location. Finally, it could create enough new retail space to draw substantial sales from existing businesses (i.e., a market saturation impact).

In most cases, the issue for indirect displacement of businesses is that an action would markedly increase property values and rents throughout the study area, making it difficult for some categories of businesses to remain in the area. Pursuant to *CEQR Technical Manual* guidelines, the preliminary assessment of indirect business and institutional displacement examines the following circumstances described in Section 322.2 of Chapter 5 of the *CEQR Technical Manual:*

- Would the Proposed Action introduce enough of a new economic activity to alter existing economic patterns?

The Proposed Action would increase the level of economic activity within the primary study area. By 2036, the Proposed Action would result in an incremental (net) increase of approximately 6.58 million gsf of office and 139,025 gsf of retail, and net decreases of 810,171 gsf of hotel (1,246 hotel rooms), 158,441 gsf of parking (approximately 564 spaces), and approximately 78,278 gsf of residential (44 dwelling units) on the 16 Projected Development Sites, as compared to the future conditions without

[2] *Hudson Yards Demands and Development Report* (August 2011) Cushman & Wakefield, Inc.

the Proposed Action (refer to Table 1.2 in Chapter 1, "Project Description"). The total difference between the built square footage in the No-Action and With-Actions Conditions is approximately 5.67 million gsf.

The Proposed Action would not introduce any new uses or new economic activities within the primary or secondary study areas, nor is it expected to alter existing economic patterns in the study areas. As described in Chapter 2, "Land Use, Zoning, and Public Policy," East Midtown is one of the most sought-after and dynamic office markets and CBD in the New York region that is largely defined by a wide variety of office space. As described in Chapter 1, "Project Description," it is the intent of the Proposed Action to ensure that the East Midtown area continues to remain a strong and dynamic premier central commercial district and facilitate the long-term expansion of the City's overall stock of office space. In the future with the Proposed Action, most buildings in the East Midtown rezoning area would remain commercial offices and only a small amount of conversion to residential and hotel use occur, as compared to the future without the Proposed Action.

In absence of the Proposed Action, the primary study area is anticipated to have less office space compared to existing conditions. Since 2001, only five office buildings (510 and 300 Madison Avenue, 36 East 51st Street, 11 East 52nd Street, and 19 East 48thStreet) have been constructed in the area, a significant drop from preceding decades. Other office buildings, including One Vanderbilt, are currently under construction, but are replacing previously existing office buildings. Whereas the area had an overall annual space growth rate of approximately 1 percent between 1982 and 1991, the area's growth rate began to decline in the next decade—with an annual growth rate of approximately 0.14 percent. During the last decade, this has continued to fall, with the time between 2002 and 2014 seeing an annual growth rate of only 0.02 percent. As the bulk of the office stock in the primary study area continues to age with little to no replacement stock added, the dynamism of the East Midtown office market is anticipated to diminish and the needs of tenants seeking high-quality office space with extensive amenities, technologies, and services may not be met in the absence of the Proposed Action, and they would look elsewhere to meet their needs.

The Proposed Action would result in the introduction of new higher-density, modern office buildings that are expected to promote and strengthen the East Midtown business district, just as in previous eras, and provide support for the overall continued long-term health of the area as an integrated and dynamic office district. The new higher-density office buildings would be constructed on large sites with full block frontages along the avenue corridors near Grand Central Terminal, with slightly lower density buildings proposed on Park Avenue and in the remainder of the rezoning area. The new land uses that would result in the future with the Proposed Action are foreseen as a continuation of existing land uses that would add high-quality office space with open flexible floor plates and high ceilings and maintain the area's competitiveness as a central business district in the City, region, and nation.

As discussed in Chapter 2, "Land Use, Zoning, and Public Policy," the proposed additional office, retail, and hotel uses would be consistent with the existing mix of land uses in the primary and secondary study areas and would not represent new uses that would substantially alter existing economic patterns. Therefore, the Proposed Action would not introduce new uses or economic activities to the study areas.

- Would the Proposed Action add to the concentration of a particular sector of the local economy enough to alter or accelerate an ongoing trend to alter existing economic patterns?

The office, retail and hotel uses introduced by the Proposed Action would not represent new economic activities in the primary and secondary study areas, and the Proposed Action would not add to the

concentration of a particular sector of the local economy enough to alter or accelerate an ongoing trend to alter existing economic patterns. As described in Chapter 2, "Land Use, Zoning, and Public Policy," commercial uses already dominate the primary study area, with commercial only and mixed-use residential and commercial buildings comprising more than 88 percent of the total land area (refer to Table 2.1 in Chapter 2).

As described previously, East Midtown is a dense commercial district that is one of the most sought-after office markets in the New York region. According to 2016 PLUTO data, the primary study area includes approximately 67 million gsf of office space, and the secondary study area has approximately 142 million gsf of office space. Based on the list of planned projects that are anticipated in the future without the Proposed Action (presented in Table 2.4 in Chapter 2, "Land Use, Zoning, and Public Policy"), approximately 2.0 million gsf of office would be added to the primary study area by 2036 and an additional 3.0 million gsf would be added to the secondary study area. By 2036, the RWCDS associated with the Proposed Action would introduce a net increase of approximately 6.58 million gsf of office on the 16 Projected Development Sites, resulting in a 9 percent increase in office space in the primary study area and 4.4 percent increase in office in the secondary study area as compared to the future without the Proposed Action. This amount of office development would not be enough to alter or accelerate existing economic trends.

The RWCDS associated with the Proposed Action would result in a net increase of approximately 139,025 gsf of new retail uses on all of the 16 Projected Development Sites. The retail uses would not represent a new economic activity within the study area. Commercial retail uses are prevalent within both the primary and secondary study areas. The majority of buildings lining the avenue corridors and major cross streets, such as 42nd Street, include active retail uses on their ground floors and lower levels. In 2016 approximately 7.1 percent of the primary study area employment was in the retail trade sector and 10.6 percent in the secondary study area. These shares are comparable to the 2010 share of retail employees in Manhattan (7.7 percent) and New York City (9.9 percent).[3] According to 2016 PLUTO data, the primary study area contains approximately 4.2 million gsf of retail, and the secondary study area an additional approximately 13.6 million gsf of retail. Based on the list of planned projects that are anticipated in the future without the Proposed Action (presented in Table 2.4 in Chapter 2, "Land Use, Zoning, and Public Policy,"), approximately 0.127 million gsf of retail would be added to the primary study area by 2036 and an additional approximately 0.08 million gsf would be added to the secondary study area. By 2036, the RWCDS associated with the Proposed Action would introduce a net increase of approximately 139,025 gsf of retail, resulting in an approximately 3 percent increase in retail space in the primary study area and less than one percent increase in retail in the secondary study area as compared to the future without the Proposed Action. This amount of retail development would not be enough to alter or accelerate existing economic trends. Similar to existing retail uses in the primary study area, the retail space that would be introduced by the Proposed Action would be oriented to meeting the demands of the neighborhood's existing and future workers, residents and visitors.

The Proposed Action would decrease the potential number of hotel rooms in the study area. By the end of 2016, the study area will have a total of 24,220 hotel rooms, with an additional 2,063[4] coming on line as presented in the future without the Proposed Action (Table 2.4 in Chapter 2). Examples of new hotels

[3] Department of Labor Quarterly Census of Employment and Wages compiled by DCP, 3rd Quarter 2012.

[4] As noted previously, five of the six known hotel developments are currently under construction and are anticipated to go forward before the new zoning is enacted. The sixth hotel project, 686-700 Third Avenue, may be affected by the Proposed Action, which would result in approximately 361 fewer hotel rooms in the With-Action condition if the project does not elect to seek a special permit to allow the hotel use.

in the primary study area include the 60-room Library Hotel at 299 Madison Avenue at 41st Street and the 308-room Marriott Courtyard at 866 Third Avenue. Opening in the Fall of 2016 are the 230 room EVEN Hotel Grand Central at 219 East 44th Street; the Jade Hotel Bryant Park at 34 West 38th Street; and the 86-room Whitby Hotel at 18-20 West 56th Street. By 2036, the RWCDS associated with the Proposed Action would create a net decrease of 1,246 rooms, resulting in a 5 percent decrease in hotel rooms in Midtown Manhattan as compared to the future without the Proposed Action. This change in the number of hotel rooms would not be enough to alter or decelerate existing economic trends.

- Would the Proposed Action directly displace uses of any type that directly support businesses in the area or bring people to the area that form a customer base for local business?

As shown in Table 3.6, the Proposed Action would potentially displace 1,238 businesses/institutions and 23,794 workers on the 16 Projected Development Sites. Such potential displacement, however, would be subject to lease terms and agreements between private firms and property owners existing at the time of redevelopment. These businesses that could be directly displaced conduct a variety of business activities including: retail and wholesale establishments; restaurants and personal service establishments; hotels; professional, scientific, and technical services; finance, insurance, and real estate firms; management companies; health care, social, and educational services establishments; public administration; and administrative and support services, among others. Given the large numbers of businesses and institutional uses that could be directly displaced as a result of the Proposed Action, a detailed analysis is required to determine if the Proposed Action would result in significant adverse direct business/institutional displacement impacts (see Section 3.4).

- Would the Proposed Action directly or indirectly displace residents, workers, or visitors who form the customer base of existing businesses in the study area?

As described previously, the Proposed Action would not result in any direct or indirect residential displacement. In terms of employment, the 1,238 existing businesses/institutions (employing an estimated 23,794 workers) located on portions of the 16 Projected Development Sites that could be displaced if these sites are redeveloped as assumed under the RWCDS represent approximately 9.14 percent of the jobs in the primary study area and 3.92 percent of the jobs in the secondary study area. Such potential displacement, however, would be subject to lease terms and agreements between private firms and property owners existing at the time of redevelopment. The displacement of these workers could represent a substantial loss of customer base for existing businesses in the study area.

However, in the future with the Proposed Action, the loss of the existing business customer base would be more than offset by the introduction of a substantial increase in the level of economic activity and increase in the number of daytime workers and visitors as a result of the Proposed Action. By 2036, the total development expected to occur on the 16 Projected Development Sites under the With-Action Condition would consist of approximately 119 dwelling units, 13.4 million gsf of office space, and 601,899 gsf of retail, with an estimated total of 27,890 employees.[5] Therefore, there would be no significant adverse impacts related to indirect business/institutional displacement and no further analysis is warranted.

[5] As per CEQR standards, employment in new office space is estimated at 1 worker per every 250 square feet; however, the current US average floorspace per office worker is 140 square feet per worker. If office employment were to be estimated at current standards, the increased employment in the primary study area due to the With-Action Condition would be 96,139.

Adverse Effects on Specific Industries

According to the *CEQR Technical Manual*, a significant adverse impact may occur if an action would measurably diminish the viability of a specific industry that has substantial economic value to the city's economy. An example as cited in the *CEQR Technical Manual* would be new regulations that prohibit or restrict the use of certain processes that are critical to certain industries. According to the *CEQR Technical Manual*, a proposed action may have a significant adverse impact on specific industries if:

- The action significantly affects business conditions in any industry or category of business within or outside of the study area.

As described above, the businesses subject to direct displacement vary in type and size, and are not concentrated around any specialized industry.

Midtown Manhattan serves as an international headquarters for numerous companies competing in a global market. East Midtown commercial spaces are occupied by a diverse array of businesses. About one half of those projected for direct displacement are in fields related to Professional, Scientific and Technical Services or Finance and Insurance (34.7 percent and 16.8 percent, respectively). The remaining half is an array of industries including Health Care, Information, Accommodation and Food Services, Real Estate, and Waste Management. These industries are found throughout the study area and the broader neighborhoods and borough.

Most of the businesses in the study area lease their spaces and operate with some expectation of relocation after the terms of their leases end. As businesses grow and shrink, and as operational and infrastructure needs evolve, many businesses seek new space that will meet their current requirements or avoid significant and disruptive renovation in place. Many businesses are likely to have leases that would expire before the build year of 2036, meaning relocation is expected and possibly desirable.

The affected businesses are unlikely to have a difficult time finding other space within and nearby the study area. As such, any additional relocation as a result of the Proposed Action is not expected to significantly affect business conditions for any of the industries or categories of business within the study area.

The Proposed Action would allow hotels in the East Midtown area by special permit of the CPC – refer to Chapter 21 "Conceptual Analysis" for the analysis of this and other special permit mechanisms and authorization that are part of the Proposed Action. The development of the special permit approach arose as a result of the public review process of the 2013 Proposed Action, where numerous stakeholders raised concerns about the appropriateness of limited-service hotels in relation to the area's status as a premier business district. Given the concentration of offices in the area, it was believed that full-service hotels that provide amenities and services to the area's businesses would provide a more appropriate hotel type in the East Midtown area. Therefore, to support the development of full-service hotels that would comport with the needs of the overall East Midtown business district, development, conversion, or enlargement of hotels would be restricted and only permitted via a new special permit (ZR Section 81-65). The findings for the special permit are focused on ensuring the proposed hotel incorporates services and facilities, like meeting facilities, which would be complementary to office uses in the surrounding area. This special permit process would ensure the development of full service hotels that would support the overall East Midtown business district.

