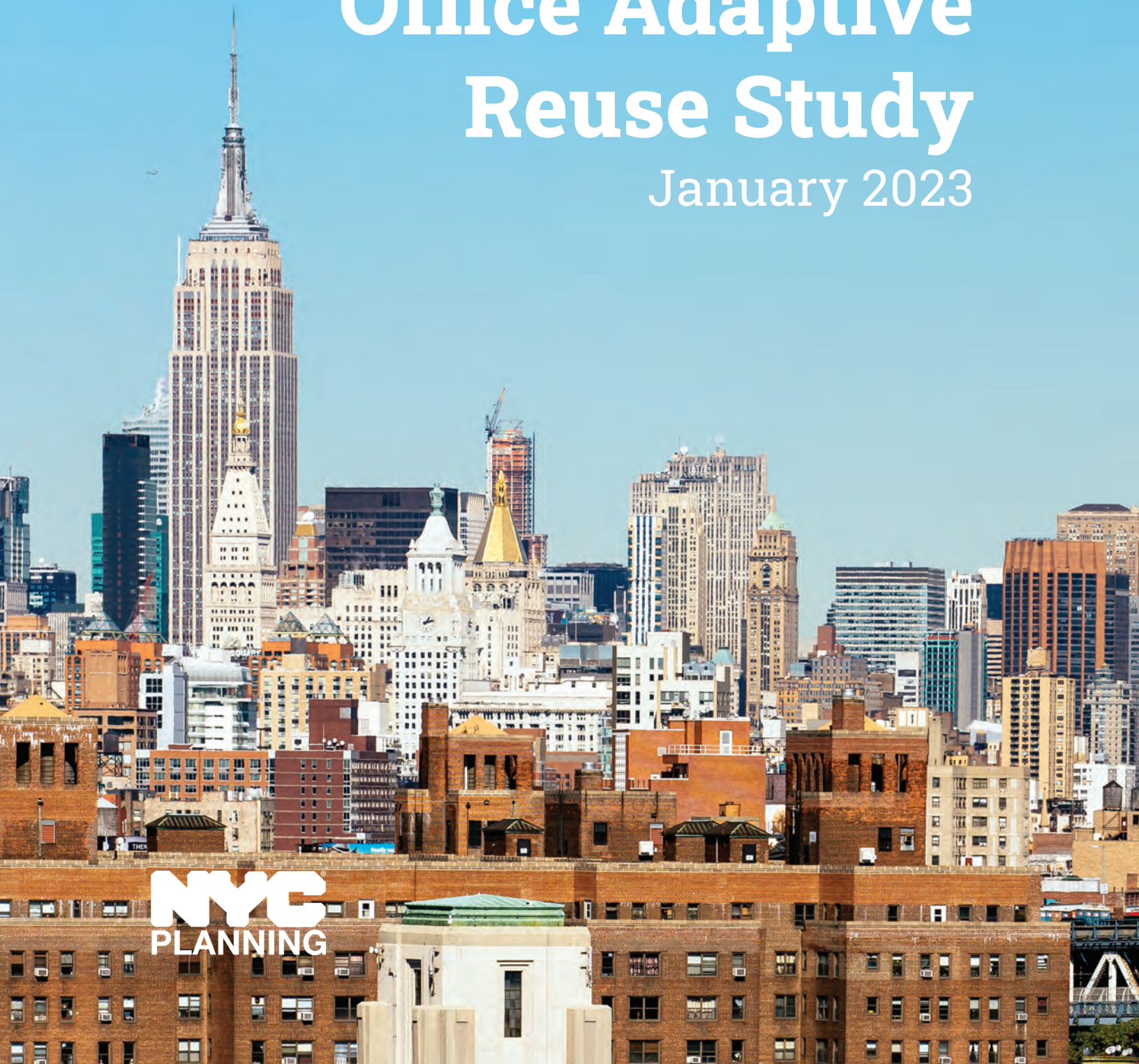
Office Adaptive Reuse Task Force

New York City Office Adaptive Reuse Study

January 2023



NYC PLANNING

Letter from Chair Garodnick

To my fellow New Yorkers,

One thing that makes New York City unique is its ability to reinvent itself in times of adversity.

Our City's success has long been due to the ability of our people and economy to adapt to a constantly changing world. As our important commercial districts evolve in response to the last two years, we want to ensure that outdated office buildings can be converted to more in-demand uses, such as desperately needed homes for New Yorkers. Bottom line: We want to make it easier to repurpose office buildings for alternative uses in a way that will help shore up the office market, ensure our business districts remain vibrant, and make a dent in the City's decades-long housing crisis.

The recommendations outlined in this report are a result of a five-month process that brought together a task force of experts in architecture, development, economics, finance, law, public policy, and tenant advocacy. Thank you to everyone who participated in the Office Adaptive Reuse Task Force.

I would also like to thank Council Member Brannan and the City Council for passing the legislation that created this task force. We will work to advance those changes that are under our control and work with our Albany partners to make these recommendations a reality. Now is the time for action and for us to say yes to adaptive reuse.



Dan Garodnick

Director of the New York City Department of City Planning
and Chair of the City Planning Commission



EXECUTIVE SUMMARY



Executive Summary

The ability to repurpose existing buildings for alternative uses enables New York City's economy to adapt more quickly and sustainably to change. While there is a long history of adaptive reuse of New York City's buildings, layers of outdated and conflicting regulations impede the ability of buildings and business districts to adapt today. Recommendations in this report will help facilitate the adaptive reuse of outdated office buildings to suitable and productive uses, such as housing, while supporting the vibrancy of the city's business districts as centers of commerce. The recommendations include easing regulations that govern adaptive reuse of office buildings and consideration of a tax incentive to support the inclusion of affordable housing in conversions. As outlined in Local Law 43 of 2022, a diverse 12-person task force was convened to develop these recommendations.

Why study this now?

A decline in office space usage and a sharp rise in office vacancy rates prompted by the COVID-19 pandemic have spurred interest in finding alternative uses for struggling office buildings. While flexible conversion regulations apply to portions of New York City's office stock, they were created decades ago and should be updated to serve current needs.

