



# Building the Next New York

## Recommendations for Large Real Estate Projects

### Objective

Large real estate projects are essential to the continued vitality of a dense city like New York. By their nature, these complex endeavors come with both great economic potential and substantial financial and environmental risks. This report draws on lessons from the past to recommend principles and policies that can help city-building initiatives achieve multiple goals in the most efficient manner possible. Recommendations call for a proactive government role that facilitates private development while advancing the public's interest through the inevitable changes in projects that can take many years to fully complete.

### Introduction

A new generation of city-building projects will be coming on line in the next several years. Projects such as the World Trade Center, Atlantic Yards and Hudson Yards will reshape entire districts, just as Battery Park City, Times Square and Columbus Circle did in previous decades. Even as these districts take shape, the next wave of large-scale initiatives is emerging. Foremost among these is New York Governor Andrew Cuomo's proposed redevelopment of the 27-acre Jacob Javits Center site on Manhattan's Far West Side. This project, one of the largest and most significant redevelopment initiatives in the city in decades, could become the template for how large-scale real estate is built. This report draws on lessons from the past to recommend policies and principles for sustainable real-estate development for initiatives such as the Javits site and other future projects.

Large real estate projects are the most visible and controversial form of economic development. They change the visual character of the city, transform surrounding neighborhoods, generate new economic growth and are high-risk ventures for both government and private stakeholders. Planning and construction often stretch over decades, and nearly always involve a complex set of public agencies, private developers and community members. Indeed, "city-building" is a more apt term than "projects" for efforts of this magnitude. In many cases, these would be equivalent to the size of an entire downtown for a midsize city.

### What Characterizes a City-Building Project

- **Scale:** Dense development on multiple blocks, super-blocks or large industrial tracts
- **Duration:** Multiple business cycles, often decades
- **Complexity:** Numerous players, highly complex legal, financial, planning, construction and environmental issues
- **Process:** Typically public-private ventures that supersede as-of-right zoning
- **Cost:** High upfront costs for infrastructure and public realm improvements
- **Impact:** Substantial spillover effects on surrounding area; projects can serve as models for future development

City-building development is essential to the continued vitality and economic growth of the city. Smaller projects, infill development and rezonings that facilitate development can accommodate much of the city's needs and maintain the character and vibrancy of neighborhoods where much of city lives and works. But the redevelopment of the few remaining large tracts of underutilized land in Manhattan and the other boroughs creates the capacity for new jobs and housing that can't be squeezed into existing residential or commercial districts. It also provides opportunities to keep pace with the changing demands globalization places on cities and makes possible innovative approaches to urban design and sustainable development.

Over the next four decades, New York City might need as much as a billion square feet of new housing, office, retail and other space. Layering this much new development within New York City's tightly woven existing fabric will require creativity, careful planning and an approach that accommodates multiple policy priorities: balancing both citywide and neighborhood needs; promoting both greater economic prosperity and a more livable urban environment; incorporating principles of social and

environmental justice in existing neighborhoods; and applying best practices of climate adaptation to protect future residents. This set of goals can be conceptually integrated under the umbrella of sustainable development.

Sustainable development creates long-term public benefits by enhancing the environment and broadening prosperity and economic opportunities for both current and future residents. New York City has made impressive strides in advancing energy efficiency, brownfields remediation, better air quality, and superior public spaces and parks, most notably through its PlaNYC initiative but also through a strategic approach to rezonings, affordable housing and infrastructure development. Still, a disconnect exists between comprehensive sustainability policies and large-scale real estate development. Large projects are often initiated by private developers and governed by one-time, negotiated sets of rules between various city, state and federal agencies. Even when the intent is there, the complexity of large-scale developments can make it difficult to reach diverse, ambitious goals when dealing with the realities of project financing, construction challenges and the inevitable changes in economic and political environments as these projects evolve and get built-out over decades.

Growing financial challenges have exacerbated this complexity as the city, state and public authorities focus more on covering short-term budget deficits than on executing long-term sustainability goals. Yet today it is possible to believe that the recent recession, which caused both public and private pain across the city, also created a second chance to step back and take a fresh look at stalled or new projects with the purpose of redesigning them for broader, more sustained public benefits.