Three hotels in the primary study area (the Courtyard-Manhattan Midtown, the Intercontinental, and the Hilton Manhattan East on 42nd Street) are located on potential redevelopment sites and may be

displaced. New York City has been undergoing a boom in hotel construction with some 18,000 rooms added to hotel stock since 2010, with another 36,000 rooms in the pipeline according to CBRE Hotels division's Mark Van Stekelenburg.[6] Currently, there are some 94 hotels with 24,220 rooms in the primary and secondary study areas, three of which (433 rooms) just opened in the Fall of 2016. Under the No-Action Condition, 2,935 new hotel rooms are proposed for construction by 2036 either within the rezoning area (2,063 rooms)[7] or in the secondary study area within a quarter mile radius of the rezoning area (872 rooms); this would be an increase of 12.1 percent over the next twenty years. Limiting hotel development to construction by special permit would slow the proliferation of hotel construction, protecting other uses in the rezoning area. The proposed Hotel Special Permit, along with the other special permit mechanisms and authorization is further analyzed in Chapter 21, "Conceptual Analysis."

- The action indirectly substantially reduces employment or impairs the economic viability in the industry or category of business.

The Proposed Action would not indirectly substantially reduce employment or impair the viability of an industry or category of business that would not otherwise occur under the No-Action Condition. Combined, the 23,794 employees subject to direct displacement represent approximately 9.0 percent of the 256,653 jobs in the rezoning area according to 2016 data from ESRI.

The volume of commercial square footage available in East Midtown and the surrounding area is expected to accommodate businesses affected by the Proposed Action, allowing them to remain economically viable.

Therefore, this preliminary assessment concludes that the Proposed Action would not cause a significant adverse effect on specific industries, and a detailed assessment is not warranted.

3.4 Detailed Assessment

The preliminary assessments presented in Section 3.3 above, could not rule out the possibility that the Proposed Action could cause significant socioeconomic impacts through (1) direct business and institutional displacement; and (2) indirect business and institutional displacement. Therefore, a detailed analysis for those areas of concern is presented below.

In accordance with *CEQR Technical Manual* guidelines, the detailed analysis for each of the two areas of concern is divided into three sections: Existing Conditions; the future without the Proposed Action; and the future with the Proposed Action, which includes a determination of whether the Proposed Action would cause significant adverse impacts. A detailed analysis aims to describe existing and anticipated future conditions to a level necessary to understand the relationship of a proposed action to such conditions by assessing the change that the action would have on these conditions and identifying any changes that would be significant and potentially adverse.

In most cases, direct business and institutional displacement would not constitute a significant adverse impact under CEQR. However, it is still important to disclose the type and extent of such displacement.

[6] New York Post, January 20, 2016. http://nypost.com/2016/01/20/new-hotels-are-about-to-flood-downtown-manhattan/

[7] Five of the six known hotel developments are currently under construction and are anticipated to be in place before the new zoning is enacted. The sixth hotel project, 686-700 Third Avenue, may be affected by the Proposed Action, which would result in approximately 361 fewer hotel rooms in the With-Action condition if the project does not elect to seek a special permit to allow the hotel use.

Likewise, indirect business and institutional displacement is typically a concern only if it affects land use or population patterns or community character. In most cases, the issue for indirect displacement is whether an action would increase property values and thus rents throughout the study area, making it difficult for some categories of businesses to remain in the area.

This section of the chapter describes employment and business characteristics of the primary (rezoning area) and secondary study areas, local real estate market trends, and the business and institutional conditions of the study area (identified on Figure 3-1), compared to Manhattan and New York City.

Direct Business and Institutional Displacement

Based on the guidelines in Section 331.2 of Chapter 5 of the *CEQR Technical Manual*, a detailed analysis of direct business and institutional displacement is warranted because the preliminary assessment could not rule out the possibility that the directly displaced businesses provide products and services essential to the local economy that would no longer be available in its "trade area" to local residents or businesses due to the difficulty of either relocating the business or establishing new, comparable businesses. The objective of the detailed assessment is to better understand the operational characteristics of the displaced businesses and institutions, determine whether they can be relocated, and assess whether the product or service they provide would continue to be available.

Existing Conditions

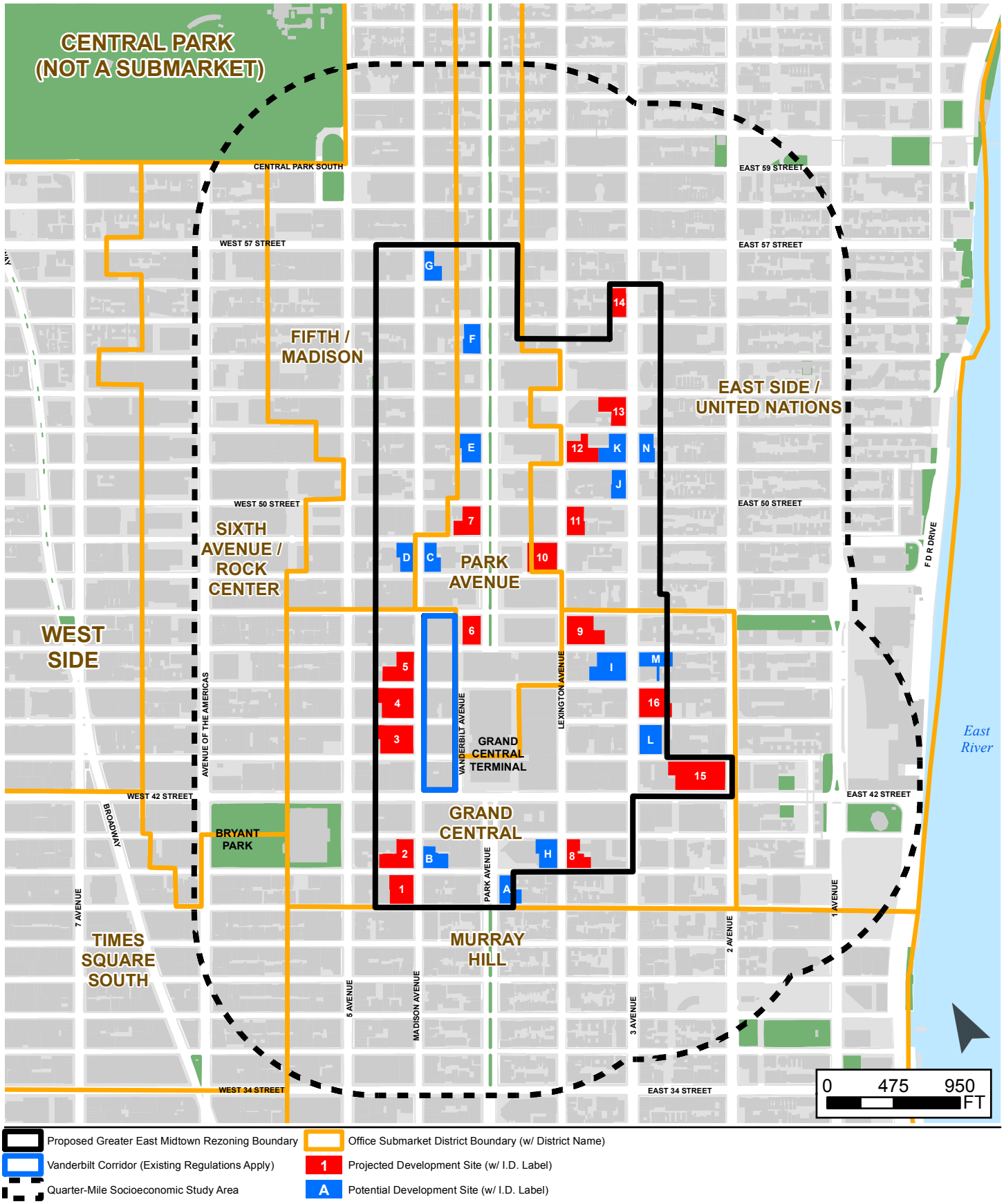
This section describes the business characteristics of the primary study area (rezoning area) and its context within the secondary study area.

Primary Study Area

East Midtown is a major job center and a regional transportation hub (Metro-North Railroad, East Side Access, due to open in 2022, and several subway lines) for the City of New York. With the construction of Grand Central Terminal a century ago, the area developed into the core of Midtown Manhattan's commercial office district—a position it maintains today despite that most new commercial office growth has been largely concentrated further west in Midtown. The area is a high-density central commercial district that continues to be one of the most sought-after office markets in the New York region. Despite having an office stock that consists of older buildings, the area is populated with prestigious, high-quality office construction and architecture, particularly north of East 45th Street along Park and Madison Avenues. East Midtown's office inventory also contains many distinguished architectural structures, including the Seagram Building (375 Park Avenue) and Chrysler Building (405 Lexington Avenue) as well as Grand Central Terminal.

The primary study area straddles two Midtown Manhattan office submarkets: Grand Central and the Plaza Districts (Figure 3-2). As shown on Figure 3-2, the Grand Central Subdistrict, which is bounded by East 47th Street to the north, Second Avenue to the east, East 38th Street to the south, and Fifth Avenue to the west, is typically considered an older submarket and accommodates an older office building stock, including a number of pre-war buildings (such as the Chrysler Building, Chanin Building, and American Radio Tower).

Office buildings in the Grand Central Subdistrict typically have higher vacancy rates and lower average asking rents than the overall Midtown market (Table 3.1). The Plaza Subdistrict, which is bounded by



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Office Submarket Boundaries

Figure 3-2

East 65th Street to the north, the FDR Drive to the east, East 47th/East 48th Streets and Mitchell Place to the south, and the Avenue of the Americas to the west, is centered on the upper reaches of Park and Madison Avenues and located to the southeast of Central Park (Figure 3-2). The Plaza Subdistrict historically has been recognized as one of the most expensive office submarkets in the country, and generally has more-recent construction than the Grand Central Subdistrict (Table 3.1). It also contains a number of offices that previously captured average rents of more than $100 per square foot. As tenants consider more affordable office space in Midtown South and Lower Manhattan, the availability of office space in the Plaza District has increased and prices have declined somewhat. In August 2016, the overall vacancy rate for space in the Plaza District was at 9.9 percent; the high rents for Class C space reflect rental highs of an earlier decade.

Table 3.1: Midtown Manhattan Office Submarkets located within the Primary Study Area

	Grand Central Subdistrict	Plaza Subdistrict
Total Inventory (Buildings)	205	489
Percentage of Class A Office Space	36%	33%
Vacancy Rate of Class A	11.40%	10.00%
Average Asking Rent of Class A	$70.44 per square foot	$74.66 per square foot
Percentage of Class B Office Buildings	32%	36%
Vacancy Rate of Class B	5.40%	6.10%
Average Asking Rent of Class B	$64.67 per square foot	$63.16 per square foot
Percentage of Class C Office Buildings	32%	31%
Vacancy Rate of Class C	7.90%	3.60%
Average Asking Rent of Class C	$52.34 per square foot	$73.53 per square foot

Source: CoStar, accessed September 2016

Description of the Office Building Stock

The proposed rezoning area, comprising approximately 78 blocks, contains more than 67 million gsf of office space, hosts more than 257,000 jobs, is home to numerous Fortune 500 companies, and serves as the headquarters for many corporations. The area is anchored by Grand Central Terminal. Surrounding Grand Central and to the north, some of the City's most iconic office buildings, such as Lever House at 390 Park Avenue and the Chrysler Building at 405 Lexington Avenue, line major avenues—Park, Madison, and Lexington—along with a mix of other landmarks, civic structures, office buildings, and hotels.

One of the key strengths of East Midtown has been its diverse inventory of office space, i.e., buildings of different sizes and ages allow the area to meet the needs of a wide range of tenants at varying price points. This wide range of space makes for an integrated and dynamic office market. In addition, the recent recession has also resulted in lower asking rents within the study area, creating more affordability for tenants in the market, as well as enabling a more diverse office tenant population.