Report Recommendations

Expand the Range of Buildings Eligible for the Most Flexible Conversion Regulations

Provide office buildings constructed before December 31, 1990 access to the most flexible regulations for conversion to residential use. This change to the New York State Multiple Dwelling Law and the New York City Zoning Resolution would provide over 120 million square feet of office space with an easier path to conversion.

Expand conversion regulations to all high-intensity office districts. Currently, the most flexible conversion regulations (outlined in Article 1, Chapter 5 of the Zoning Resolution) apply to only the city's largest business districts. This recommendation would expand the applicability of these regulations to all high-intensity commercial districts (areas designated as C4, C5, or C6 zoning districts). This change would provide approximately 16 million square feet of older office space in areas such as Downtown Flushing and the Bronx Hub with an easier path to conversion.

Reevaluate centrally located, high-density Midtown zoning districts that don't allow new residential use. Currently, several districts between West 23rd Street and West 41st Street are zoned as Manufacturing Districts that do not allow new residential buildings through conversion or ground-up construction. In consultation with local elected officials and other stakeholders, the City should study and evaluate the appropriateness of the current zoning.

Make Existing Conversion Regulations Work Better

Permit conversion of office buildings to a broader array of housing types. Currently, offices can only convert to dwelling units (as defined in the Zoning Resolution). Expanding regulations to allow conversion to a broader range of in-demand forms of housing, such as supportive housing or dormitories, would provide more opportunities to reuse office buildings and house more New Yorkers.

(Recommendations continued on the following page)

(Recommendations contined from the previous page)

Allow an expanded array of offices to convert all existing square footage to residential. In 1997, coordinated changes to the Zoning Resolution and Multiple Dwelling Law aimed to allow buildings built as recently as 1977 to convert their existing square footage entirely to residential. However, provisions of the Multiple Dwelling Law capping residential floor area ratio (FAR) to 12 in New York City currently remains applicable when converting buildings permitted after 1969. This makes the conversion of many otherwise qualifying Manhattan buildings impractical. All buildings that will be permitted to use the most flexible zoning regulations for conversion should be permitted to convert all their existing floor area.

Several other changes related to parking, recreation space, and courtyards are also outlined in this report and will make a broader range of conversions possible.

Provide Financial Incentives for Affordable Housing and Childcare Facilities

Explore and pursue a tax incentive to support mixed-income housing within conversions. A government incentive to generate affordable (income-restricted) housing units in converted buildings without deterring overall private investment in conversions should be considered and advanced. Analysis indicates that while office conversion entirely to affordable housing is generally infeasible, conversion to mixed-income housing could be achievable through a property tax-based incentive.

Implement a property tax abatement to incentivize retrofitting space for childcare centers. Accessible and high-quality childcare is a priority for New Yorkers and should be incentivized. As part of Mayor Adams's Blueprint for Childcare & Early Childhood Education, a property tax abatement for building owners retrofitting space to accommodate childcare centers will be implemented. $25 million worth of tax abatement is available to help fund retrofits to comply with New York City Health Code requirements for childcare centers.

What's next?

The Office Adaptive Reuse Task Force calls for timely action to ensure our business districts can adapt now to meet the needs of the moment as well as those of future generations. Recommendations outlined by the task force should be implemented expeditiously via statutory changes in the 2023 New York State legislative session, with any other necessary regulatory changes implemented through a New York City zoning text amendment.

A "New" New York

Adaptive reuse of office buildings is only one part of a much larger strategy to ensure that New York City's business districts remain agile and successful. The Office Adaptive Reuse Task Force was closely aligned with a broader examination of the future of New York City's economy conducted by a City and State "New" New York Panel, whose *Making New York Work For Everyone Action Plan* was published in December 2022.

Conclusion

The task force's intention is not to prescribe the balance needed between office space, housing, and other uses in a dynamic and uncertain environment, but rather to provide a regulatory environment that enables market-driven investment to achieve such a balance by responding to changing conditions. The ability to repurpose unviable office buildings will support the evolution of New York City's building stock and business districts into more dynamic places where a greater number of people live as well as work. Now is a critical moment to update State and local regulations and provide the tools needed for our office districts to adapt for the betterment of all New Yorkers.

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INTRODUCTION

Introduction

Repurposing existing buildings for new uses can help cities adapt to changing land use patterns quicker and more sustainably. This report offers recommendations to provide wider latitude for the conversion of office buildings to other uses throughout New York City. Broadly characterized, the recommendations include easing regulations that govern conversions and consideration of a tax incentive to support the inclusion of affordable housing in conversions. As set forth in Local Law 43 of 2022, a diverse 12-person task force was convened to develop these recommendations.

Why this study now?

A decline in the usage of office space coupled with a sharp rise in office vacancy rates prompted by the COVID-19 pandemic have spurred interest in finding alternative uses for struggling office buildings. While most of New York City's office districts have relatively flexible conversion regulations, they were created decades ago and, if updated, would better serve current needs. The most flexible building reuse regulations should be expanded to a broader range of office buildings within our business districts to support conversions of commercial buildings market forces reveal to be obsolete. Changes recommended in this report will facilitate the adaptive reuse of outdated office buildings to more in-demand uses, such as housing, while supporting the overall health of the city's business districts as a vibrant, global center of commerce that continues to attract investment.

The intention of the task force is not to prescribe the balance between office space and housing, but rather to ensure that outdated conversion regulations do not stifle the market-driven evolution of New York City's building stock and business districts into more dynamic places where a greater number of people live as well as work.

Adaptive reuse of office buildings is only one part of a much larger strategy to ensure that New York City's office districts remain agile and successful. The Office Adaptive Reuse Task Force was closely aligned with a broader examination of the future of New York City's economy conducted by a City and State "New" New York Panel, whose *Making New York Work For Everyone Action Plan* was published in December 2022.

Report Structure

The rest of this document is divided into four sections. The first section outlines the context in which the report was written; the second describes the process by which goals and recommendations were developed; the third outlines key findings from the task force's research; and the fourth section outlines the recommendations of the task force. Additionally, presentations from each task force meeting provide a deeper insight into the research underpinning the recommendations and are available on the New York City Department of City Planning website.

