

**AD HOC ECONOMIC REVITALIZATION COMMITTEE**  
**Findings and Recommendations**  
**June 2009**



## **AD HOC ECONOMIC REVITALIZATION COMMITTEE Findings and Recommendations – June 2009**

### **EXECUTIVE SUMMARY**

Lower Manhattan is the fourth largest central business district in the country. An international symbol of finance and commerce and essential hub of the local, regional and national economy, the district's remarkable post-9/11 recovery has reclaimed its status as a "location of choice" – not only for financial and professional services industries, but also for nonprofits, design and technology firms and entrepreneurs attracted by Lower Manhattan's excellent transit access, affordable rents and expanding roster of retail and other amenities.

Through its 400-year history, Lower Manhattan has weathered many storms, none more extreme than that of September 11, 2001. By mid-2008, the successful rebound from that devastating day was apparent: a fully recovered office market with vacancy of just 6.6%; employment of over 316,000; the city's fastest growing residential community with a population of 53,000 and counting; a flourishing retail environment with scores of new stores and restaurants; and over 5 million annual tourists. The district emerged as a 21<sup>st</sup> century model for a globally-competitive central business district, equally optimal for workers, residents and visitors: an accessible, forward-looking and sustainable community with a diverse and healthy economic base.

Lower Manhattan has seen over 203 firm relocations since 2005; a diverse work force, with only 28% of jobs in financial services; nearly 13,000 new housing units and 2,600 additional units under construction; a flourishing retail environment with scores of new stores and restaurant offerings; and a thriving tourist trade with a 100% increase in the number of hotel rooms.

This forward momentum was cut short, however, in the fall of 2008, with a stunning one-two punch – the national recession plus acknowledgement of further delays and uncertainty with the World Trade Center site redevelopment. These factors threaten both the immediate and longer-term vitality of our neighborhood. Left unattended, they may erode Lower Manhattan's hard-won progress from devastation to renaissance.

Because we are committed to the future of Lower Manhattan, the Alliance for Downtown New York convened a board Committee on Economic Revitalization in March 2009. The Committee was tasked with evaluating the impacts of the national economic downturn on the district and developing an actionable agenda to support Lower Manhattan now and beyond the current crisis. Early in the process, it became obvious that while Lower Manhattan will benefit from both Federal stimulus spending and the City's own Five-Borough Economic Opportunity Plan, a more rigorous and specific plan is needed, matched to the area's enduring strengths and unique challenges.

Lower Manhattan's future depends on securing its long-term prospects now. To ensure that Lower Manhattan can adapt to a rapidly-changing economy, the district needs cutting-edge infrastructure and space coupled with forward-thinking programs to attract progressive new tenants and owners. Sustainability is fast becoming a pivotal component of this, and will allow those cities and neighborhoods that lead the way in green innovations to rise ahead of the curve. Securing Lower Manhattan's growth now will build the sustainable, cutting-edge foundation needed to ensure that, as the

economy recovers and once again thrives in the coming years, so too will Lower Manhattan.

The story of Lower Manhattan is the story of shared public and private sector vision, adaptation and growth. This is as true today as it was when Peter Minuit governed Nieuw Amsterdam for the Dutch West India Company and when David Rockefeller founded the Downtown-Lower Manhattan Association. Government and business have worked hand in hand here for four centuries, to the great benefit of our city, state and nation. ***These findings and recommendations make clear that this historic public/private partnership must continue if Lower Manhattan is to maintain post-9/11 recovery and growth, continue to build and diversify its economy, and be ready for the next wave of investment and prosperity.***

## COMMITTEE FINDINGS: THE NEED FOR ACTION

### Loss of Employment

New York City and State have been hit hard by the global recession, which is likely to be the longest and deepest economic slowdown seen in generations. Job losses in key office-using sectors such as finance and professional services are high and expected to grow. New York City has lost 104,200 jobs since the peak of August 2008, about 20% of which were in finance, insurance, or real estate. Present forecasts of cumulative net job loss for New York City range from 250,000 to nearly 300,000 through early- to mid-2011.

While data for Lower Manhattan-specific job losses is not yet available, it is sobering that twelve Lower Manhattan companies, accounting for a combined 24% of total space in our market, have announced layoffs, received TARP funds, or both. ***The net effects of staff reductions and the restructuring of New York City's financial services industry on Lower Manhattan are unknown***, but may mean more job and additional occupancy losses in at least the short run.