Approximately 205 buildings in the primary study area contain at least 1,000 gsf of office space, where office space is the only type of use. The majority (approximately 72 percent) of these office buildings were constructed prior to 1961, and contain more than 29 million gsf of office. The average age of office buildings in the primary study area is more than 70 years old. Table 3.2 provides a profile of the age of the office-only building stock in the primary study area. As shown in Table 3.2, some 28 office buildings, containing less than 14 million gsf of office space, have been constructed since 1981, whereas

between 1941 and 1980 more than 31 million gsf of office space (53 percent) was constructed. Pre-war office buildings account for just under half of the office stock in terms of number of buildings (not square feet), and are largely concentrated near Grand Central Terminal roughly between Madison and Lexington Avenues from East 41st to East 46th Streets, as well as along Madison Avenue between East 39th and East 41st Streets, and on Lexington Avenue between East 47th and East 51st Streets (Figure 3-3).

Table 3.2: Age of the Office Building Stock in the Primary Study Area

Year Built	Number of Buildings	Office GSF	Percentage of Office GSF
Office buildings constructed prior to 1920	23	1.74 million gsf	2.96%
Office buildings constructed between 1920 and 1940	78	12.22 million gsf	20.79%
Office buildings constructed between 1941 and 1960	46	15.09 million gsf	25.66%
Office buildings constructed between 1961 and 1980	30	16.18 million gsf	27.52%
Office buildings constructed between 1981 and 1999	23	12.12 million gsf	20.61%
Office buildings constructed since 2000	5	1.45 million gsf	2.47%
TOTAL	**205**	**58.80 million gsf**	100.00%

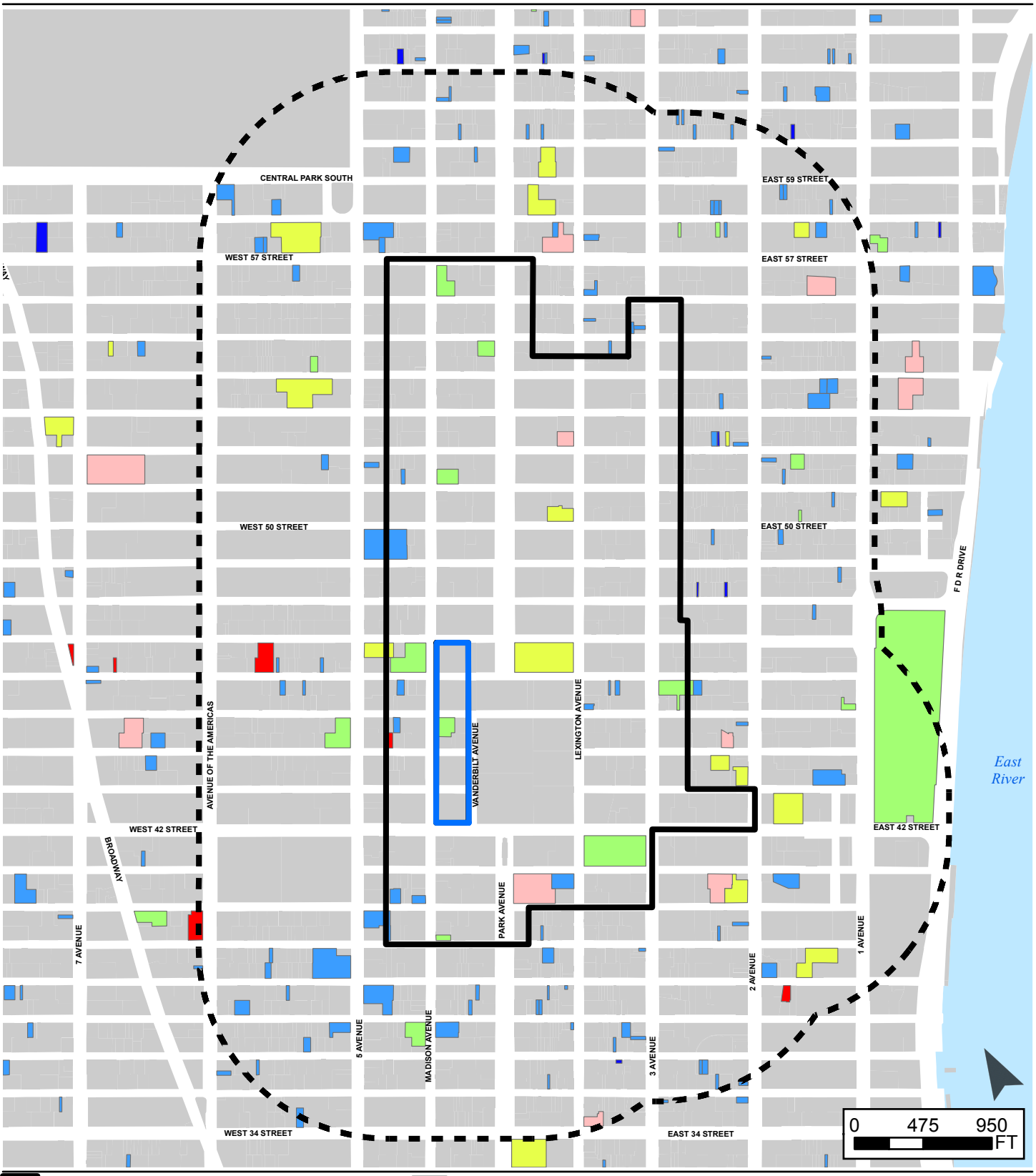
Source: PLUTO, 2016 v1

New office buildings that have been constructed since the 1980s tend to be located on Madison Avenue between East 53rd and East 57th Streets; the East 53rd Street corridor between Lexington and Third Avenues; and on Park Avenue south of Grand Central Terminal between East 40th and East 41st Streets (Figure 3-3). Since 2000, there have only been five new buildings constructed in East Midtown along the western edge of the primary study that feature office space, including the office towers at 510 Madison Avenue, 300 Madison Avenue and 36 East 51st Street, and the mixed commercial and residential buildings at 11 East 52nd Street and 19 East 48th Street. Combined these four buildings have only added an additional 1.45 million gsf (representing less than 3 percent) of profiled office space to East Midtown since 2000. The 30-story office tower at 510 Madison Avenue and East 53rd Street is the latest sizable building to be constructed in the primary study area (constructed in 2007), which contains approximately 310,000 gsf with open floor plates ranging in size from 11,500 to 16,500 gsf.

Similar to most new office construction in the City, the building is considered a boutique office tower with considerable amenities. Office space within 510 Madison Avenue rents for $100 or more per square foot.[8] The most recent office building to be constructed in the study area was built in 2013 at 36 East 51st Street. Containing just under 66,000 square feet of office space, the 21-story building has floor plates of less than 5,000 square feet.

In order to remain viable and marketable to existing and prospective tenants in the highly competitive market of East Midtown, the aging stock of office buildings continuously undergo what are often substantial and costly renovations, refurbishments, and upgrades (i.e., increased amenities, advances in technological capabilities, and increased efficiencies) to obtain higher rents and renewed interest from tenants. Typically, the renovations include retaining top architecture firms to give the building an identity and enhanced design. Renovations in these buildings typically have an average age of about 14 years. However, renovations do not allow for the removal of load-bearing columns to create open, flexible, and efficient floor plates and trading floors that numerous companies prefer. Many older buildings also have low floor-to-floor heights instead of higher ceiling heights that allow more natural

[8] "Playing to Hedge Funds, a Trophy Rises in Midtown." The New York Times. February 11, 2011.



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Office Buildings by Year Built

Figure 3-3

vhb

light. Prior to 1961, when the zoning in the East Midtown area was characterized by a restrictive height and setback control, but no specified floor area ratio, the design strategy for developers to maximize floor area was to build to the limits of the zoning "envelope," while squeezing in as many floors as possible. The buildings that resulted provide low-ceilinged spaces both on the retail ground floor and the upper office floors, as well as a dense column grid. Today, these spaces are increasingly unattractive to the highest rent-paying tenants, however they do provide space to smaller service-based offices as well as emerging firms that prefer to customize older, lower rent space in good locations. While vacancies in Class B and Class C space are very low, as shown in Table 3.1, there is roughly 3.2 million gsf of Class B and 900,000 gsf of Class C space available in other areas of Midtown. The Times Square South submarket has the greatest availability with 1.8 million gsf of Class B and 427,657 gsf of Class C space; followed by the Westside submarket with 322,720 gsf of Class B and 229,114 gsf Class C; and the Penn Station submarket with 279,753 gsf of Class B and 200,277 gsf of Class C.[9]

Table 3.3 provides a profile of the size of office-only buildings in the primary study area. Only about 1.7 percent of the office stock is located in buildings that contain less than 50,000 gsf of office. Smaller office buildings are typically located along the midblocks and on Lexington Avenue between East 47th and East 53rd Streets (Figure 3-4). Almost 60 percent of buildings within the primary study area contain more than 100,000 gsf of office, and approximately 64 percent of the office stock in the study area is located in 48 buildings that accommodate at least 0.5 million gsf of office space. As shown in Table 3.3, 10 buildings in the primary study area contain more than 1 million gsf of office space, four of which include more than 1.5 million gsf, including the high-rise office towers at 399 Park Avenue, 245 Park Avenue, and 345 Park Avenue, as well as the Citibank building at 884 Third Avenue at 1.7 million square feet of office space.

Table 3.3: Size of the Office Building Stock in Primary Study Area

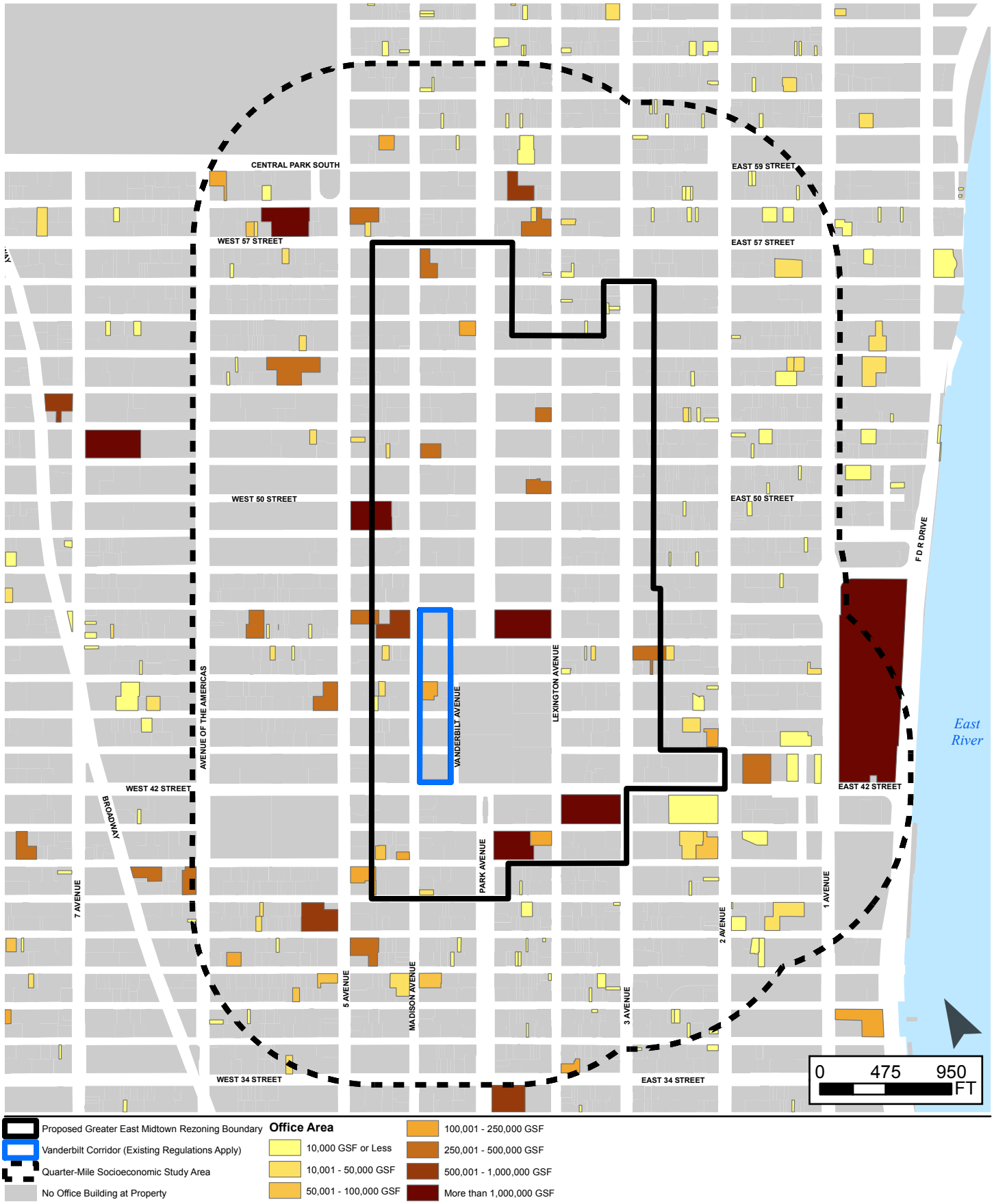
	Number of Buildings	Office GSF	Percentage of Office GSF
Buildings with 1.0 million gsf or more of office	10	11.89 million gsf	20.22%
Buildings with 500,000 to 999,999 gsf of office	38	25.55 million gsf	43.45%
Buildings with 250,000 to 499,999 gsf of office	38	13.69 million gsf	23.28%
Buildings with 100,000 to 249,999 gsf of office	30	4.94 million gsf	8.41%
Buildings with 50,000 to 99,999 gsf of office	23	1.74 million gsf	2.95%
Buildings with 10,000 to 49,999 gsf of office	41	0.82 million gsf	1.40%
Buildings with less than 10,000 gsf of office	25	0.17 million gsf	0.29%
TOTAL	**205**	**58.80 million gsf**	**100.00%**

Source: PLUTO, 2016v1

Built between the early 1960s and the late 1970s, all of these office towers are either concentrated north of Grand Central Terminal on Park Avenue, or on East 53rd Street at Lexington Avenue (Figure 3-4). The majority of buildings containing more than 1.0 million gsf of office space are located on the south side of East 42nd Street roughly between Madison and Third Avenues, near Lexington Avenue and East 53rd Street, and north of Grand Central Terminal on Park Avenue. Forty-eight buildings contain almost half of the office space in the primary study area.