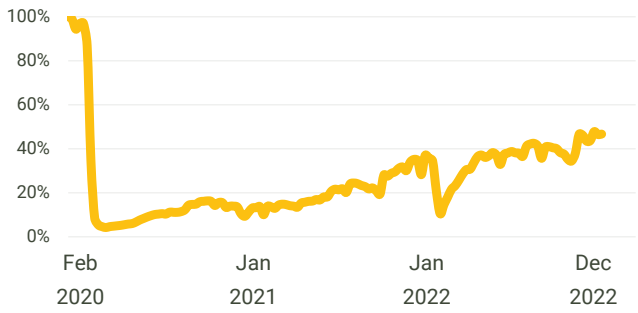
BACKGROUND CONTEXT



COVID-19's Impact on Office Usage and Vacancy

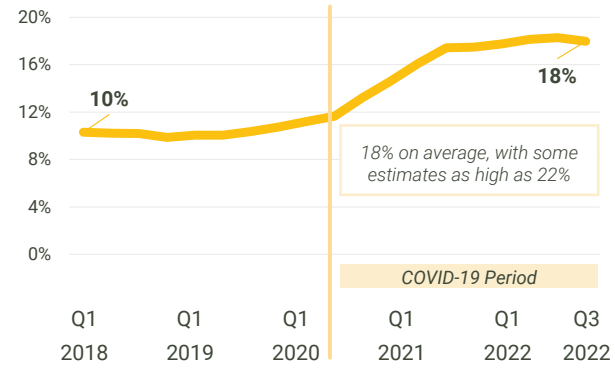
Beginning in March 2020, offices across the city closed to protect people from COVID-19. Many office-based workers worked from home, and at least 128,000 jobs in office-based industries were lost in the early stages of the pandemic.[1] As of October 2022, employment in office-based industries has largely recovered,[2] but physical office attendance has not. As of November 2022, it is estimated that on average, office employees came to the office less than half as frequently as they did prior to the pandemic (Figure 1).[3] Increased work-from-home and general economic uncertainty have led some office tenants to delay or downsize leasing office space. The result has been a significant increase in the office availability rate, reaching levels not seen in New York City for several decades. The percentage of Manhattan office space available to rent has increased from around 10% pre-pandemic to around 20% in Q3 2022 (Figure 2). Most of that increase occurred in late 2020 and early 2021; since then, rates have remained elevated but largely stable.

Figure 1: Physical Attendance in Offices by Employees Relative to Pre-COVID-19 Baseline



Source: Kastle Data (a building security technology firm that provides publicly available data on office building entry and exits)

Figure 2: Manhattan Office Availability or Vacancy Rate



Source: Average of six estimates from Cushman & Wakefield, Colliers, Newmark, JLL, Savills, CoStar

Importance of New York City's Office Market

New York City is the largest office hub in the United States[4] with upwards of 600 million square feet of office space,[5] more than Dallas and Los Angeles combined. New York City's offices contribute approximately $6 billion in annual property tax, which support essential government services for all New Yorkers.[6]

Significant uncertainty remains around the impact of remote work on the office market.

Hybrid schedules, where employees work from home and at the office, have been embraced by many workers in a strong labor market and seem set to remain at significantly higher levels than pre-pandemic, at least in the medium term. According to a survey conducted in September 2022 by the Partnership for New York City, 77% of office-based employers indicated a hybrid schedule would be their predominant "post-pandemic" policy, mainly in response to employee preference.[7] The net impact of remote work on office space demand is still uncertain. The same survey found that 20% of companies plan to increase their New York City real estate footprint in the next five years and that 22% expect to reduce their footprint; most employers expected their footprint to either remain the same (33%) or did not know (25%).[8]

77%

Percentage of office-based employers who will adopt hybrid work policies in New York City[7]

22%

Percentage of companies that expect to reduce their footprint in New York City in the next five years[7]

20%

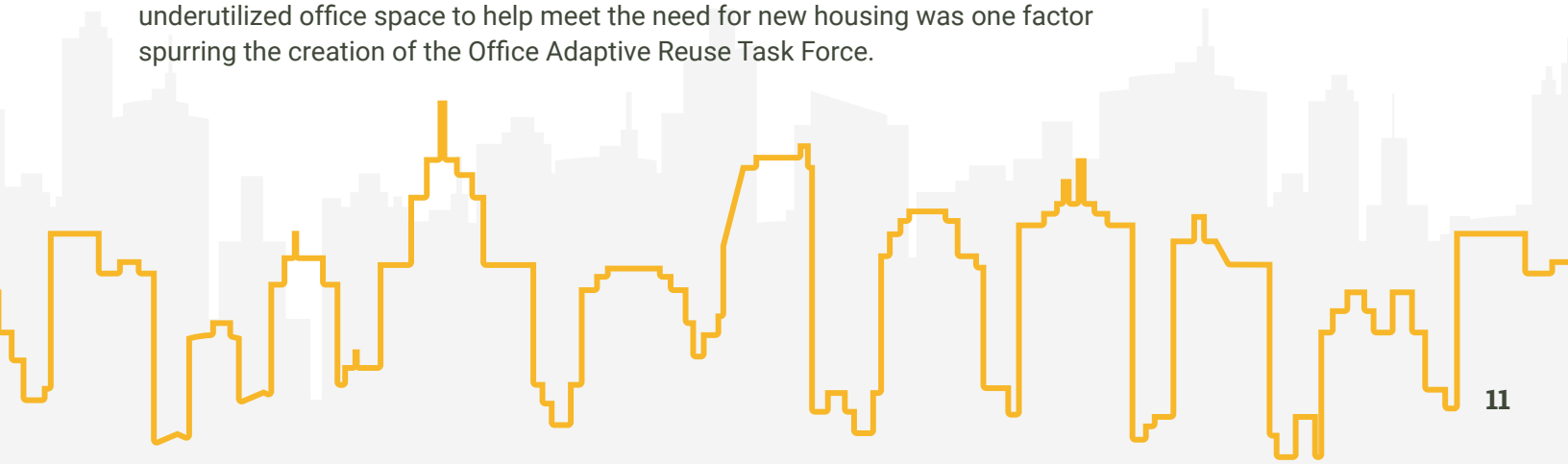
Percentage of companies that expect to increase their footprint in New York City in the next five years[7]

The pandemic has not impacted all office properties equally.