### Decline in Leasing Activity

The recession has already had a significant impact on the New York City real estate market, from which Lower Manhattan is not immune. Though some see early signs of recovery, many experts believe that the New York City economic recovery will lag behind the national turnaround, and that local conditions will continue to decline before they improve. According to CB Richard Ellis, leasing activity in Lower Manhattan has already dropped dramatically, falling 55% from the 2006 peak level of 6.9 million SF to just 3.1 million SF in 2008. Additionally, much of the 2009 activity to date has resulted from short-term lease commitments, often less than five years. Less demand has also created an increase in available sublease space, affecting the direct lease market and lowering overall rents. Ironically, declines in Lower Manhattan rents have not bolstered leasing in a powerful way, as ***more drastic declines in Midtown rents are eroding the price differential that has long been Lower Manhattan's competitive advantage.***

### Increasing Commercial Vacancy Rate

Commercial vacancy is rising in Lower Manhattan. A recent report by Jones Lang LaSalle estimates that vacancy in the Downtown market may climb above 20% by 2012, reminiscent of market conditions of the early 1990s. How quickly the market will return

and a new financial services paradigm will be developed is as much debated as it is awaited, but there is widespread agreement that ***without action to right the course, such market conditions could further threaten the value of Lower Manhattan's commercial real estate, despite strong fundamentals and a powerful case for long-term sustainability and growth.***

#### New Development Still Needed

Though it may not be evident right now, Lower Manhattan also faces a threat from the dramatic slowdown of new office development that is taking place in New York City. In the knowledge economy of today and tomorrow, top-tier companies increasingly gravitate to modern *green* space – for reasons of technology, productivity, and recruiting.

By this standard, New York City faces serious challenges. The City's stock of office space is aging dramatically. By 2010 an astonishing 64 percent of Manhattan's office buildings will be at least 50 years old, compared with the US average of 24 percent.

The aging of the office stock is mitigated somewhat by conversions to residential use of some of the oldest, least efficient space, but the loss of the World Trade Center and several other buildings that were among the newest Downtown accelerated this trend. ***Without action to ensure continued development at the World Trade Center site, Lower Manhattan may not be ready to compete for top-tier jobs when the economy – and the real estate market – rebound.***

#### Is This Crisis Unique?

Though distinguished from the current experience of Midtown, the Lower Manhattan market has faced similarly daunting economic challenges before. The Great Fire of 1835, for example, destroyed 700 buildings on 17 blocks over 50 acres, including the Stock Exchange, Merchants Exchange and several major banks – 23 of the city's 26 insurance companies went bankrupt. More recently, vacancy spiked to 20.7% in 1996 and rose to 13.7% in 2004, the peak of the post-9/11 slump. Government responded decisively on both occasions, with robust, market-specific benefits to stimulate leasing. The comprehensive menu of incentives first developed in 1995 (and extended and modified in 2005) to encourage Lower Manhattan leasing – including the Commercial Revitalization Program (CRP), the Relocation Employment Assistance Program (REAP), Industrial & Commercial Incentive Program (ICIP) and others – is still in place today, and has been transformative.

A more comprehensive market analysis can be found in Appendix A.

### **THE COMMITTEE'S PLAN OF ACTION**

The Committee drew two main conclusions from its research: ***now is the time to stimulate leasing and preserve the existing tenant base; and, it is also the time to secure Lower Manhattan's competitive advantage as a globally competitive, sustainable 21<sup>st</sup> century central business district well beyond the current economic downturn, 10, 20, even 50 years into the future.***

The Committee's recommendations address both immediate and long-term challenges and build on the finding that targeted interventions at times of economic crisis have been both essential and successful in Lower Manhattan. Some require legislation or other forms of government action at the City and State level. Others the Downtown Alliance is prepared to undertake independently, or in collaboration with private sector partners. They fall into six main categories:

- 1. *Extend and strengthen the existing Lower Manhattan leasing incentive package, first enacted in the mid-1990's and expanded in the 2005 "Marshall Plan" for Lower Manhattan***
  - Commercial Rent Tax Exemption
  - Real Estate Tax Abatement
  - State Sales Tax Exemption for Tenant Build-Out Expenses
- 2. *Offer immediate assistance to commercial property owners as well as tenants, especially retailers***
  - Freeze FY10 BID assessment
  - Expand investor- and consumer-focused retail marketing campaign
- 3. *Bolster Lower Manhattan's standing as the nation's "greenest" central business district***
  - New commercial branding campaign focused on "sustainable community"
  - New tenant-focused "green" interiors fit-out grant
  - Implement an Advanced Metering Infrastructure (AMI) pilot program as a precursor to a Lower Manhattan "Smart Grid"
- 4. *Develop innovative programming to support new ways of working***
  - Downtown Alliance-sponsored co-working facility
  - District-wide wifi expansion
  - Downtown Alliance-sponsored entrepreneur networking events
- 5. *Support public infrastructure improvements***
  - World Trade Center redevelopment
  - Fulton Transit Center
  - East River Waterfront Park
  - Fiterman Hall reconstruction
  - Battery Park reconstruction
- 6. *Encourage timely construction of new 21<sup>st</sup> Century office space***

A more detailed description of each initiative follows.