Average rents in the rezoning area reflect those in the larger office submarkets. Typically, older office buildings have lower average rents and higher vacancy rates. As detailed in Table 3.1, the average Class A rent in the entire Grand Central Subdistrict is approximately $70 per square foot and the average

[9] Cushman and Wakefield Midtown Office Statistics, August 2016.



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Office Buildings by Floorspace

Figure 3-4

Class B rent is approximately $65 per square foot. Class C buildings in the Grand Central Subdistrict have average asking rents of $52 per square foot.

In the Plaza District section of the rezoning area, average rents are typically higher. In the Plaza District, the average Class A rent is approximately $75 per square foot and the average Class B rent is approximately $63 per square foot. Class C rents are anomalously high at $73.53, reflecting the extremely low 3.6 percent vacancy rate.

Description of the Existing Businesses

East Midtown hosts both large and small companies, headquarter offices, and local, national, and international firms and organizations. Historically, East Midtown's tenants have been financial institutions, insurance agencies, real estate firms, and professional services, such as law firms, with some of the country's largest banks headquartered in the area. These tenants seek a prestigious location, advanced technical infrastructure, and an array of amenities and services. Recent trends have both reinforced and altered this role. Due to the area's recognition and regional transit accessibility, the primary study area has become home to a number of the City's hedge fund and private equity firms. These firms tend to be smaller companies that seek 5,000 to 25,000 sf.[10] This industry cluster has resulted in higher rents for high-quality office space in the area's prime office buildings as the industry competes for space.

Conversely, since the economic recession beginning in 2008, the primary study area has also developed a more diverse roster of tenants, as rents dropped with the economic downturn, allowing tenants who were previously priced out the ability to move into the East Midtown office market. This trend, whereby new firms, including technology and media companies, have been able to move into East Midtown, has led to a more diverse and economically balanced office market. Both trends have helped the area recover from the 2008 recession, with vacancy rates beginning to fall to traditionally accepted numbers. These accepted numbers (approximately 7 to 8 percent) allow the office market to maintain its flexibility and dynamism. This allows tenants to both seek and relocate to different spaces in the area based on lease terms.

Table 3.4 provides summary data on the current estimated number of business establishments and employees in the primary study area, and details the percentage of employment in the various economic sectors found within the primary study area. As shown in Table 3.4, employment within the primary study area is substantial and is largely dominated by office workers. As of 2016, approximately 11,782 firms employed an estimated 256,653 workers in the primary study area. The largest employment sector is the Finance and Insurance industry, which accounts for approximately 30 percent of area employees. Combined, the Finance and Insurance and the Professional, Scientific, and Technical services sectors comprise over 50 percent of the total employment in the primary study area. Demonstrating the change in residency that has occurred since 2010, Accommodation and Food Services is the next highest employment sector with just under 19,000 workers (7.4 percent), followed by Retail Trade and Information with 18,249 and 13,732 workers (7.1 percent and 5.4 percent), respectively. Administrative and Support and Waste Management and Remediation Services, which had accounted for slightly more than 10 percent of study area employment in 2010, now makes up less than half of that share. Employment within each of the remaining economic sectors in the primary study area accounts for 5 percent or less.

[10] "Playing to Hedge Funds, a Trophy Rises in Midtown" *The New York Times*. February 11, 2011.

Table 3.4: Total Employment by Sector in the Primary Study Area

NAICS Economic Sector	Number of Firms	Number of Employees	Employment as a Percentage of Total
Accommodation and Food Services	584	18,935	7.38%
Administrative and Support and Waste Management and Remediation Services	727	12,594	4.91%
Arts, Entertainment, and Recreation	120	2,587	1.01%
Construction	224	3,855	1.50%
Educational Services	106	1,699	0.66%
Finance and Insurance	2,301	77,256	30.10%
Health Care and Social Assistance	635	7,185	2.80%
Information	455	13,732	5.35%
Management of Companies and Enterprises	54	4,738	1.85%
Manufacturing	244	10,363	4.04%
Other Services (except Public Administration)	663	8,395	3.27%
Professional, Scientific, and Technical Services	2,514	54,568	21.26%
Real Estate and Rental and Leasing	843	12,253	4.77%
Retail Trade	1,076	18,249	7.11%
Transportation and Warehousing	126	6,352	2.47%
Wholesale Trade	238	3,139	1.22%
All other	872	753	0.29%
TOTAL	**11,782**	**256,653**	**100.00%**

Source: ESRI 2016

Profiles of the Directly Displaced Businesses and Institutions on Projected Development Sites

This section describes in detail the businesses and institutions within the primary study area that could be directly displaced by the Proposed Action, including their employment, economic sector, and customer base. Pursuant to *CEQR Technical Manual* guidelines, 16 Projected Development Sites have been identified as most likely locations for redevelopment under the RWCDS Proposed Action. When these sites are redeveloped in the future with the Proposed Action, it is possible that existing businesses could be displaced. Such displacement would be subject to private contracts and lease terms between tenants and landlords existing at the time of redevelopment.

Although this EIS analyzes long-term development trends, it also identifies the firms subject to potential direct displacement based on Existing Conditions and the businesses located on the 16 Projected Development Sites today. However, New York City's commercial areas are dynamic; businesses regularly open and close in response to changes in the economy, local demographics, and consumer trends. Therefore, within the period up to 2036, it is likely that a number of the businesses identified could face displacement pressure as sites redevelop, close or relocate over the next 20 years, independent of the Proposed Action. Table 3.5 details all 16 Projected Development Sites as well as the number of jobs that may be directly displaced.

The 16 Projected Development Sites accommodate approximately 1,238 business establishments/ institutions in a wide range of uses. Based on data acquired from Reference USA, a verified database of businesses on an address basis, the various types of businesses and institutional uses include Accommodation and Food Services; Administration & Support, Waste Management & Remediation

services; Arts, Entertainment & Recreation; Construction; Educational services; Finance and Insurance; Health Care and Social Assistance; Information; Management of Companies & Enterprises; Manufacturing; Professional, Scientific, & Technical services; Real Estate, Rental and Leasing; Retail Trade; Transportation and Warehousing; Wholesale Trade; Other services; Public Administration; and Unknown/Unclassified establishments. Collectively, these 1,238 businesses/institutional uses provide jobs for an estimated 23,794 workers, which comprise 9.14 percent of the primary study area's employment.

Table 3.5: RWCDS for the 16 Projected Development Sites

Site	Block	Lot(s)	Existing Condition	Future No-Action Condition	Future With-Action Condition	With-Action Direct Job Displacement
1	869	16	217,317 gsf commercial	No change (472,138 gsf commercial)	759,100 gsf commercial	3,020
		58	91,212 gsf commercial			
		61	74,186 gsf commercial			
		64	89,423 gsf commercial			
2	1275	8	79,738 gsf commercial	No change (465,577 gsf commercial)	656,268 gsf commercial	1,065
		11	11,951 gsf commercial			
		12	57,643 gsf commercial			
		14	102,079 gsf commercial			
		16	36,681 gsf commercial			
		59	170,230 gsf commercial			
		60	7,255 gsf commercial			
3	1278	8	36,616 gsf commercial	665,197 gsf commercial; 87,452 gsf residential	1,225,588 gsf commercial	1,460
		14	558,124 gsf commercial			
		62	11,550 gsf commercial			
		63	17,668 gsf commercial			
		64	16,629 gsf commercial			
		65	62,918 gsf commercial			
4	1279	9	110,999 gsf commercial	No change (708,668 gsf commercial)	1,197,840 gsf commercial	858
		17	122,600 gsf commercial			
		57	380,766 gsf commercial			
		63	15,023 gsf commercial			
		65	79,280 gsf commercial			
5	1281	9	18,933 gsf commercial	No change (513,496 gsf commercial)	824,578 gsf commercial	1,452
		56	84,518 gsf commercial			
		59	87,016 gsf commercial			
		7501	323,029 gsf commercial			
6	1282	34	444,628 gsf commercial	No change	707,871 gsf commercial	2,710
7	1285	36	645,483 gsf commercial	No change	893,813 gsf commercial	3,298
8	1295	20	118,587 gsf commercial	No change (343,587 gsf commercial)	554,821 gsf commercial	2,937
		23	225,000 gsf commercial			
9	1301	23	700,621 gsf commercial	No change	1,113,919 gsf commercial	2,354
10	1303	14	427,611 gsf commercial	No change	933,736 gsf commercial	521
11	1304	20	317,496 gsf commercial	No change	597,109 gsf commercial	490
12	1306	23	584,429 gsf commercial	No change	787,894 gsf commercial	1,314

Table 3.5: RWCDS for the 16 Projected Development Sites (Continued)

Site	Block	Lot(s)	Existing Condition	Future No-Action Condition	Future With-Action Condition	With-Action Direct Job Displacement
13	1307	7501	163,466 gsf commercial	No change (163,466 gsf commercial)	727,398 gsf commercial	264
		43	0			
14	1310	33	1,912 gsf commercial 6,094 gsf residential	19,517 gsf commercial 226,397 gsf residential	295,097 gsf commercial 73,774 gsf residential	143
		34	1,500 gsf commercial 6,000 gsf residential			
		35	2,250 gsf commercial 5,250 gsf residential			
		36	13,842 gsf commercial			
		37	1,500 gsf commercial 6,825 gsf residential			
		38	1,500 gsf commercial 6,825 gsf residential			
		39	1,575 gsf commercial 6,300 gsf residential			
		40	3,500 gsf commercial 4,887 gsf residential			
		133	900 gsf commercial 4,140 gsf residential			
		140	1,597 gsf commercial 2,222 gsf residential			
15	1316	23	672,462 gsf commercial	No change (1,113,870 gsf commercial)	1,730,892 gsf commercial	529
		30	141,408 gsf commercial			
		12	300,000 gsf commercial			
16	1318	43	1,674 gsf commercial	No change (504,785 gsf commercial 2,270 gsf residential)	990,753 gsf commercial	1,399
		1	502,353 gsf commercial			
		44	0			
		143	758 gsf commercial 2,270 gsf residential			

Source: DCP, 2016

There are 345 employees currently working at 10 public agencies and organizations on Projected Development Sites that are expected to only be redeveloped under the Proposed Action. These include the United States (U.S.) Office of the Comptroller of Currency, a permanent mission to the U.N., one consulate general, and several other offices of legislative bodies. The U.S. Office of the Comptroller of Currency occupies two floors of the 22-story office building at 340 Madison Avenue (Block 1278, Lots 14, 15, and 17) that comprises a portion of Projected Development Site 3. It should be noted, however, that government agencies are not the subject of direct displacement analysis under CEQR, as it is assumed that government agencies would continue in operation with or without the Proposed Action.

As shown in Table 3.6, it is possible that the Proposed Action could displace 1,238 businesses/institutions employing an estimated 23,794 employees on portions of 15 of the 16 Projected Development Sites (businesses potentially displaced by redevelopment in the No-Action Condition are

not included in this count). Since the direct displacement would occur over a 20-year period, it is possible that the composition of the businesses on the Projected Development Sites would change over time. However, for the purposes of analysis, it is assumed that all businesses currently in operation would be directly displaced. A listing of all businesses and institutions considered to be directly displaced for analysis purposes is included in Appendix C.