The combination of significant amounts of newly constructed office space becoming available for lease, along with an increase in the availability of existing space, has allowed some tenants to secure higher-quality space, often with concessions. Interviewed practitioners have noted a pronounced "flight to quality" as tenants seek amenity-rich "commute-worthy" buildings that will attract employees back to the office. While tenants have always moved to newer and better office space when they can afford to, the pandemic also appears to have eroded the value of lower-quality office buildings, many of which have struggled to attract tenants in recent years. In contrast, "trophy-class" offices have been able to better weather the impacts of COVID-19. An anticipated pipeline of new, premium office space around regional transit centers in Midtown suggests that this "flight to quality" trend may continue and should be planned for.

While demand for office space has yet to recover fully, demand for residential space has rebounded and remains strong.

After uncertainty in 2020 and 2021, average residential rents in New York City reached historic highs during 2022, continuing a pre-pandemic trend of escalating prices and strong demand for residential space. A desire to repurpose underutilized office space to help meet the need for new housing was one factor spurring the creation of the Office Adaptive Reuse Task Force.



Regulations Governing Reuse

Regulations governing permitted changes in a building's use are outlined primarily in the New York City Zoning Resolution and New York City Construction Codes. Other regulations may also apply; for example, residential conversions are subject to some regulations that are more permissive and some that are more restrictive under the New York State Multiple Dwelling Law. The section below provides a capsule summary of key regulations affecting office-to-residential conversion, including the interactions among City and State regulations; a more detailed overview is provided in Appendix 3.

Existing regulations for office-to-residential conversion

Zoning regulates both the use and bulk (physical dimensions) of buildings. Any office building located in a zoning district that allows residential use may convert under use regulations, but they must also comply with any applicable bulk regulations. This can occur if the building meets all the bulk regulations for a newly constructed residential building. Because of differences in these building types, this is often practically impossible or financially challenging. To better support the reuse of older buildings that cannot be brought into compliance with current regulations, the Zoning Resolution includes an alternative set of more flexible standards for conversions. To be eligible for these more flexible standards, the non-residential buildings must meet the following three criteria:

1. **Located in a zoning district that allows residential**

2. **Located in either:**
   - Manhattan south of 59th Street; or
   - Parts of inner Brooklyn and Queens (colored green on the map on the next page); or
   - Downtown Jamaica, St. George, or Coney Island Special Districts; or
   - A Special Mixed Use District

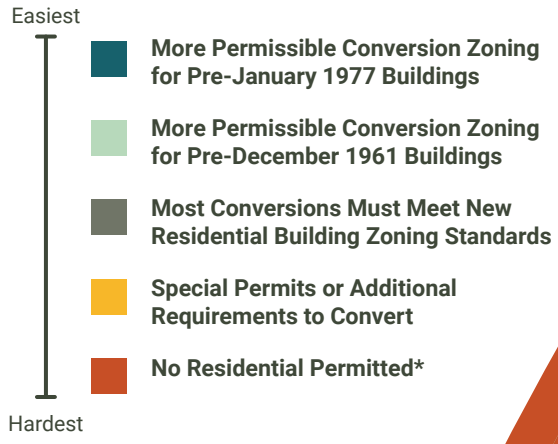
3. **Building built:**
   - Before December 1961; or
   - Before January 1977, in the Financial District, Downtown Jamaica, Coney Island, and St. George; or
   - Before January 1997, in a Special Mixed Use District

Zoning allows buildings that meet all three criteria to be converted in their entirety using more flexible regulations related to light, air, and yards that are specified in Section 277 of the New York State Multiple Dwelling Law (MDL). Most office-to-residential conversions rely on these more flexible regulations. Occasionally, additional requirements are placed on conversion activity. Areas with these requirements are shown as yellow in Figure 3.

While the Mulitple Dwelling Law provides some more flexible standards, it also limits what zoning may allow. For example, Article I, Chapter 5 of the Zoning Resolution allows all the floor area in an office building to convert to residential, but the MDL caps residential floor area ratio (FAR)* at 12, with an exception only for buildings built prior to the 1968 Building Code. This prevents zoning from allowing the full conversion of larger office buildings built in the 1970s or later.

** FAR stands for Floor Area Ratio and is the principal bulk regulation controlling the size of buildings. FAR is the ratio of the total building floor area to the area of its zoning lot.*

Figure 3: Permissibility of Office-to-Residential Conversion Under Zoning



** In limited circumstances residential may be allowed, for example by a New York State General Project Plan that overrides local zoning.*

Note: Map does not show the limited number of Special Mixed Use Districts which allow conversion of some pre-1997 buildings.
Source: New York City Department of City Planning

Historical Perspective on Adaptive Reuse of Buildings

New Yorkers have long repurposed buildings in response to new technologies, economic trends, and periods of crisis.

Adaptive reuse of buildings is not new and has been part of New York City's economic success for over one hundred years. A single building can have many useful lives, and office buildings are no exception. New York City's aging office buildings have been creatively converted into space for labs, education, and childcare, as well as homes and hotels. This adaptive reuse of space also has the added benefit of often being faster, more environmentally friendly, and more cost-effective than demolishing and building anew.[9]

Case Study

Adaptive Reuse of Lower Manhattan Office Buildings



In 1995, New York City and State adopted the Lower Manhattan Revitalization Program, which included financial incentives and regulatory reforms to encourage office development and office-to-residential conversions when many firms were relocating to Midtown.[10]

Zoning changes implemented in 1997 loosened standards governing office-to-residential conversion in the Financial District for buildings built before 1977. A Financial District specific tax incentive, called 421-g, also encouraged conversions between 1995 and 2006. Conversion activity was further stimulated by a tax-exempt Liberty Bond program designed to promote investment in Lower Manhattan after the tragic events of 9/11, which gave developers access to low-cost financing for conversions and other construction projects between 2002 and 2010.