### **1. *Extend and Strengthen the Existing Lower Manhattan Leasing Incentives Package***

The availability of leasing incentives has long been a determinative factor in maintaining Lower Manhattan as a competitive world-class business district during economic downturns. In the mid-1990's, the State Legislature first enacted a package of

incentives to attract and retain Lower Manhattan commercial tenants under the Lower Manhattan Economic Revitalization Plan. Many of these programs were extended and expanded in the 2005 Lower Manhattan Plan, also known as the Lower Manhattan “Marshall Plan.” These incentives have been widely credited by property owners, real estate brokers and tenants alike as strong enticements to leasing in Lower Manhattan.

Three key components of the Lower Manhattan incentives – the **Commercial Rent Tax Exemption** benefit and the **Real Estate Tax Abatement benefit** (both of which fall under the Commercial Revitalization Program), and the **New York State Sales Tax Exemption** program – are set to expire within the coming year, just as Lower Manhattan is likely to be suffering through the full brunt of the economic recession. Furthermore, current deadlines fail to acknowledge the extended timeline of the World Trade Center redevelopment, which continues to weigh on the overall Lower Manhattan market. For these reasons, the Committee believes it is critical to **extend the Commercial Rent Tax Exemption, the Real Estate Tax Abatement, and the New York State Sales Tax Exemption benefits for an additional four years from their current expiration dates.**

Beyond extending the incentive eligibility period, the Committee also endorses streamlining the requirements into a unified set of eligibility criteria and updating several outdated program limitations, specifically:

**For the Real Estate Tax Abatement benefit:**

- **Update the pre-1975 building age requirement, unchanged since first enacted 14 years ago**, to include pre-1989 buildings **or eliminate it entirely**, as was done for the Commercial Rent Tax Exemption under the 2005 Marshall Plan;
- **Reduce the minimum required lease term to 5 years for tenants with over 125 employees**, to reflect the current leasing trends and align with the current minimum lease requirements of the Commercial Rent Tax exemption benefit;
- **Lift the restriction that disqualifies retail leases in residential buildings from eligibility**, to make the benefit a tool for retail attraction; and
- **Eliminate the one-time only provision**, to allow the program to become a resource for job retention.

**For the New York State Sales Tax Exemption benefit for tenant build-out expenses:**

- **Remove the restriction that excludes retail leases**, to make the program a tool for retail attraction; and
- **Reduce the minimum lease term to 5 years for qualified leases**, to reflect the current trend towards shorter-term leasing and to align with minimum lease requirements of the Commercial Rent Tax Exemption benefit.

Finally, the Committee also acknowledged another opportunity to address the increase in the office vacancy rate through **the reinstatement of the 421-g Lower Manhattan residential conversion program**. This program was extremely successful from 1995 to 2006, resulting in the repurposing of over 15.5 million square feet of older, underutilized office space for housing. These conversions spurred the boom in residential growth that has been so critical to the positive evolution of this district.

Other, similarly targeted programs might achieve the same effect, and the Committee also endorsed the idea of alternative tactics, such as the modification of the 80-20 Program to make it applicable to conversion projects in Lower Manhattan.

A more detailed description of these proposals is provided in Appendix B.

## **2. Offer Immediate Assistance to Property Owners and Tenants**

In addition to calls for government to use its resources to support Lower Manhattan through this difficult time, the Downtown Alliance will undertake two steps to minimize the financial burdens on property owners and support leasing and tenancy.

First, in order to mitigate the financial impact of the business improvement district's assessment on both building owners and their tenants during the economic downturn, the Committee endorses a **Downtown Alliance freeze of the FY10 commercial assessment at the FY09 levels**. Funding for the approximately \$300,000 budget shortfall associated with this effort will be funded out of the Downtown Alliance reserve.

Second, in order to support local retailers and continue our efforts to promote Lower Manhattan as a retail destination of choice, the Committee endorsed a **Downtown Alliance expansion of current investor- and consumer-focused retail marketing efforts**. Building on the success of the campaign launched last year, this year's effort will include district-wide collateral and promotional materials coupled with advertising in major media, as well as participation at retail industry conventions and other developer and investor-focused trade events.