The businesses are distributed among all of the Projected Development Sites, but Sites 1, 2, 6, 8, and 12 each have more than 100 businesses each. In these instances, the vast majority are firms that consist of fewer than 10 employees, often sharing suites or floors with other firms. There are 235 businesses/institutions on Projected Development Site 1 with 3,020 employees. Projected Development Site 8 has 187 businesses with 2,937 employees. There are 156 businesses with 1,314 employees on Projected Development Site 12. Projected Development Site 2 has 135 businesses with 1,045 employees. There are 126 businesses with 2,710 employees on Site 6. The highest concentrations of employees on the Projected Development Sites are on Projected Development Sites 7, 1, and 8. Projected Development Site 7 includes the national headquarters of Colgate-Palmolive, employing 2,000 people.[11]

Table 3.6: Potentially Directly Displaced Business/Institutions and Employment on Projected Development Sites

NAICS Economic Sector	Number of Businesses/ Institutions	Number of Jobs Displaced	Displaced Jobs as a Percentage of Total Displaced Jobs
Accommodation & Food Service	26	1,462	6.18%
Administrative & Support & Waste Management & Remediation Services	63	1,935	8.18%
Arts, Entertainment, & Recreation	10	82	0.35%
Construction	10	81	0.34%
Educational Services	13	114	0.48%
Finance & Insurance	208	4,793	20.26%
Health Care & Social Assistance	96	566	2.39%
Information	58	2,111	8.92%
Management of Companies & Enterprises	4	2,060	8.71%
Manufacturing	13	1,005	4.25%
Other Services (excl. Public Administration)	56	832	3.52%
Professional, Scientific & Technical Services	428	5,812	24.57%
Public Administration	10	345	1.46%
Real Estate, Rental & Leasing	76	1,080	4.57%
Retail Trade	56	898	3.80%
Transportation & Warehousing	3	28	0.12%
Wholesale Trade	10	414	1.75%
Unclassified Establishments/Unknown	85	40	0.17%
TOTAL	**1,225**	**23,658**	**100.00%**

Source: Urbanomics, Reference USA, 2016

Based on the RWCDS for Projected Development Sites, the numbers and types of businesses that could be directly displaced by the Proposed Action and the numbers of employees associated with those businesses were estimated. As shown in Table 3.6, an estimated 23,658 employees in 1,225

[11] All employment estimates came from the Reference USA database field "Location Employee Size Actual."

businesses/institutions could be directly displaced by the Proposed Action (businesses potentially displaced by redevelopment in the No-Action Condition are not included in this count). Two business sectors account for the majority (52.0 percent) of businesses directly displaced: Professional, Scientific, and Technical Services (428 businesses) and Finance and Insurance (208 businesses). Professional, Scientific, and Technical Services businesses account for the largest number of directly displaced employees (5,812 employees), followed by employees in the Finance and Insurance with 4,793 employees. While reflecting only four (4) firms, Management of Companies & Enterprises makes up some 8.71 percent of the employment that may be directly displaced by the Proposed Action, as it includes the Colgate-Palmolive headquarters, which has some 2,000 employees.

Table 3.7 shows the potentially directly displaced employees as a percentage of primary and secondary study area employment (excluding Public Administration). As shown in Table 3.7, the directly displaced employees represent approximately 9.08 percent of the total employment within the primary study area and about 3.89 percent of employment within the secondary study area. With the exception of the Administrative Support & Waste Management & Remediation Services; Information; Management of Companies & Enterprises; and Wholesale Trade sectors, the directly displaced employment in each of the remaining economic sectors represents less than 10 percent of employment within the primary study area. Each of the affected sectors is discussed below.

Table 3.7: Directly Displaced Employment as a Percentage of the Primary and Secondary Study Areas' Employment

NAICS Economic Sector	Number of Jobs Displaced	Primary Study Area Employees	Percentage of Primary Study Area	Secondary Study Area Employees*	Percentage of Secondary Study Area*
Accommodation & Food Service	1,462	18,935	7.72%	52,664	2.78%
Administrative & Support, & Waste Management & Remediation Services	1,935	12,594	15.36%	27,468	7.04%
Arts, Entertainment, & Recreation	82	2,587	3.17%	7,675	1.07%
Construction	81	3,855	2.10%	8,780	0.92%
Educational Services	114	1,699	6.71%	6,548	1.74%
Finance & Insurance	4,793	77,256	6.20%	135,325	3.54%
Health Care & Social Assistance	566	7,185	7.88%	20,886	2.71%
Information	2,111	13,732	15.37%	47,076	4.48%
Management of Companies & Enterprises	2,060	4,738	43.48%	13,709	15.03%
Manufacturing	1,005	10,363	9.70%	26,928	3.73%
Other Services (excl. Public Administration)	832	8,395	9.91%	23,883	3.48%
Professional, Scientific, & Technical Services	5,812	54,568	10.65%	106,765	5.44%
Real Estate, Rental & Leasing	1,080	12,253	8.81%	32,994	3.27%
Retail Trade	898	18,249	4.92%	63,601	1.41%
Transportation & Warehousing	28	6,352	0.44%	9,412	0.30%
Wholesale Trade	414	3,139	13.19%	13,247	3.13%
All other	40	753	5.31%	1,786	2.24%
TOTAL	**23,313**	256,653	9.08%	598,747	3.89%

Source: Urbanomics, Reference USA, ESRI 2016.
Notes: * Secondary study area includes the primary study area.

Accommodation and Food Services Sector

As shown in Table 3.8, 26 Accommodation and Food Service establishments, employing an estimated 1,462 workers, could be directly displaced (representing approximately 6 percent of the displaced employment). These firms include three hotels: the Courtyard-Manhattan Midtown, the Intercontinental, and the Hilton Manhattan East on 42nd Street and the restaurants and catering services that they encompass. The hotels themselves have a total of 82 employees, however the restaurants located within them harbor another 1,079.

Table 3.8: Potential Directly Displaced Accommodation and Food Service Businesses

	Businesses		Employees	
	Number	% of Total	Number	% of Total
Caterers	2	7.69%	144	9.85%
Drinking Places Alcoholic Beverages	1	3.85%	35	2.39%
Full Service Restaurants	12	50.00%	1,104	75.51%
Hotels (Except Casino Hotels) and Motels	3	11.54%	82	5.61%
Limited-Service Restaurants	6	23.08%	81	5.54%
Snack & Nonalcoholic Beverage Bars	1	3.85%	16	1.09%
TOTAL	26	100.00%	1,462	100.00%

Source: Urbanomics, Reference USA 2016

The remainder of this sector's businesses are divided among full-service and partial service restaurants, and drinking places. With 584 Accommodation and Food Service businesses located in the primary study area (refer to Table 3.4), there is an abundance of places to eat and drink. Furthermore, as shown in Table 3.7, the directly displaced Accommodation and Food Service employees represent approximately 8 percent of this sector's employment in the primary study area, and less than 3 percent of employment in the secondary study area.

The Proposed Action would limit any additional hotel development, potentially decreasing the potential for displaced hotel employees to find new jobs; however, there are already five hotels assumed as "Known Developments" in the rezoning area that would be constructed by 2036. These No-Action developments including those within One Vanderbilt would alleviate any displacement under the Proposed Action.

Administrative & Support, and Waste Management & Remediation Services Sector

Sixty-three Administrative and Support and Waste Management and Remediation Service establishments, employing an estimated 1,935 workers (representing approximately 8 percent of the displaced employment), could be directly displaced. Of these firms, 27 are employment services (including headhunters, businesses recruiters, temporary employment agencies etc.) that employ a total of 235 persons. The rest of the firms in this sector are business support services including travel agents, exterminators, private investigators, and janitorial services. As shown in Table 3.7, the directly displaced Administrative and Support and Waste Management and Remediation Service establishments' employees represent slightly more than 15 percent of this sector's employment in the primary study area, and more than 7 percent of employment in the secondary study area.

Building Services Workers

While falling under the Administrative & Support and Waste Management & Remediation Services Sector category, not included in the displacement totals are the workers who are directly employed by the buildings themselves. Displacement of building service jobs is expected to be temporary and on a building by building basis, as new development will require rehiring individuals with these skills.

Arts, Entertainment, and Recreation Sector

Ten firms in the Arts, Entertainment and Recreation sector, employing an estimated 82 workers (representing only 0.35 percent of the displaced employment) could be directly displaced. These firms include four promoters of performing arts, sports, and similar events, one firm of agents and managers for artists, athletes, entertainers, and other public figures, and one independent artist/writer/performer. There are also two fitness centers on the Projected Development Sites. As shown in Table 3.7, the directly displaced arts, entertainment and recreation establishment's employees represent just over 3 percent of this sector's employment in the primary study area, and slightly more than 1 percent of employment in the secondary study area.

Construction Sector

Ten Construction businesses could be directly displaced with a combined total of 81 estimated workers, or less than 0.4 percent of the displaced employment. All of these firms are either specialty contractors or construction management firms with specialties in plumbing/HVAC, single-family home construction and electricians. As indicated by the presence of the single family home firms, Construction businesses typically do not focus on a specific neighborhood, but rather work on projects throughout Manhattan and the greater New York City area. Businesses or residents in need of construction services can rely on the 3,855 construction workers in the primary study area. As shown in Table 3.7, the directly displaced Construction employees represent slightly more than 2 percent of this sector's employment in the primary study area and less than 1 percent of employment in the secondary study area.

Educational Services Sector

Thirteen Educational Services could be directly displaced with a combined total of 114 estimated workers, or less than 0.5 percent of the displaced employment. These establishments include outposts of Cornell University/Cornell Weill Medical School, two tutoring/exam prep businesses as well as vocational and computer training schools, one educational support service, and one business categorized as other schools and instruction. As shown in Table 3.7, the directly displaced Educational Services sector employees represent just under 7 percent of this sector's employment in the primary study area and less than 2 percent in the secondary study area.

Finance and Insurance Sector

Two hundred eight businesses in the Finance and Insurance sector could be directly displaced with a combined total 4,793 estimated workers, accounting for approximately 20 percent of the displaced employment. Seventy-eight of these firms, with 2,870 employees, provide investment advice, while another 58 firms with 542 employees are insurance providers. The Aareal Financial Services USA headquarters at 250 Park Avenue (part of Projected Development Site 3) employs an estimated 1,500

employees, and accounts for almost one third of the directly displaced Finance and Insurance sector jobs. As shown in Table 3.7, the directly displaced Finance and Insurance sector employees represent approximately 6 percent of this sector's employment in the primary study area, and less than 4 percent in the secondary study area.

Health Care and Social Assistance Sector

There are 96 Health Care and Social Assistance businesses that could be directly displaced with a combined total of 566 workers, accounting for approximately 2 percent of the displaced employment. The majority of these businesses are small with less than 10 employees, and include doctors, dentists, therapists, social workers, and other healthcare practitioners' offices. As shown in Table 3.7, the directly displaced Health Care and Social Assistance sector employees represent just under 8 percent of this sector's employment in the primary study area, and about 3 percent in the secondary study area.

Information Sector

Fifty-eight Information sector firms could be directly displaced, which employ a total of approximately 2,111 workers and represent approximately 9 percent of the displaced employment. These firms include 25 publishing firms (including books, periodicals, and software); 8 software developers; 8 data processing, hosting and related services firms; and four movie production companies. As shown in Table 3.6, the directly displaced Information sector employees represent more than 15 percent of this sector's employment in the primary study area, and nearly 4.5 percent in the secondary study area.

Management of Companies and Enterprises Sector

Four Management of Companies and Enterprises sector firms could be directly displaced, which employ a total of approximately 2,060 workers and represent approximately 8.79 percent of the displaced employment. The vast majority of this employment is at the Colgate-Palmolive headquarters located on Site 7. As shown in Table 3.7, the directly displaced Management of Companies and Enterprises sector employees represent 43.48 percent of this sector's employment in the primary study area, and 15.03 percent in the secondary study area.

Manufacturing Sector

Thirteen Manufacturing firms could be directly displaced, which employ 1,005 workers and represent just over 4 percent of the displaced employment. The definition of manufacturing has expanded in the past decade and the changes are reflected in the types of businesses located in the Projected Development Sites. These include printers, food and beverage manufacturers such as bakeries and breweries, and hard goods manufacturers including metal parts for office equipment. As shown in Table 3.7, the directly displaced manufacturing employees represent almost 9.70 percent of this sector's employment in the primary study area and 3.73 percent in the secondary market area.

Other Services Sector

The Other Services sector (excluding Public Administration) comprises establishments engaged in providing services not specifically provided for elsewhere in the classification system. Fifty-six businesses in the Other Services sector could be directly displaced, accounting for an estimated 832 workers and less than 4 percent of the displaced employment. Other Services establishments include

religious, grantmaking, civic, professional, and similar organizations, personal service firms, and personal care service establishments. As shown in Table 3.7, the directly displaced Other Services employees represent approximately 10 percent of this sector's employment in the primary study area and approximately 3 percent in the secondary study area.