Collectively these programs helped transform the Financial District into a more mixed-use neighborhood. Since 1995, around 20 million square feet of Financial District office space has been transformed into approximately 17,000 homes.[11] Despite the sunsetting of 421-g and the Liberty Bond program, office-to-residential conversions have continued, at a slower but still significant rate.



PATH TO FINDINGS AND RECOMMENDATIONS

Task Force Composition

Consistent with the requirements of Local Law 43 of 2022, developing the recommendations outlined in this document was the responsibility of a 12-person task force chaired by Department of City Planning Director Dan Garodnick. Experts were appointed by the Mayor, City Council Speaker, and Public Advocate and included four government officials and eight appointees from the private and non-profit sectors. Appointees have diverse expertise in architecture, development, law, economics, finance, and tenant advocacy, ensuring a holistic approach to the issues and opportunities.

A range of city government entities supported the task force, including the New York City Department of City Planning, New York City Economic Development Corporation, New York City Department of Housing Preservation and Development, New York City Department of Buildings, New York City Mayor's Office of Management and Budget, New York City Housing Development Corporation, and New York City Department of Finance. Econsult Solutions, Inc. and Packard Beasley Consulting provided additional support.

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** NYC Mayoral appointee, † NYC Public Advocate appointee, ‡ Speaker of the NYC Council appointee, § Law 43 of 2022 appointee.*

Task Force Process

The task force met five times between July and December of 2022, with each session dedicated to a different aspect of office adaptive reuse. In the first session, the task force discussed goals and opportunities, as well as the current state of the office market. The second session discussed the architectural and design challenges of office building conversions. The third session covered regulatory provisions limiting building reuse, and the fourth covered financial considerations for office-to-residential conversions and inclusion of affordable housing. Finally, task force recommendations were discussed in the fifth session. The material discussed incorporated research done by city staff and the consultant team and insights from interviews with 26 industry experts, including property owners, brokers, developers, architects, engineers, financiers, and construction firms. PowerPoint decks from these task force sessions are available on the New York City Department of City Planning website, linked in the Appendix.

Figure 4: The Path to Recommendations



Vision and Objectives

Our Vision

Vibrant, successful business districts and mixed-use neighborhoods

Our Objectives

- Support the reuse of obsolete office buildings for other productive uses, such as housing, education space, hotels, and labs
- Identify opportunities to relax regulations that unnecessarily impede market-driven office building reuse
- Create housing and economic opportunities for residents of all income levels through the adaptive reuse of office buildings

The task force developed a vision and objectives to guide its recommendations and ensure office districts continue to serve a critical role in supporting the city's economy and fiscal health. Economic and behavioral shifts started by the pandemic have triggered a need to reevaluate regulations for the reuse of office buildings to help ensure the success of our city's business districts as vibrant, global centers of commerce and investment.



KEY RESEARCH FINDINGS



Regulatory Findings

Complex and geographically inconsistent regulations have not been comprehensively updated for several decades.

Over time, logical but piecemeal changes have resulted in a complex web of city and state conversion regulations that are inconsistent across different business districts. Changes enacted 25 years ago to support conversion in the Financial District remain hampered by inconsistent state regulations, and regulations differ significantly among areas such as Downtown Flushing, Midtown, and the Financial District in ways that may no longer make sense.

Outdated regulations limit the market-driven reuse of some office buildings.

Today, there are offices built in the 1960s, 1970s, and 1980s that are ineligible for the most flexible conversion regulations because of the year they were built. Practitioner interviews revealed several buildings where market-driven conversion would likely occur if the most flexible conversion regulations were expanded to buildings of those age cohorts.

Additionally, a review of past conversions revealed indications that existing regulations may be suppressing office building reuse. In the Financial District, where 1960s office buildings can access the most permissive conversion regulations, there are examples of 1960s office buildings converting to housing. In Midtown, where the most flexible conversion regulations are only available to buildings built before December 1961, no conversions of 1960s office buildings were identified over the last decade, suggesting that there may be a market for 1960s office building conversions if eligibility for flexible conversion regulations were more inclusive outside of the Financial District.

For more details about regulations and how they affect conversions, see Appendix 3.

Existing Threshold Years

1961

In most business districts, only office buildings built before December 1961 can use the most flexible conversion zoning

1968

In most cases, only offices permitted prior to the 1968 Building Code can convert more than 12 FAR of office space to residential

1977

In the Financial District, office buildings built before January 1977 have access to the most permissive conversion zoning

Architectural Findings

In NYC, a variety of office building types have been converted over the last decade. Early twentieth-century office buildings with shallow floor plates and individual operable windows are generally the easiest and most attractive to convert because they require less intense physical alteration and allow for relatively efficient apartment layouts.

The physical characteristics of an office building are an important determinant of its viability for conversion. Some of these characteristics are the dimension, shape, and proportions of their floor plates, the building envelope and façade system, the location of the vertical circulation core, average ceiling heights, and existing energy and acoustical performance. Building location, neighborhood context, and connectivity are also key factors for the general viability of a conversion project.

Post-1960s office buildings tend to have larger, deeper floorplates and glass curtain-wall facades, which are generally more costly to reconfigure because operable windows are required for residential buildings, and deeper floorplates present challenges for laying out apartments efficiently. These more extensive physical alterations typically increase construction costs and sometimes reduce revenue per square foot because of inefficient unit layouts, making these types of projects less financially competitive against the current office use of the building. However, there are instances of successful conversion in buildings with larger floorplates and glass-dominated facades, including 180 Water Street (pictured at right).

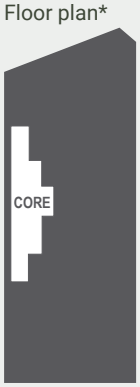
For more details about the physical characteristics of buildings that affect conversions, please see Appendix 2.



212 Fifth Avenue

A more typical office-to-residential conversion.