## **3. Bolster Lower Manhattan's Standing as the Nation's "Greenest" Central Business District**

In order to remain a globally competitive business district, Lower Manhattan must continually evolve to offer state of the art infrastructure to forward-looking businesses. In the 21<sup>st</sup> century, state of the art equates to optimal energy efficiency and environmental sustainability. Today, Lower Manhattan's most notable attributes – such as extensive mass transit infrastructure, dense, walkable scale, abundance of parks and open space – make it one of the most sustainable business districts in the country, and the large and growing roster of green buildings available Downtown adds significantly to the competitive advantage of this district.

Establishing a green-theme for new economic development initiatives presents an opportunity to build on these existing strengths and help redefine Lower Manhattan as a progressive and environmentally sustainable 21<sup>st</sup> century business district. The message of Lower Manhattan as a sustainable business district should also be supported by programs that aim to expand the scope of green offerings in the downtown market and attract the ever-growing list of businesses for whom "being green" is an important priority.

To this end, the committee endorses three ideas of bolstering Lower Manhattan's standing as the country's greenest business district:

- **Launch a commercial branding campaign for Lower Manhattan with the focus on “sustainable community:”** The primary target audience will be the business sector, aiming to attract and retain office tenants. The campaign will also illustrate ways in which secondary markets, such as residential and tourism, are also supported by a sustainable community. The campaign will establish a comprehensive brand for Lower Manhattan, and incorporate professional concept development, aggressive media placements and collateral that can be used as a tenant attraction tool by property owners and brokers. This campaign will be developed by the Downtown Alliance and is intended to function as a shared resource for commercial owners and brokers.
- **Create tenant-focused “green” interiors grant program:** A two-tiered grant program to offset the costs for commercial tenants signing leases in Lower Manhattan who want to make more environmentally-conscious decisions about the lay-out and operation of their interior spaces. Tier One would focus on larger tenants (50,000 SF or more) and would provide a grant for the costs associated with achieving certification under the LEED for Commercial Interiors protocol. Tier Two would focus on smaller tenants and provide both grants and technical assistance for a broader range of sustainability improvements to interior space, without requiring LEED certification. Initial funding level is proposed at \$10 million, and could potentially be funded through Federal money made available under the American Recovery and Reinvestment Act of 2009 (“ARRA”) or by request from New York State Energy Research & Development Authority (NYSERDA), which has funds to support energy efficiency programs.
- **Implement an Advanced Metering Infrastructure (AMI) pilot program:** Consistent with Governor Paterson’s call to make New York a pioneer in the realization of smart grid technology, the Downtown Alliance is currently exploring the opportunity to include Lower Manhattan in a unique AMI pilot program as a first step towards the implementation of a Downtown smart grid. If implemented, the AMI pilot program would test the capabilities of new electricity and gas metering technology that would allow customers to better manage their energy consumption and ultimately, reduce usage and curb carbon emissions. Initial funding level is proposed at approximately \$20 million and could potentially be funded through ARRA funds.

#### **4. Develop Innovative Programming to Support New Ways of Working**

In order to continue our efforts to position Lower Manhattan as a place that supports and attracts innovative companies and workers, the Committee recommended that **the Downtown Alliance pursue the creation of a Lower Manhattan “coworking facility.”** This type of collaborative work environment aspires to create a community space for work-from-home freelancers, independent contractors, telecommuters, small start-ups and other entrepreneurs where ideas can be shared and exchanged, sparking innovation and new business opportunities. A coworking facility in Lower Manhattan will help to foster the evolution of our district as a progressive 21<sup>st</sup> century business district by providing a unique and innovative workspace that exploits the “live/work” aspect of our growing residential community.

Coworking is a natural extension of our successful wifi program, which also supports casual working at indoor and outdoor hotspots in public spaces throughout the district. The Downtown Alliance has expanded marketing and promotion for our wireless service, and created programming around our hotspots. One successful example is Jelly, a free, one-day, coworking event that was held in mid-May, and made use of our wireless hotspot at the Winter Garden.

Particularly during an economic downturn, as a growing number of people turn to new entrepreneurial ventures and ad hoc consulting to generate income, now is an opportune time for the Downtown Alliance to undertake innovative new initiatives like coworking and Jelly, and expand existing initiatives like wifi, to support and respond to the needs of a changing workforce.

The Downtown Alliance is currently in lease negotiations for space and plans to open the coworking facility in the Fall of 2009.