Professional, Scientific, and Technical Services Sector

The Professional, Scientific, and Technical Services sector represents the largest number of directly displaced firms and employees. There are 428 firms, employing an estimated 5,812 workers (and accounting for approximately almost 25 percent of the directly displaced employment) that could be directly displaced. As shown in Table 3.9, there is a wide variety of subsectors in this sector that could be potentially displaced, including accounting firms, legal services, advertising, marketing and public relations firms, architects, engineers, and other consultant and design services.

Table 3.9: Potential Directly Displaced Professional, Scientific, and Technical Service Businesses

	Businesses		Employees	
	Number	% of Total	Number	% of Total
Accounting	34	7.94%	906	15.59%
Advertising, Marketing, Public Relations, & Related Services	46	10.75%	687	11.82%
Architects & Engineers	6	1.40%	103	1.77%
Computer Systems Design & Programming	10	2.34%	430	7.40%
Design Services	7	1.64%	32	0.55%
Law	280	65.42%	1,875	32.26%
Management, Scientific, & Technical Consulting Services	31	7.24%	1,385	23.83%
Other Services	14	3.27%	394	6.78%
TOTAL	428	100.00%	5,812	100.00%

Source: Urbanomics, Reference USA 2016

Law firms, accounting for approximately 65 percent of the directly displaced businesses in this sector and almost 32 percent of directly displaced employees, represent the largest subsector group. The second largest subsector of displaced businesses is advertising, marketing, public relations, and related services (representing approximately 11 percent of displaced businesses). This subsector is the fourth largest for displaced employment (representing approximately 11.8 percent of displaced employment). The third largest subsector of businesses is accounting, which accounts for 8 percent of displaced firms and 16 percent of displaced employees. Management, scientific, and technical consulting services accounts for only 7 percent of directly displaced businesses, but has the second highest number of employees with 1,385, or almost 24 percent.

The professional, scientific, and technical services sector is well represented in the primary and secondary study areas as well as in other business districts in Manhattan. The services of the potentially displaced businesses are not expected to be unusually important to the community or serve a population uniquely dependent on services at that location. For example, law firms typically do not focus on a specific neighborhood, but rather work on projects throughout New York City and beyond. As shown in Table 3.7, the directly displaced Professional, Scientific, and Technical Services sector employees represent less than 11 percent of this sector's employment in the primary study area.

Real Estate, Rental, and Leasing Sector

Seventy-six businesses in the Real Estate, Rental and Leasing sector could be directly displaced, accounting for an estimated 1,080 employees or approximately 5 percent of the displaced employment. Only two of these firms have more than 100 employees: Julian J. Studley (120 employees) at 300 Park Avenue (Site 7), and the 101 employee firm CitiHabitats at 250 Park Avenue (Site 6). As shown in Table 3.7, the directly displaced real estate, rental and leasing employees represent just under 8 percent of this sector's employment in the primary study area, and about 3 percent in the secondary study area.

Retail Trade Sector

Fifty-six Retail Trade sector businesses could be directly displaced, accounting for an estimated 898 employees, or approximately 4 percent of the displaced employment. Businesses in this sector include nine clothing and accessories stores—the largest of which is a flagship Brooks Brothers store at 346 Madison Avenue (Site 4), employing 300 people. Other retail establishments include pharmacies (9), electronics stores (7), food and beverage stores (6), building supplies and luggage purveyors (2 each), as well as miscellaneous stores including an art dealer, newsstand, a confectionary store, a tobacconist, craft stores and musical instrument stores. With the exception of Brooks Brothers, most of these stores are not destination retail, but serve the local population. As shown in Table 3.7, the directly displaced retail employees represent approximately 5 percent of this sector's employment in the primary study area. In addition, as shown in Table 3.4, there are 1,076 retail establishments within the primary study area.

Transportation & Warehousing Sector

Three Transportation and Warehousing sector businesses, employing an estimated 28 workers (roughly 0.1 percent of the displaced employment), could be directly displaced. These firms consist of a courier and two limousine services. As shown in Table 3.7, the directly displaced Transportation and Warehousing employees represent less than 1 percent of this sector's employment in the primary study area.

Wholesale Trade Sector

Ten Wholesale Trade sector establishments, accounting for an estimated 414 employees (just under 2 percent of the displaced employment), could be directly displaced. The wholesalers in the Projected Development Sites primarily distribute food and beverages or office equipment. As shown in Table 3.7, the directly displaced wholesale trade employees represent 13 percent of this sector's employment in the primary study area.

All Other Establishments

The Proposed Action could result in the direct displacement of 85 businesses, employing approximately 40 workers that are unknown or unclassified establishments.

The Future without the Proposed Action (No-Action Condition)

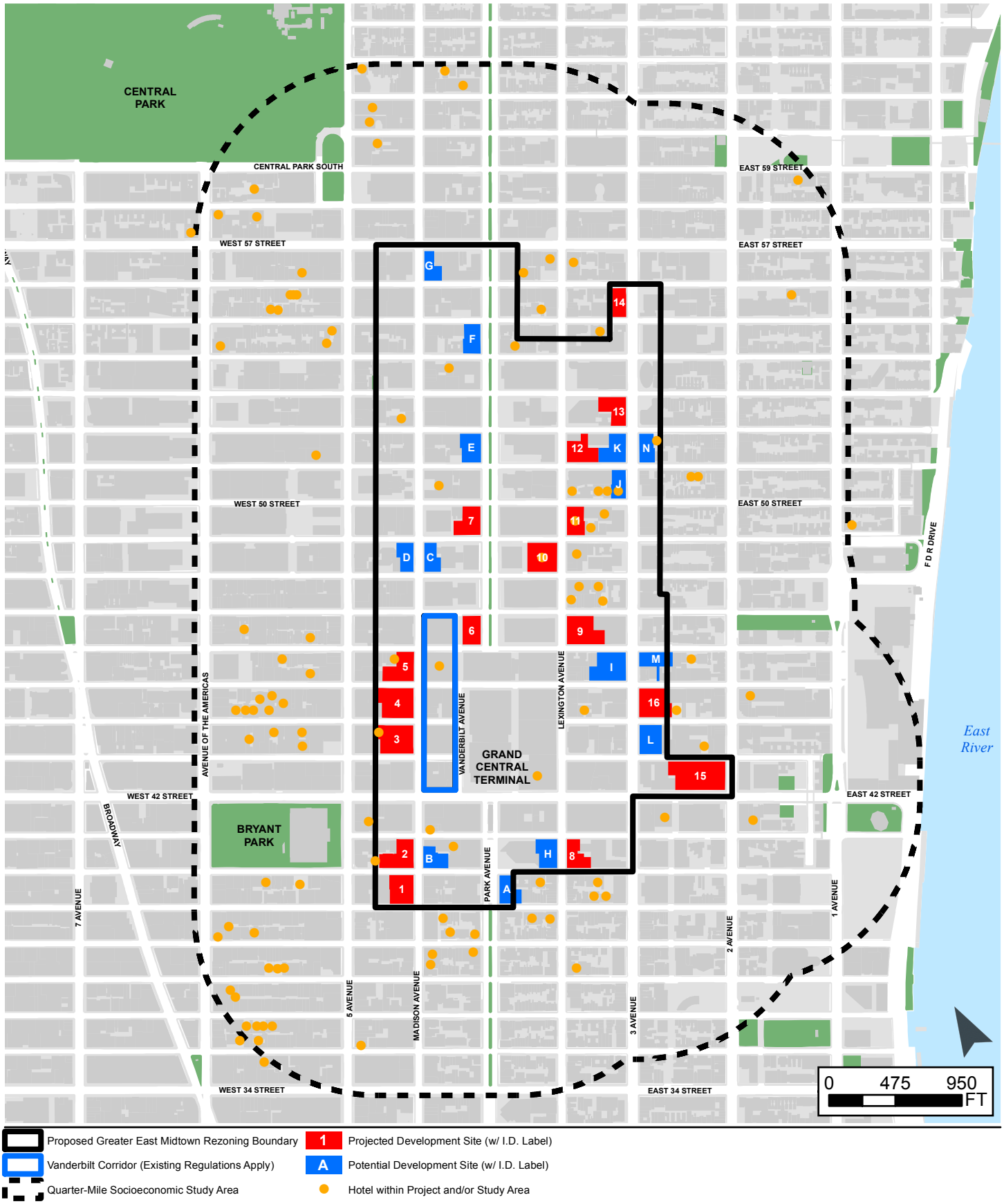
This section describes the future socioeconomic conditions expected in the primary study without the Proposed Action. It also describes the changes in population and economic activity that are expected on the Projected Development Sites in absence of the Proposed Action. For analysis purposes, the analysis year is 2036.

As described in Chapter 2, "Land Use, Zoning, and Public Policy," current land use trends and general development patterns are non-office related hotel and residential buildings, thus anticipating the primary study area would experience limited overall growth by 2036. It is also possible that a number of existing office buildings would convert to other uses. The predominant share of building conversions would be to residential uses; however, consistent with current development trends, office buildings closer to Grand Central Terminal would be expected to convert to hotel use. The absence of the Proposed Action would likely increase both residential and hotel uses in the primary study area. As described in Chapter 1, "Project Description," these conversions are expected to occur in older office buildings with smaller building sizes and floor plates and few amenities. Two of the Projected Development Sites (Projected Site 14 and part of Projected Site 3) are expected to be built as new residential use under the No-Action Condition.

The remainder of existing buildings are expected to maintain their current predominantly office uses, but would likely be of lower quality as the overall area is expected to become less desirable as an office district. Similar to existing conditions, upgrading of useable older office buildings in East Midtown would continue. Combined with the known and expected development on non-RWCDS sites, the percentage of the primary study area's square footage devoted to office uses is expected to be lower compared to Existing Conditions. As the bulk of the office stock in the primary study area continues to age with little to no replacement stock added, the dynamism of the office market is anticipated to diminish, and tenants seeking high-quality space with extensive amenities, technologies, and services would begin to look elsewhere to meet their needs. This is anticipated to result in some changes in the tenancy and potentially the use of existing office buildings—many of which are the perfect size for residential conversion.

As described in further detail in Chapter 2, "Land Use, Zoning, and Public Policy," (refer to Table 2.4 and Figure 2-9), 12 No-Action development projects are expected to be completed in the primary study area by 2036, including six hotels, residential and commercial buildings, and a 24,000 sf cultural center. This new development would be dispersed throughout the primary study area. The anticipated No-Action development would occur independently of the Projected Development Sites and would yield 914,361 gsf of office space, 126,873 gsf of retail, 1,940 residential units, and 2,063 hotel rooms Under these No-Action conditions, there will be no check on conversions of office space to residential and hotel uses, potentially jeopardizing the character of the East Midtown CBD.

In total, primary study area No-Action development is estimated to add a total of 3,162 residents and 4,811 workers to the primary study area. The five anticipated hotels are expected to have a total of approximately 2,063 rooms. In addition to these development projects, a transportation project and one new pedestrian plaza are planned for the primary study area: East Side Access and pedestrian plaza on a portion of Vanderbilt Avenue between East 42nd and East 43rd Streets. Refer to Figure 3-5, "Hotel Locations Map."



Greater East Midtown Rezoning
New York, New York

Hotel Locations

Figure 3-5

The Future with the Proposed Action (With-Action Condition)

According to Section 332.1 of Chapter 5 of the *CEQR Technical Manual,* impacts of direct business/institutional displacement are usually considered significant if a business or institutional use that provides products and services essential to the local economy would be displaced by a proposed action and would no longer be available to local residents or businesses in its "trade area" due to the difficulty of either relocating or establishing a new comparable business.

The Proposed Action would facilitate the construction of a limited and targeted amount of commercial office and retail development on Projected Development Sites in the primary study area. The greatest density developments would be proposed for large sites with full block frontage on the avenues around Grand Central Terminal, with slightly lower densities proposed along the Park Avenue corridor and elsewhere in the rezoning area. Much of this development would replace existing and aging office space found in these areas. In the future with the Proposed Action, most buildings in the primary study area would remain commercial offices and only a small amount of conversion to residential and hotel use would occur as compared to the future without the Proposed Action. The Proposed Action would result in an overall increase in economic activity in the primary study area and create new opportunities for existing businesses to expand and attract new companies to locate in the City.

By 2036, the total development expected to occur on the 16 Projected Development Sites under the With-Action Condition would consist of approximately 13.4 million gsf of office space, 0.6 million gsf of retail, and approximately 119 dwelling units. The projected incremental (net) change between the No-Action and With-Action Conditions that would result from the Proposed Action would be an incremental (net) increase of approximately 6.58 million gsf of office and 139,025 gsf of retail, and a net decrease of approximately 810,171 gsf of hotel (1,246 hotel rooms), 158,441 gsf of parking (564 spaces), and 78,278 gsf of residential (44 dwelling units) on the 16 Projected Development Sites as compared to the future conditions without the Proposed Action (refer to Table 1.3 in Chapter 1, "Project Description"). The difference between the total built square footage in the No-Action and With-Action Conditions is approximately 5.8 million gsf. It is anticipated that the Proposed Action would result in a net increase of an estimated 27,890 employees on the 16 Projected Development Sites compared to the No-Action Condition.