Floor plan*

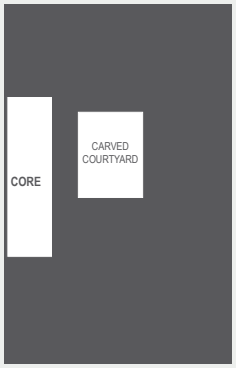




180 Water Street

A more unusual conversion where a large floorplate was made practical for residential purposes by carving an internal courtyard.

Floor plan*



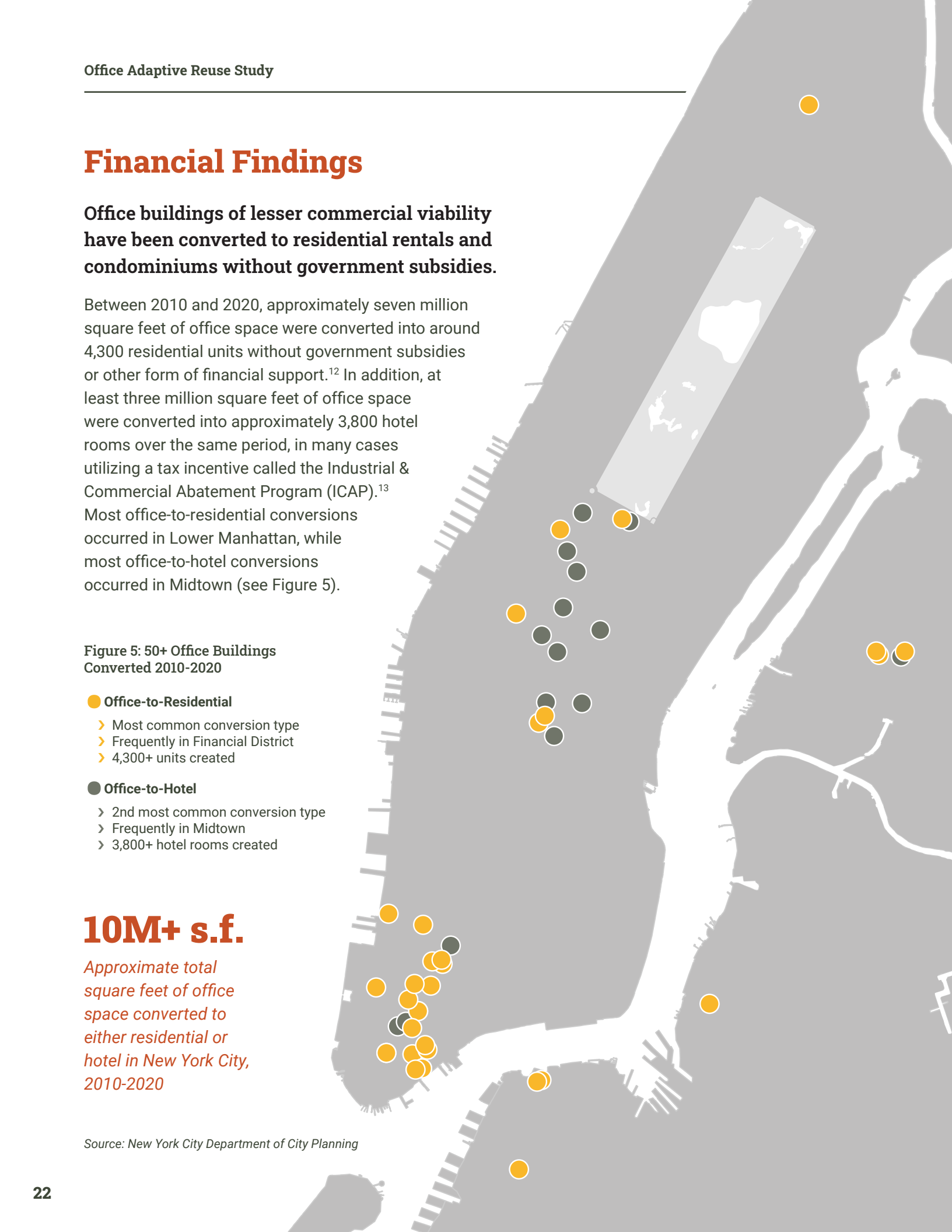
**Floor plan illustrations are the same scale.*

Financial Findings

Office buildings of lesser commercial viability have been converted to residential rentals and condominiums without government subsidies.

Between 2010 and 2020, approximately seven million square feet of office space were converted into around 4,300 residential units without government subsidies or other form of financial support.[12] In addition, at least three million square feet of office space were converted into approximately 3,800 hotel rooms over the same period, in many cases utilizing a tax incentive called the Industrial & Commercial Abatement Program (ICAP).[13] Most office-to-residential conversions occurred in Lower Manhattan, while most office-to-hotel conversions occurred in Midtown (see Figure 5).

Figure 5: 50+ Office Buildings Converted 2010-2020



Office-to-Residential

- Most common conversion type
- Frequently in Financial District
- 4,300+ units created

Office-to-Hotel

- 2nd most common conversion type
- Frequently in Midtown
- 3,800+ hotel rooms created

10M+ s.f.

Approximate total square feet of office space converted to either residential or hotel in New York City, 2010-2020

Source: New York City Department of City Planning

Conversion is a niche pathway for office building owners reviewing their options. For most office buildings, remaining as an office, or renovating to become a higher quality office building, will make more sense than conversion.

Over the last decade, only around 1% to 3% of office buildings have converted to residential because doing so requires alignment of several architectural, regulatory, practical, and financial factors.[14] Previous sections of this report have noted some of the architectural and regulatory elements that can drive the financial viability of conversion, but many other factors collectively impact the overall viability of conversions, such as owner circumstances, risk appetite, access to desirable financing, existing debt, ability to vacate existing office tenants, conducive market conditions, and differing revenue opportunities between office space and residential space. One factor often noted by practitioners was that although residential space can often achieve higher rents than office space on a per-square-foot basis, conversion results in a significant decline in rentable square footage. The substantial reduction in rentable square footage between a purpose-built office building and a residentially converted office building means the net effect on revenue from converting is only sometimes positive and varies greatly.