## **5. Support Public Infrastructure Improvements**

As a global center of business and commerce, Lower Manhattan must maintain and enhance its position as an employment hub that attracts talent from the regional labor force. This requires robust and modern transportation infrastructure. The district's appeal is also tied to the amenities it offers, particularly access to waterfront and enticing public spaces. With these priorities in mind, the Committee is calling for **the completion of key infrastructure and public works projects in Lower Manhattan**. These projects include:

- World Trade Center redevelopment
- Fulton Transit Center
- East River Waterfront Park
- Fiterman Hall reconstruction
- Battery Park reconstruction

An advocacy agenda to support these projects will include letter-writing campaigns to key individuals, outreach to stakeholders as projects are underway, and the formation of targeted forums to bolster constituent support.

## **6. Support Creation of New 21<sup>st</sup> Century Office Space**

Lower Manhattan has long suffered from a misconception that, because it is one of New York City's most historic neighborhoods, its building stock is therefore old and outdated. In order to secure Lower Manhattan's future, particularly as the economy recovers, it is vital to re-frame that perception so that "historic" does not equate to "behind the curve." This means supporting the development of cutting-edge new office space, and advocating for upgrades and retrofits to older buildings to make them more energy-efficient and competitive. Progressive, forward-thinking companies will seek out cutting-edge green space to house their operations and attract new talent. Without the development of more commercial space that meets those needs, Lower Manhattan could slip lower on the list of preferred locations in New York City, and lose its ability to compete as a world-class business district.

With these issues in mind, the Committee supports targeted advocacy and strong public-private partnerships to ensure the timely completion of projects already underway, such as the World Trade Center redevelopment. The Committee also supports potential new office developments and existing building retrofits in the coming years to increase the competitiveness of Lower Manhattan's building stock.

## **CONCLUSION**

Lower Manhattan has faced challenges throughout its history, including previous stock market crashes, the dot-com bust, and terrorist attacks. In every case, the district has re-emerged and re-invented itself, and proven its resiliency to the world. With the proper support once again put into place with the implementation of new programs and initiatives, Lower Manhattan will weather this new storm as well.

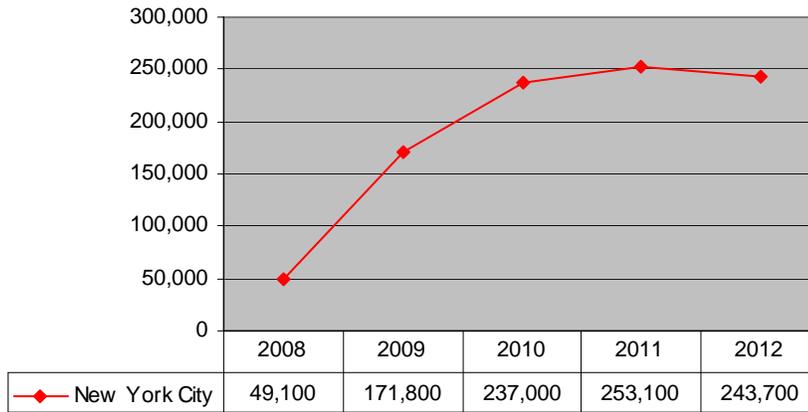
## Appendix A

### Economic Conditions Overview: Impact of the National Recession and Capital Markets Crisis on the Lower Manhattan Real Estate Market

#### Employment

New York City has lost 104,200 jobs as of the end of Q1 09, about 20% in the financial services industry. Present forecasts of cumulative net job loss for New York City range from 250,000 to nearly 300,000 through early- to mid-2011, though unemployment here remains significantly below the national average.

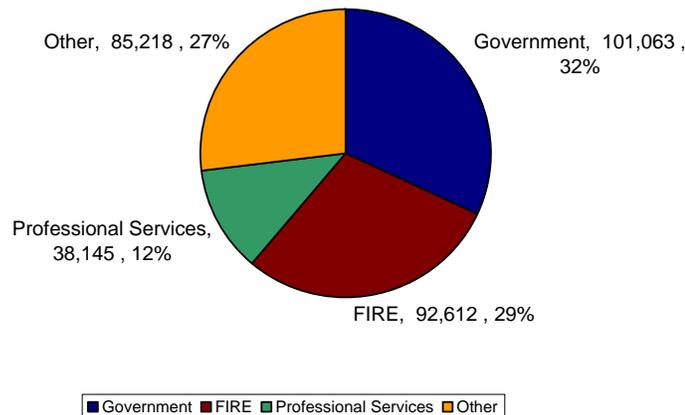
**City-Wide Cumulative Job Loss Forecast**



Source: NYS Department of Labor

While data specific to Lower Manhattan are not available, 29% of total employment is in financial services, which remains the district's signature industry. Twelve Lower Manhattan companies, accounting for 24.4% of our commercial market, have announced layoffs, received TARP funds, or both. Companies including American Express, Citigroup and JP Morgan Chase – all major employers in Lower Manhattan – have announced layoffs since September 2008 and, perhaps most significantly, the pending consolidation of Merrill Lynch's operations with Bank of America may mean the loss of more Lower Manhattan jobs and occupied space.