This new commercial development under the Proposed Action is expected to protect, promote, and strengthen the East Midtown central business district, and provide support for the overall continued long-term health of the area as an integrated and dynamic office district with a diverse inventory of office space and tenant roster. The Proposed Action is intended to spur increased investment in the transit-rich area, and protect and strengthen East Midtown as a premier business district and key job center for the City and greater region, and improve the area's pedestrian and built environments to make East Midtown a better place to work and visit. The Proposed Action would add high-quality, modern office space with open flexible floor plates and high ceilings, which would help to maintain the area's competitiveness as a central business district in the City, region, and nation. It also would help facilitate the long-term expansion of the City's overall stock of office space in a high-density, transit-rich area.

The mix of businesses in the primary study area in the future with the Proposed Action is expected to be similar to that which currently exists in the primary study area and include both large and small companies, headquarter offices, and local, national, and international firms and organizations. The various types of businesses would continue to be in a wide variety of economic sectors including Accommodation and Food Services; Administration & Support, Waste Management & Remediation

services; Arts, Entertainment, and Recreation; Construction; Educational services; Finance and Insurance; Health Care and Social Assistance; Information; Management of Companies and Enterprises; Manufacturing; Professional, Scientific, and Technical services; Real Estate, Rental and Leasing; Retail Trade; Transportation and Warehousing; Wholesale Trade; Other Services; and Public Administration. Employment within the study area would remain substantial, and continue to be largely dominated by office workers in industries such as the Finance and Insurance industry and the Professional, Scientific, and Technical services. Employment within industrial-based sectors, such as Construction, Manufacturing, Transportation and Warehousing, and Wholesale Trade, is expected to continue to remain low.

As discussed earlier and shown in Table 3.6, the Proposed Action could potentially directly displace 1,225 businesses/institutions, employing an estimated 23,658 workers, on 15 of the 16 Projected Development Sites (excluding Site 14 and portions of Site 3) in the primary study area by 2036. These directly displaced workers account for approximately 9 percent of the total employment within the primary study area and about 4 percent of employment within the secondary study area (Table 3.7). The majority of potentially directly displaced employment as a result of the Proposed Action is within office-based sectors: Professional, Scientific, and Technical Services (428 businesses) and Finance and Insurance (208 businesses). These businesses account for the largest number of directly displaced employees (10,605 employees or just under 45 percent of all displaced employment).

Approximately 58 percent of the displaced employment consists of workers in the Professional, Scientific and Technical Services sector (5,842 workers), Finance and Insurance sector (4,793 workers), Information sector (2,144 workers), and Real Estate, Rental and Leasing sector (1,080 workers). Most of these businesses serve an area larger than East Midtown, often the entire City or greater region. They also include headquarter offices for large corporations, including: Colgate-Palmolive; Pfizer; and Aareal Financial Services, as well as public relations, marketing, advertising, consulting, legal, and design services.

An additional 17 percent of displaced employment is within service-based sectors, including Administration and Support and Waste Remediation Services sector (1,935 workers), Accommodation and Food Services sector (1,504 workers), Other Services sector (833 workers), Health Care and Social Assistance sector (571 workers), and Educational Services sector (114 workers). Many of these firms are also office-based sectors, including the Administration and Support and Waste Remediation Services, Health Care and Social Assistance, and Other Services sectors, which consist of grant writing establishments, foundations, non-profit organizations, therapists, doctors and other healthcare practitioners. About 6 percent of the displaced employees would be within industrial-based sectors that include Construction (81 workers), Manufacturing (1,005 workers), Transportation and Warehousing (28 workers), and Wholesale Trade (414 workers). None of these industry sectors are prominent within the study area and collectively these industries represent less than 1.4 percent of the total employment in the primary study area. Just over 1 percent of the displaced employment is within the Arts, Entertainment and Recreation sector or is unknown/unclassified.

However, all the directly displaced businesses are valuable individually and collectively to the City's economy. None of the displaced businesses provide products or services that would no longer be available to local residents or businesses, nor are any of the displaced businesses unique to the quarter-mile secondary study area. None of displaced businesses serve a user base that is dependent upon their location within the study area, as most of the displaced businesses serve a larger area including Manhattan as a whole, the entire City, or greater region. It is expected that most of the potentially displaced businesses would be able to find comparable space within the study area or elsewhere within

the city, as the Proposed Action would result in an increased amount of commercial space, including office and retail space, which could accommodate many of the potentially displaced businesses.

As described above, the Proposed Action would add about 13.4 million gsf of office space, which could accommodate nearly 53,579 office workers in the primary study area in 2036, offering opportunity for growth in business, legal, and professional service jobs, as well as other types of office-oriented employment. It would also add approximately 601,899 gsf of retail space, which would introduce approximately 1,806 retail workers. Therefore, the Proposed Action would not directly displace uses of any type that directly support businesses in the area or bring people to the area that form a customer base for local businesses and there would be no significant adverse impacts related to direct displacement.

Indirect Business and Institutional Displacement

Based on the guidelines in Section 322.2 of Chapter 5 of the *CEQR Technical Manual*, a detailed analysis of indirect business and institutional displacement is warranted because the preliminary assessment determined that the project has the potential to introduce trends that make it difficult for businesses meeting the criteria set forth in Section 321.2 of the *CEQR Technical Manual* to remain in the area. In most cases, the issue for indirect displacement of businesses is that a project would markedly increase property values and thus rents throughout the study area, making it difficult for some categories of businesses to remain in the area. Indirect displacement of businesses may also occur if a project directly displaces any type of use that either directly supports businesses in the area or brings a customer base to the area for local businesses, or if it directly displaces residents or workers who form the customer base of existing businesses in the area. Such displacement can be of concern when it would result in changes to land use, population patterns, or community character.

This detailed assessment of indirect business and institutional displacement is based on a characterization of the study areas in terms of conditions and trends in employment, physical and economic conditions, existing conditions and trends in real estate values and rents, zoning and other regulatory controls, land use and transportation services, and underlying trends in the City's economy. These factors are considered in order to develop an understanding of which sectors of the study areas' economic base may be most vulnerable to indirect displacement, and evaluate whether any displacement resulting from the Proposed Action could be considered a significant adverse impact.

Existing Conditions

This section describes the existing business and employment characteristics of the primary and secondary study areas and compares it with the rest of Midtown Manhattan, as well as the overall borough of Manhattan. It also identifies the sectors within the secondary study area that would be most vulnerable to indirect displacement pressures.

Primary Study Area

Existing business conditions in the primary study area are described in the detailed analysis of direct business and institutional displacement in Section 3.4.1.

Secondary Study Area

Similar to the primary study area, the secondary study area is a densely developed, transit-rich area with few vacant properties, the largest of which are currently under construction or planned for future redevelopment. The secondary study area contains a more diversified mix of land uses as compared to the primary study area with predominantly commercial uses concentrated to the west of Park Avenue and increased residential uses located east of Park Avenue. In its entirety, it includes more than 165 million gsf of commercial real estate, and is a major job center for the City, comprising much of the eastern portion of Midtown Manhattan, which is the nation's largest CBD.

With the exception of the southwestern portion of the study area (between Fifth and Sixth Avenues from 34th to 48th Streets), the secondary study area is generally comprised of portions of four office submarkets of Midtown Manhattan, including the Grand Central Plaza, Murray Hill, and the East Side/UN and Plaza Districts (Figure 3-2). It should be noted that the boundaries of these real estate submarket areas extend beyond even the secondary market area. Table 3.10 presents office inventory, vacancy rates, and average rents for each of the four office submarkets included in the secondary study area in the second quarter of 2016 and provides a comparison to that of all of Midtown, and Manhattan as a whole.

Table 3.10: Midtown Manhattan Office Submarkets included in the Secondary Study Area and Overall Totals for Midtown and Manhattan Office Markets

Office Submarket	Inventory (sf)	Overall Vacancy Rate	Weighted Average All Classes Gross Rental Rate	Weighted Average Class A Gross Rental Rate
Murray Hill	14,366,499	7.5%	$64.53	$68.98
Grand Central	43,458,728	10.2%	$69.31	$70.87
East Side/U.N.	20,805,641	5.7%	$74.36	$75.06
Plaza*	86,401,127	9.9%	$94.70	$96.37
Total for Office Submarkets Included in Secondary Study Area	**165,036,995**	**9.2%**	**$83.64**	**$85.51**
Midtown Overall	**242,168,613**	**9.2%**	**$79.18**	**$84.28**
Manhattan	**396,529,614**	**8.8%**	**$72.92**	**$78.50**

Source: Cushman Wakefield's Manhattan, NY Marketbeat Office Snapshot, 2nd Quarter 2016
Notes:
* Includes the entirety of the following submarkets: Park Avenue, Madison/Fifth, Sixth Avenue/Rockefeller Center

As described previously, the Grand Central District is roughly bounded by East 38th to East 47th Streets between Second and Fifth Avenues, and is centered on Grand Central Terminal. It is typically considered an older submarket in Midtown and accommodates an older office stock with a larger number of Class B and C office buildings. It generally has higher vacancy rates and lower average asking rents than Midtown as a whole. The Plaza District, which comprises the northern portion of the secondary study area, is the largest office submarket in the study area. It accounts for approximately 35 percent of the overall Midtown office inventory and more than half of the inventory of those submarkets included in the secondary study area. The Plaza District is generally bounded by 47th Street to the south and 65th Street to the north, from Sixth Avenue to the FDR Drive, and typically has the most expensive average asking rents. It generally has more recent construction than the other submarkets included in the secondary study area.

The Murray Hill District largely comprises the southern portion of the secondary study area, and is roughly bounded by East 30th to East 38th Streets between Fifth Avenue and the FDR Drive. It has the

smallest percentage of Class A office buildings and the largest percentage of Class C office buildings, and therefore has lower average asking rents as compared to the other submarkets. The East Side/U.N. District is much smaller than the other submarkets included in the secondary study area, and is generally bounded by East 38th to East 48th Streets between Second Avenue and the FDR Drive. It includes the U.N. Headquarters, which occupies an 18-acre site bounded by East 42nd Street and East 48th Street to the east of First Avenue, and primarily serves businesses and organizations related to the U.N. Consisting of less than 20.0 million sf of office space, the U.N. Plaza office market also has the lowest vacancy rates in the secondary study area largely due to the strong interest and presence of foreign dignitaries, businesses, and organizations related to the U.N. that seek to cluster near its headquarters.

As shown in Table 3.9, weighted average asking rental rates for all office classes in the second quarter of 2016 in the secondary study area ranged from $64.53 per square foot in Murray Hill to $94.70 per square foot in the Plaza District. The average asking rents for Class A office space in the secondary study area are higher than the weighted average and reach up to $96.37 per square foot in the Plaza submarket. The overall average asking rents in the secondary study area are higher than in Midtown as a whole and in Manhattan. Average asking rents for Class A office space in the secondary study area are generally comparable to that of Midtown.

Vacancy rates in the secondary study area vary considerably across submarkets. The Grand Central and Plaza Districts, which include larger inventories of office space, have higher vacancy rates (at 10.2 and 9.9 percent, respectively) and East Side/U.N. has the lowest vacancy rate at 5.7 percent, while the Murray Hill submarket has a vacancy rate of 7.5 percent. The secondary study area overall vacancy rate, at 9.2 percent in the second quarter of 2016, is the same as that of Midtown, and higher than Manhattan as a whole (at 8.8 percent).

Description of the Neighborhoods in the Secondary Study Area

As described in Chapter 2, "Land Use, Zoning, and Public Policy," the secondary study area includes portions of five Manhattan neighborhoods, including Midtown, Midtown South, Murray Hill/Tudor City, Turtle Bay/East 50s, and the Upper East Side (Figure 3-1).

Midtown Neighborhood

Midtown, one of the most densely developed areas in New York City, is dominated by commercial uses with little residential use. It is also recognized for its high-quality office spaces, particularly along Park, Madison, and Fifth Avenues. Park Avenue is often referred to as "the heart of Midtown" and contains some of the most expensive office space in the City, such as the Seagram Building located at 375 Park Avenue, which has average asking rents reaching upwards to $140 per square foot. Other major Class A buildings in the Midtown neighborhood include the 21-building Rockefeller Center complex bounded by West 51st Street, Fifth Avenue, West 48th Street, and Sixth Avenue. Rockefeller Center is considered one of the most prominent business centers in the world. With over 5 million sf of office space, 30 Rockefeller Plaza is by far the largest office building in the secondary study area. Midtown is also recognized as a destination shopping area, and includes a wide range of national and international flagship stores and high-end retail along portions of Fifth and Madison Avenues and 57th Street.