Divergent demand for office space versus residential space may stimulate additional market-driven conversions, but current economic conditions present challenges.

Although interest in office conversion is high and several large conversions have recently been announced, it is not yet clear whether investment in conversion is increasing. Already announced or under-construction office-to-residential conversions are expected to create at least 3,600 additional residential units in the future.[15] Given the divergent demand for office space versus residential space currently observed, an increase in office-to-residential conversion might be expected. However, current economic conditions present a challenging investment environment for all construction projects. Rising construction costs, high interest rates on loans, and a risk-averse lending market are significant hurdles to the economic viability of many conversions. Additionally, according to interviews conducted for this report, many current owners are unwilling to sell their buildings at current market valuations, and property owners with existing low-interest debt see holding their current position as more advantageous. This challenging investment environment and uncertainty around the long-term prevalence of remote work are notable headwinds for office-to-residential conversion activity.

For more details about the financial considerations that affect conversion, see Appendix 4.



Property Tax and Affordable Housing Findings



A building's property tax tends to increase after conversion.

Property tax payments for offices and large residential buildings are driven by a building's use and annual net operating income. An analysis of property taxes levied on buildings pre- and post-residential conversion indicate notable increases in net operating income post-conversion, leading to a higher property tax bill. Additionally, differences in tax rates and capitalization rates, as defined by the New York City Department of Finance, also impacted the change in property taxes levied. In cases where an office building is converted to a tax-exempt use, such as a non-profit education space, the property tax would significantly decrease after conversion.

Office conversions under existing regulations produce only market-rate housing.

Furthermore, these conversions have occurred primarily in higher cost neighborhoods with excellent access to jobs and transit but where affordable housing is already scarce and challenging to create at scale. Historically, office conversions were generally ineligible for the 421-a tax incentive, which supported mixed-income housing in new construction projects until it expired in 2022. Now that 421-a has expired, there is a greater need than ever to create affordable housing in neighborhoods where office conversions already exist.

A policy to support the adaptive reuse of unviable office space while generating affordable housing would require some government incentive to encourage developers to participate.

The task force analyzed what a potential mixed-income program could look like. It found that in the absence of incentives, requiring projects to set a meaningful number of units aside as affordable to low-income New Yorkers would make most mixed-income conversions financially infeasible.

For more details, see Appendix 4.



RECOMMENDATIONS

Recommendations

Recommendations to provide more flexibility for the adaptive reuse of obsolete office buildings are outlined in this section. In developing these recommendations, the task force considered a range of building uses that meet New Yorkers' needs, the state of the office market, and the overall economic and fiscal impact of the proposed changes. These recommendations aim to serve the twin goals of providing more opportunities to adapt struggling office buildings and supporting the long-term economic health of business districts with densely clustered office buildings. Through research, interviews, and analysis, the task force identified clear opportunities to relax conversion regulations to help support the office market, create more homes, and provide spaces for other types of facilities.

1

Expand the Range of Buildings Eligible for the Most Flexible Conversion Regulations

2

Make Existing Conversion Regulations Work Better

3

Provide Financial Incentives for Affordable Housing and Childcare Facilities

Recommendation 1

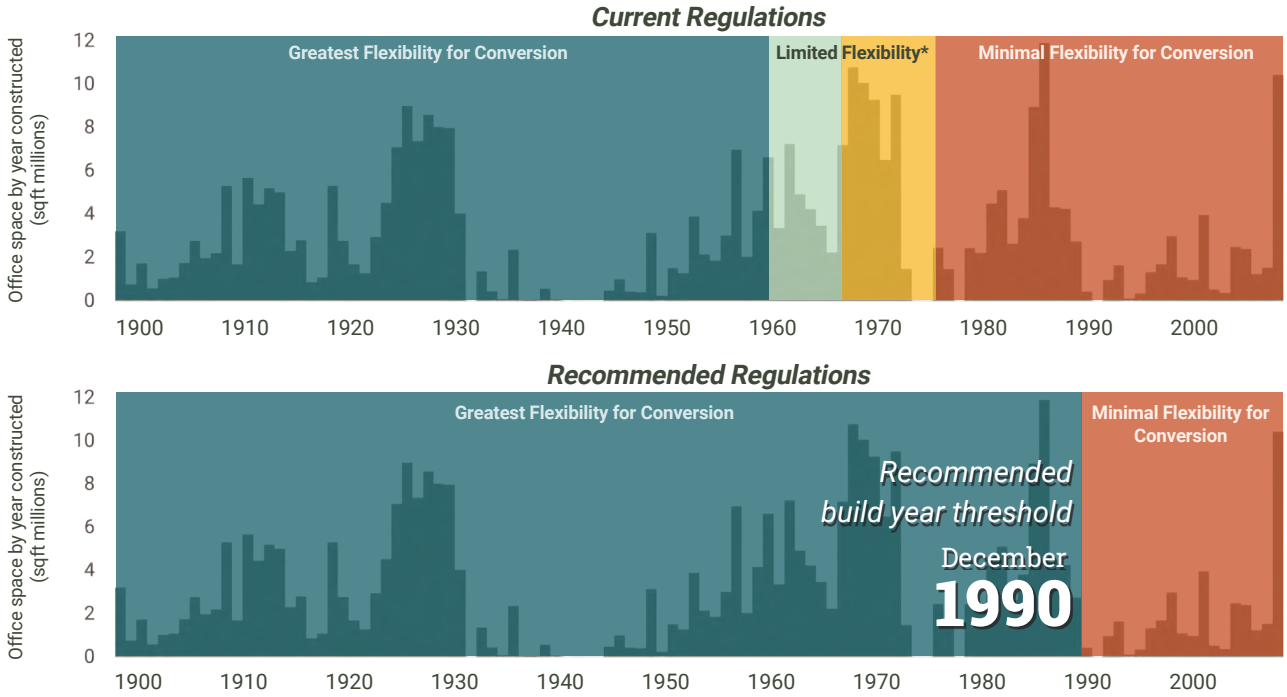
Expand the Range of Buildings Eligible for the Most Flexible Conversion Regulations

Via amendments to New York State Multiple Dwelling Law and New York City Zoning Resolution

Provide office buildings constructed before December 31, 1990 access to the most flexible regulations for conversion to residential use

Several regulations and laws currently limit the adaptive reuse of most office buildings built in the 1960s, 1970s, and 1980s. Those regulations and laws should be aligned and updated to allow office buildings constructed during this period the option to convert under the most flexible conversion regulations (Article 1, Chapter 5 of the Zoning Resolution and the Multiple Dwelling Law). Today, office buildings outside the Financial District typically need to be built before December 1961 to access the most flexible reuse regulations. This meaningful change would provide approximately 120 million square feet of office space with an easier path to conversion.