**Lower Manhattan Employment by Sector (Q3 2008)**

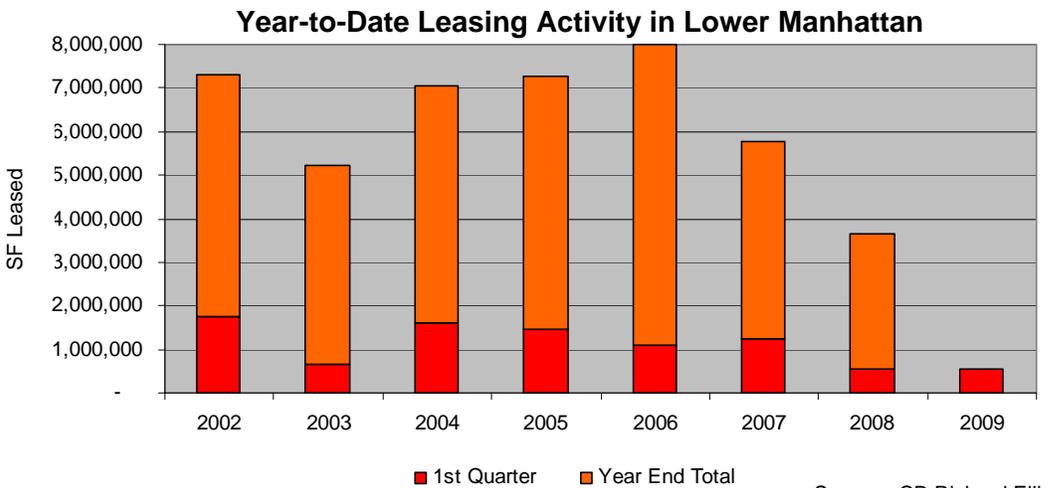


Source: NYS Department of Labor

The Lower Manhattan economy has significantly diversified post-9/11. Since 2005, at least 232 firms have relocated here, taking over 5 million SF of space. It is notable that the majority of these firms were not in the financial services industry. Of concern, however, is the extent to which this “great recession” has touched nearly every sector of the economy. Layoffs or the fear of layoffs in government, not-for-profit and law as well as professional and real estate services, have all contributed to the current slowdown in the Downtown market.

### Leasing Activity as a Function of Employment

Actual and anticipated job losses, constrained credit and a general reduction in business activity have all contributed to a decline in real estate market activity citywide and in Lower Manhattan. Year-to-date leasing activity was slow in the first quarter of 2009 at just 560,000 SF— well off peak activity of 1.2 million SF in the first quarter of 2007. Bucking the historic trend, leasing activity in the first quarter of 2009 was driven by small deals and short-term leases; according to CoStar, 57% of transactions were under 5,000 SF, and at least 29% of leases signed were for less than five years.