Midtown South Neighborhood

Midtown South is a predominately commercial area with little residential space. Midtown South was historically defined by the presence of garment-related manufacturing uses. In recent years, despite zoning actions to maintain this character, the area has followed the borough-wide shift from a manufacturing to a service-based economy. The midblock portions of five blocks generally bounded by West 39th Street to the north, Fifth Avenue to the east, West 35th Street to the south, and Sixth Avenue (Avenue of the Americas) to the west are zoned for high-performance M1-6. However, many of the buildings in this area have been converted to predominantly commercial/office uses with restaurant, retailers, and beauty salons on the first floor and uses such as real estate offices, showrooms, and media and architecture firms on the above floors. The light manufacturing uses (including jewelers and fabric and clothing designers) that still remain are minimal; these uses have become secondary, with the commercial/office uses dominating the streetscape.

The northern border of the Midtown South area is defined by the presence of Bryant Park and the adjacent New York Public Library, which combined occupy a megablock bounded by West 42nd Street to the north, Fifth Avenue to the east, West 40th Street to the south, and Sixth Avenue to the west. An expensive office submarket around Bryant Park has recently emerged and experienced dramatic growth in high-quality office space. Vacancy rates in the office buildings surrounding Bryant Park are very low at 3.8 percent, as compared to most of Midtown (with a vacancy of 10.5 percent). Average asking rents in this exclusive submarket are approximately $78.29, which is comparable, if not higher, than the traditionally higher-priced Plaza District of Midtown and almost $15 more per square foot than the average in Midtown. The construction of the 51-story office tower at One Bryant Park and a handful of up-grades and renovations to office building including 130 W 42nd Street, a 29 story Helmle and Corbett building constructed in 1917 and renovated in 2014 in the area have contributed to this trend. Constructed in 2009, One Bryant Park is an approximately 2.1 million sf Trophy office building that is currently the headquarters of Bank of America.

In addition, Midtown South has recently seen an influx in hotels between Fifth and Sixth Avenues. Three new hotels were built on West 36th Street, and several new hotels are either recently completed or under construction on West 37th and West 38th Streets.

Turtle Bay/East 50s Neighborhood

As discussed in Chapter 2, "Land Use, Zoning, and Public Policy," while the Turtle Bay/East 50s neighborhood is more residential and mixed-use than the rest of the secondary study area, the western portion of this area is predominately commercial. Many of the local businesses cater to the residents of the area. Asthe United Nations complex is located just south of the neighborhood, there is a significant international business presence in the area, including missions, consulates, and organizations associated with the United Nations. This neighborhood also includes the Decorative Arts District, one of the largest concentrations of interior design and décor showrooms, retailers, and wholesale establishments.

Murray Hill/Tudor City Neighborhood

Similar to the Turtle Bay/East 50s neighborhood, the Murray Hill/Tudor City neighborhood is also more residential and mixed-use than the remainder of the secondary study area, with more commercial uses in the western section. As such, many local businesses cater to the residents of the area. Another feature of this neighborhood is the United Nations complex is located in the eastern section of the

neighborhood, bounded by East 41st Street, First Avenue, East 48th Street, and the FDR Drive, which adds a significant international business presence in the area. Numerous missions, consulates, and other organizations associated with the United Nations are located in the East 30s and 40s.

Upper East Side Neighborhood

The Upper East Side neighborhood consists of a mix of residential and commercial uses, including numerous hotels and high-end retail along Fifth and Madison Avenues. Due to its mixed-use character, many local businesses cater to the residents and tourists in the area. The commercial uses in this neighborhood are dominated by a high concentration of hotels, retail establishments, and medical offices, which often lack ground floor storefronts.

Description of the Existing Businesses in the Secondary Study Area

In 2016, approximately 32,270 firms employing approximately 598,747 people were located in the secondary study area (refer to Table 3.11). As shown in Table 3.11, the percentages of employees in various economic sectors are very similar to that of the primary study area. The vast majority of workers are in office sectors. The largest percentage of people are employed in the Finance and Insurance sector followed by the Professional, Scientific, and Technical services sector, which comprise approximately 22.6 percent and 17.8 percent of the secondary study area, respectively. Retail Trade is the third largest employer with 63,601 workers (10.6 percent) followed by Accommodations and Food Services with 8.8 percent of total employment. The remaining economic sectors each comprise less than 8.0 percent of the employment in the secondary study area. Industrial-based sectors including Construction, Wholesale, Transportation and Warehousing, and Manufacturing, comprise less than 10 percent combined of the employment in the secondary study area.

Table 3.11: Total Employment by Sector in the Secondary Study Area

NAICS Economic Sector	Number of Firms	Number of Employees	Percentage of Total Employment
Accommodation & Food Services	1,791	52,664	8.80%
Administrative & Support & Waste Management & Remediation Services	1,632	27,468	4.59%
Arts, Entertainment, & Recreation	404	7,675	1.28%
Construction	659	8,780	1.47%
Educational Services	335	6,548	1.09%
Finance & Insurance	4,457	135,325	22.60%
Health Care & Social Assistance	1,760	20,886	3.49%
Information	1119	47,076	7.86%
Management of Companies & Enterprises	127	13,709	2.29%
Manufacturing	1103	26,928	4.50%
Other Services (excl. Public Administration)	2,201	23,883	3.99%
Professional, Scientific, & Technical Services	5,456	106,765	17.83%
Real Estate, Rental & Leasing	2,185	32,994	5.51%
Retail Trade	4,995	63,601	10.62%
Transportation & Warehousing	345	9,412	1.57%
Wholesale Trade	1,380	13,247	2.21%
All Other	2,321	1,786	0.30%
TOTAL	32,270	598,747	100.00%

Source: Urbanomics, Reference USA, ESRI 2016.

Categories of Businesses in the Study Area Most Vulnerable to Indirect Displacement

Businesses most vulnerable to indirect displacement due to increased rent are typically those businesses whose uses are less compatible with the economic trend that is creating upward rent pressures in the study area; i.e., those businesses that tend not to directly benefit (in terms of increased business activity) from the market forces generating the increases in rent. For example, if a neighborhood is becoming a more desirable place to live, uses that are less compatible with residential conditions (such as manufacturing) would be less able to afford increases in rent due to increases in property values compared with a neighborhood service use, such as a bank, which could see increased business activity from the increased residential presence.

Even certain commercial uses within sectors that are generally compatible with economic trends may be vulnerable if their product is directed towards a demographic market that is dwindling in the area. For example, although neighborhood services and convenience goods stores generally benefit from increases in residential population, if a store targets a particular demographic group whose numbers are decreasing within the study area even as total population is increasing, then that store may be vulnerable to displacement due to increases in rent.

Within the study area, businesses most vulnerable to indirect displacement are those that currently pay relatively low rents on properties where little investment has been made (e.g., storage yards, parking lots, and small buildings). These businesses tend to be industrial, related to such sectors as Manufacturing, Construction, Warehousing and Transportation, and Wholesale Trade. The industrial-based businesses in the secondary study area comprise less than 10 percent of employment and do not

characterize the study area. They are located primarily in a small high-performance manufacturing district outside (to the southwest) of the proposed rezoning area and are currently the most vulnerable to displacement if their property values and rents were to rise. An M1-6 high-performance manufacturing district is mapped over the midblock areas of portions of five blocks roughly bounded by West 39th Street to the north and West 35th Street to the south, between Fifth and Sixth Avenues. This portion of Midtown South was historically defined by the presence of garment-related manufacturing uses. In recent years, many of the buildings in the neighborhood have been converted to predominantly commercial/office uses with restaurant, retailers, and beauty salons on the first floor and uses such as real estate offices, showrooms, and media and architecture firms on the above floors. The light manufacturing uses (including jewelers and fabric and clothing designers) that still remain are minimal; these uses have become secondary, with the commercial/office uses dominating the streetscape.

As noted above and described in Chapter 2 (and shown on Figure 2-9), zoning classifications within the quarter-mile secondary study area primarily consist of a mix of high density commercial, as well as residential, zoning districts. The areas of the secondary study area that are located to the west and north of the primary study area are predominantly overlaid with high-density central commercial zoning districts (C5 and C6), while the areas to the east and south are predominantly residential zoning districts with a few commercial overlays.

The Future without the Proposed Action (No-Action Condition)

The secondary study area is anticipated to experience new development by the analysis year of 2036 due to general background growth and planned or approved developments, including new construction and building conversions. As outlined in Table 2.5 in Chapter 2, "Land Use, Zoning, and Public Policy," 36 planned developments in the secondary study area are to be completed by the 2036 analysis year and would introduce approximately 25,353 new daytime workers to the area, as well as approximately 15,223 new residents. In addition, 11 of these projects would include hotel uses, introducing approximately 2,935 hotel rooms to the secondary study area.

The largest of these No-Action developments is One Vanderbilt, a mixed-use building next to Grand Central Terminal, which broke ground in 2016. This 1.9 million gsf project would introduce approximately 1.1 million gsf of office space, a 246,000 gsf trading floor, 53,000 square feet of retail, 27,000 square feet of restaurants, and 55,000 gsf of observation deck to the study area.

It is also possible that a number of other existing office buildings would convert to other uses. It is anticipated that most building conversions would be from commercial to residential, and recent trends indicate that some existing office buildings would also be converted into hotels by the 2036 analysis year. The remainder of the existing buildings in the secondary study area are expected to remain predominantly commercial in the future without the Proposed Action.

The Future with the Proposed Action (With-Action Condition)

As described previously, in the future with the Proposed Action, a limited and targeted amount of higher density commercial office, retail, and hotel development would occur in the primary study area as compared to the No-Action Condition. The new commercial development resulting from the Proposed Action would not constitute new economic activities in the primary or secondary study areas, but would be introduced into a high-density, transit-rich area that is already predominantly

commercial and is recognized as one of the most sought-after office markets in the New York City region.

The Proposed Action would facilitate the construction of larger, predominantly office buildings concentrated near Grand Central Terminal. This new development would be focused on corner and avenue-facing lots surrounding Grand Central Terminal between Madison and Lexington Avenues, with lower densities proposed along the Park Avenue corridor and elsewhere in the rezoning area. Existing residential areas to the east of Second Avenue and the existing high performance manufacturing area located on the midblock areas from West 35th to West 40th Streets between Fifth and Sixth Avenues would not be affected by the Proposed Action.

As described above under Direct Displacement, the Proposed Action could potentially directly displace 1,238 businesses/institutions, employing an estimated 23,794 workers, on the 16 Projected Development Sites in the primary study area by 2036. These directly displaced workers account for approximately 9.0 percent of the total employment within the primary study area and about 4 percent of employment within the secondary study area (Table 3.7). The majority (68 percent) of potentially directly displaced employment as a result of the Proposed Action is within office-based sectors. Most of the displaced businesses serve an area larger than East Midtown, often the entire City or greater region. They also include headquarter offices for large corporations. None of the potentially displaced businesses provide substantial direct support to other businesses in the study area, nor do they bring substantial numbers of people to the area that form a customer base for local businesses. The goods and services offered by potentially displaced uses can be found elsewhere within the study area. In addition, local businesses do not rely on the potentially displaced businesses' products and services for day-to-day needs. Therefore, the displacement of these service businesses would not have an adverse effect on the remaining businesses or consumers in the study area.

East Midtown, one of the more densely developed business districts in New York City, supports a concentrated and diverse amount of economic activity. The Proposed Action is intended to strengthen its role among the world's premier central business districts, facilitating the long-term expansion and growth of the City's overall stock of office space in an area with excellent transit access at a hub location. The Proposed Action would result in the construction of new high-quality, modern office space in East Midtown, allowing the area to maintain its status and competitiveness as a dynamic and integrated central office district. With the wide range of office space, it is expected to include, the Proposed Action would help retain and attract employers to the City.

The new office space resulting from the Proposed Action would reflect, rather than alter or accelerate, existing economic patterns in the study areas, and is expected to be absorbed by the study areas due to the historic demand for new Class A office space in Midtown Manhattan. The newly constructed commercial space would command higher rents comparable to other Class A and Trophy office buildings in Midtown—including existing high-quality office buildings in the Plaza District and near Bryant Park. The proposed office, retail, and hotel uses would complement and enhance the ongoing and anticipated commercial development in other large business districts in the City, including Hudson Yards and Lower Manhattan. Ultimately strengthening Manhattan's status as a center for Class A office space, the Proposed Action would not result in significant adverse indirect displacement impacts.