Figure 6: Comparison of Office-to-Residential Existing and Proposed Conversion Regulations by Year of Construction



** Most flexible conversion regulations are only accessible to an office building located in FiDi. Additionally office buildings permitted after 1969 can typically only transfer 12 FAR of office space to residential uses.*

Note: Chart only includes office area located in the Article 1 Chapter 5 geography in locations where residential is allowed as-of-right. Only include buildings in the following building classes: O2 thru O9 and RB/RC.

Source: New York City Department of City Planning

Recommendation 1, continued

Expand conversion regulations to all high-intensity office districts

Currently, the most flexible conversion regulations (outlined in Article 1, Chapter 5 of the Zoning Resolution) apply to only the city's largest business districts. This recommendation would expand the applicability of these regulations to all high-intensity commercial districts (areas designated as C4, C5, or C6 zoning districts). This change would provide approximately 16 million square feet of older office space in areas such as Downtown Flushing and the Bronx Hub with an easier path to conversion. For buildings outside eligible areas, conversion under these regulations could be allowed by discretionary action of the City Planning Commission.

Reevaluate centrally located, high-density Midtown zoning districts that do not allow new residential use

Several areas between West 23rd Street and West 41st Street are zoned as Manufacturing Districts that do not allow for the creation of new residential buildings through conversion or new construction (see map on page 13). In consultation with local elected officials and other stakeholders, the City should study and evaluate the appropriateness of these districts and the potential opportunities for new housing alongside commercial activity.

Recommendation 2

Make Existing Conversion Regulations Work Better

Via amendments to New York State Multiple Dwelling Law and New York City Zoning Resolution

Permit conversion of office buildings to a broader array of housing types

Currently, offices can only convert to dwelling units (as defined in the Zoning Resolution). Expanding regulations to allow conversion to a broader range of in-demand forms of housing, such as supportive housing or dormitories, would provide more opportunities to reuse office buildings and house more New Yorkers.

Allow an expanded array of offices to convert all existing square footage to residential

In 1997, coordinated changes to the Zoning Resolution and Multiple Dwelling Law aimed to allow buildings built as recently as 1977 to convert their existing square footage entirely to residential. However, provisions of the Multiple Dwelling Law capping residential floor area ratio (FAR) to 12 in New York City currently remains applicable when converting buildings permitted after 1969. This makes the conversion of many otherwise qualifying Manhattan buildings impractical. All buildings that will be permitted to use the most flexible zoning regulations for conversion should be permitted to convert all their existing floor area.

Recommendation 2, continued

Eliminate parking requirements for conversions

For many areas outside the Manhattan core or high-density districts, the Zoning Resolution maintains minimum requirements for off-street parking in conversions. Creating structured parking is frequently impractical within an existing building. Eliminating this requirement would create broader flexibility for the reuse of buildings.

Make recreation space requirements for conversions consistent with standards for newly constructed buildings

Conversions must currently adhere to rooftop open space requirements established over 40 years ago in Article 1, Chapter 5 of the Zoning Resolution. These requirements do not consider the widely divergent rooftop conditions that exist in office buildings, the complexities of mixed-use conversions, or the potential for indoor recreation space. More recently, citywide standards for common recreation space that account for these factors have been established under the Quality Housing Program. Requirements for conversions should be aligned with those for a new residential building.

Facilitate more conversions to hotels by updating courtyard regulations

Currently, office-to-hotel conversions require larger courts than office-to-housing. Establishing modest zoning requirements for hotel courts would rationalize regulations and provide more adaptive reuse pathways for office buildings.

Update outdated requirements and clarify regulatory language

Outdated requirements and language in the Multiple Dwelling Law and in Article 1, Chapter 5 of the Zoning Resolution should be clarified.

Recommendation 3

Provide Financial Incentives for Affordable Housing and Childcare Facilities



Explore and pursue a tax incentive to support mixed-income housing within conversions

A government incentive to generate affordable (income-restricted) housing units in converted buildings without deterring overall private investment in conversions should be considered and advanced. Analysis indicates that while office conversion entirely to affordable housing is generally infeasible, conversion to mixed-income housing could be achievable through a property tax-based incentive. Such an incentive should balance the opportunity to generate needed affordable housing in locations where it is often lacking, the scale of incentive necessary to create affordability, and the implications for city property tax revenues. Additional parameters addressed in other affordable housing tax incentives, such as wage standards for building service employees, should also be considered.

Implement a property tax abatement to incentivize retrofitting space for childcare centers

Accessible and high-quality childcare is a priority for New Yorkers and should be incentivized. As part of Mayor Adams's Blueprint for Childcare & Early Childhood Education, a property tax abatement for building owners retrofitting space to accommodate childcare centers will be implemented. $25 million worth of tax abatement is available to help fund retrofits to comply with New York City Health Code requirements for childcare centers.

What Comes Next?

The Office Adaptive Reuse Task Force calls for timely action to ensure our business districts can adapt now to meet the needs of the moment as well as those of future generations. Recommendations outlined by the task force should be implemented expeditiously via statutory changes in the 2023 New York State legislative session, with any other necessary regulatory changes implemented through a city zoning text amendment.



APPENDICES AND ENDNOTES

Appendices

Presentations from each task force meeting provide a deeper insight into the research underpinning the recommendations and form the appendices to this report. Appendices are available on the New York City Department of City Planning website: https://www.nyc.gov/site/planning/plans/office-reuse-task-force/office-reuse-task-force.page.

Endnotes/Sources

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