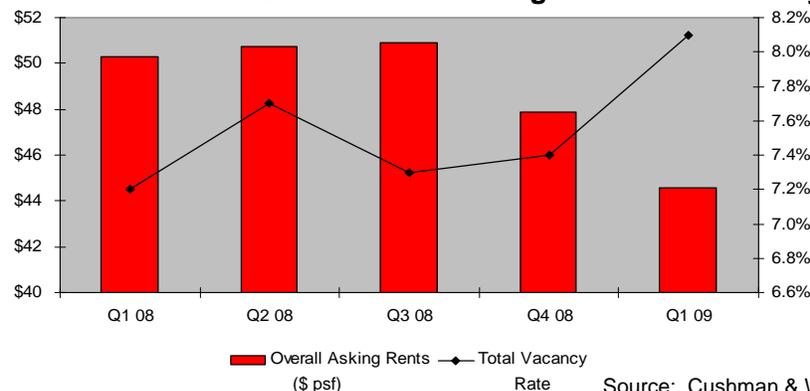


Source: CB Richard Ellis

### The Relationship Between Leasing Activity and Rents

The slowdown in leasing activity has engendered a decline in rents. Lower Manhattan’s Q1 2009 overall asking rents averaged \$44.58/SF, a 7% drop from the previous quarter and 12% drop from the post-9/11 peak in Q3 2008; Class A asking rents dropped 8% from Q4 2008 and 15% from the post-9/11 peak. And, the gap between asking rents and taking rents has widened. From July 2007 through January 2009, taking rents were 90 to 95% of asking rents. They dropped below 90% in February 2009, and were just 81% of the asking rent at the end of Q1 2009. Ironically, the decline in asking rents is not significantly bolstering leasing, as more drastic declines in Midtown rents are eroding the price differential that has long been Lower Manhattan’s competitive advantage.

### Lower Manhattan Office Market Asking Rents and Vacancy



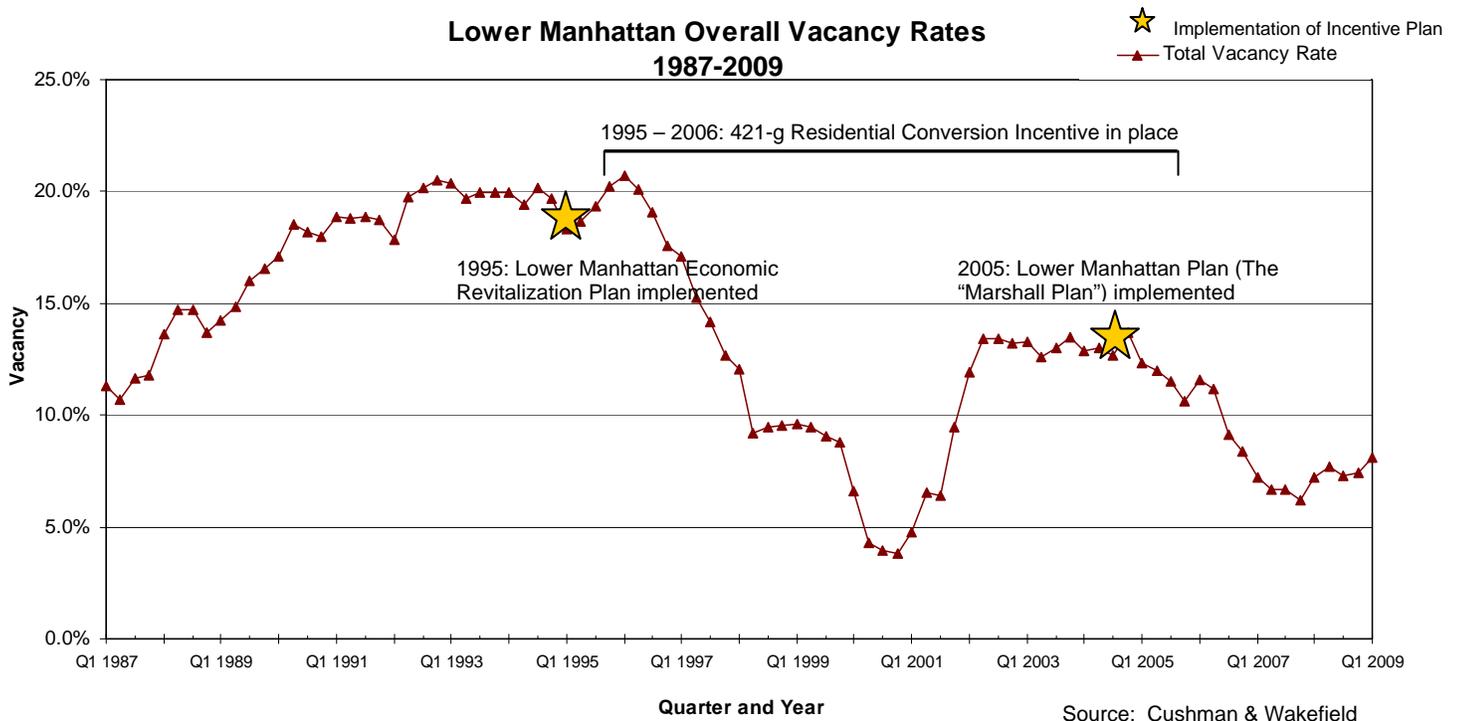
Source: Cushman & Wakefield

## Timing of the Crisis

Given current projections of citywide job losses, the New York City real estate market may not rebound until late 2011 or mid-2012. This means the worst of the economic fallout may be yet to come. Lower Manhattan is not immune from this delayed reaction to employment trends. The Downtown office vacancy rate is rising. A recent report by Jones Lang LaSalle estimates that vacancy in the Downtown market may climb above 20% by 2012, reminiscent of the market conditions of the early 1990s. **Though many experts predict both a new financial services paradigm and concomitant market rebound by mid-decade, without action to forestall these negative trends, the sobering market conditions in Lower Manhattan may further threaten the value of the district's commercial real estate.**

## Is This Crisis Unique?

While distinguished from the current experience of Midtown, the Lower Manhattan market has faced similarly daunting economic challenges all too frequently before: the Great Fire of 1835, the 1929 Stock Market Crash, Black Monday, the dot-com bubble and, most recently, 9/11. Vacancy spiked to 20.7% in 1996 and rose to 13.7% in 2004, the peak of the post-9/11 slump. Government responded decisively on both of these last occasions, with robust market-specific benefits to stimulate leasing. The comprehensive menu of incentives first developed in 1995 to encourage Lower Manhattan leasing was extended and expanded in 2005 and is still in place today, and includes such well-utilized programs as the Commercial Revitalization Program (CRP), the Relocation Employment Assistance Program (REAP), the Industrial & Commercial Incentive Program (ICIP), the World Trade Center Rent Reduction and the New York State Sales Tax Exemption.



## Appendix B

### Lower Manhattan Commercial Incentive Priorities

Commercial incentives continue to be determinative in maintaining Lower Manhattan as a competitive 24/7 world-class business district during economic downturns. In the mid-1990's, the State Legislature first enacted a host of incentives, including the Commercial Revitalization Plan, to attract and retain Lower Manhattan commercial tenants under the Lower Manhattan Economic Revitalization Plan, many of which were extended and expanded in the 2005 Lower Manhattan Plan.

Without State action, three key incentives will expire in less than a year. Given the uncertainty over the rebuilding program for the World Trade Center site, the global economic downturn and today's difficult leasing climate, extending, and in some cases modifying these programs to reflect current conditions is essential to the future of Lower Manhattan.

The three expiring benefits are the Commercial Rent Tax Exemption, the Real Estate Tax Abatement and the State Sales Tax Exemption for Tenant Build-out. Each should be extended for an additional four years. Additionally, the building age requirement of the Real Estate Tax Abatement, unchanged since first enacted 14 years ago, should be updated (or eliminated entirely) and the one-time only provision eliminated, to make this incentive a more effective retention tool. To encourage retail growth, the State Sales Tax Exemption for Tenant Build-Out should be extended to include retail, currently excluded. Specifically:

- **Commercial Rent Tax Exemption (part of the Commercial Revitalization Program):**
  - Reduction or exemption in commercial rent tax for up to 5 years for commercial leases south of Canal Street (retail south of Murray permanently exempt).
  - Leases must commence before June 30, 2009.
  - Contained in sections 11-701 and 11-704 of the NYC Administrative Code.
  - Proposed action: Extend program to June 30, 2013
- **Real Estate Tax Abatement (part of the Commercial Revitalization Program):**
  - Up to \$2.50/psf real estate tax abatement for up to 5 years to tenants that locate to pre-1975 buildings and make required capital improvements to space.
  - Leases must commence before March 31, 2010.
  - Contained in Title 4 of the NYS Real Property Tax Law.
  - Proposed actions:
    - Extend program to March 31, 2014
    - Eliminate the building age requirement, as was the case with the Commercial Rent Tax exemption under the 2005 Marshall Plan, or, revise the age requirement to pre-1989 buildings, adding 14 years to a date established 14 years ago.
    - Reduce the minimum required lease term to 5 years for tenants with over 125 employees, to reflect the current leasing trends and align with the current minimum lease requirements of the Commercial Rent Tax exemption benefit.
    - Lift the restriction that disqualifies retail leases in residential buildings from eligibility, to make the benefit a tool for retail attraction.
    - Eliminate the one-time only provision.
- **New York State Sales Tax Exemption for Tenant Build-Out:**
  - Exemption from sales tax on goods and materials purchased for build-out.
  - Office leases south of Murray Street must commence before September 1, 2009.
  - Office leases in the World Trade Center, Battery Park City and World Financial Center must commence before September 1, 2011.
  - Contained in subdivision (ee) of Section 1115 of the NYS Tax Law.

- **Proposed actions:**
  - Extend program to September 1, 2013 for office leases south of Murray Street and September 1, 2015 for office leases in the World Trade Center, Battery Park City, and World Financial Center.
  - Include retail tenants.



## **AD HOC ECONOMIC REVITALIZATION COMMITTEE MEMBERS**

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