## Recommendations

This report aims to contribute to the policy dialogue by offering principles for future city-building initiatives:

- **Establish policy goals and measurable benchmarks to maximize and balance economic, social equity and environmental benefits.**
- **Clarify the maze of state, city and federal requirements early in the process.**
- **Obtain public input at the beginning of the planning process to develop greater consensus.**
- **Lead with public-realm improvements such as parks, streets and plazas to lay the groundwork for private development.**
- **Connect real estate and transportation improvements.**
- **Promote long-term revenue sharing among public land owners and private developers.**
- **Implement district-wide sustainability practices such green infrastructure and renewable energy.**
- **Maintain ongoing public oversight to guide development and maintenance.**

To demonstrate how these principles would apply to future projects, the last section of the report makes specific recommendations for how to proceed with one of the next big city-building initiatives—planning for what comes next on the site of the Jacob J. Javits Convention Center.

Beyond applying these principles to individual projects, the policy and regulatory framework that governs these developments is ripe for re-examination. The current structure, built up over decades, is fraught with complexities that appear to satisfy no one. Private capital demands a high price for investing in projects subject to unpredictability and seemingly endless litigation. Public officials navigate a maze of competing demands with limited resources and authority divided among several agencies and levels of government. Citizens are frustrated that nothing seems to get done, while some remain suspicious of any deal that is struck. To some extent, this is the political reality of projects with such far-reaching effects, and even the most thoughtful reforms will not and should not eliminate contentious, democratic debate. However, there is room to improve outcomes for all stakeholders while protecting legitimate interests.

While many good projects succeed in spite of the impediments, many could be executed better or implemented faster and at a lower cost. We also don't know the opportunity costs of failed projects or ideas that never get implemented. And in the focus on individual projects, the larger needs of the city, state and region can often be obscured.

To generate the most public benefits at the least cost, several larger reforms need to be considered:

### **An independent entity should provide an accounting of projected costs and benefits, and monitor performance over time, to create greater transparency and an informed discussion of project priorities.**

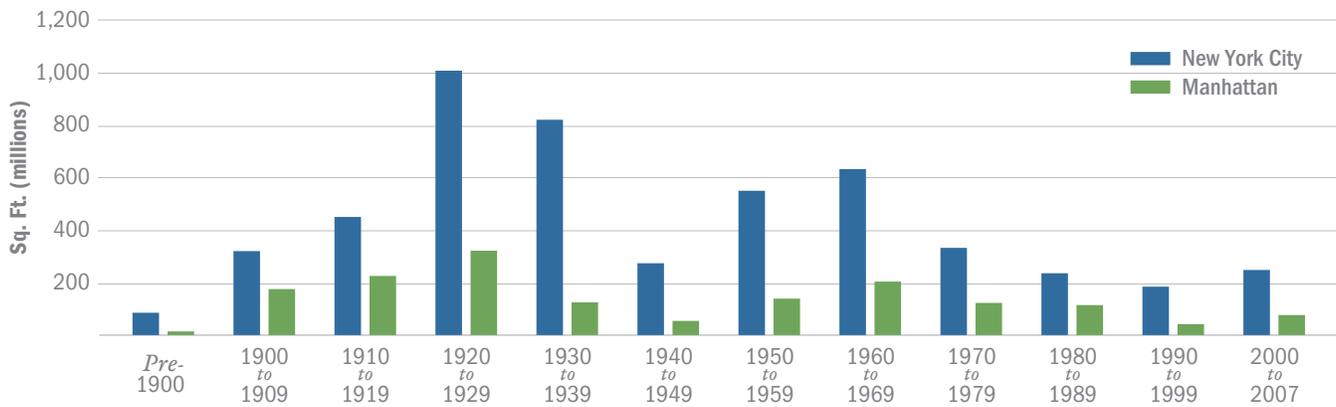
City, state and federal regulations serve essential functions protecting the environment, property rights, community residents and other public interests. As a whole, however, these multiple layers can result in overlapping and inconsistent regulations that add substantially to project costs. In some cases, protections might be too stringent, while others might be too weak or opaque. Evaluation and potential reform of relevant laws and procedures is an ambitious undertaking in and of itself, and will require extensive debate. The goal of this debate should be how we can produce desired economic, environmental and social outcomes, distributed equitably and with greater efficiency and less cost. The assessment should include a review of both the legal requirements and administrative procedures of the National Environmental Policy Act (NEPA), the State Environmental Quality Review (SEQR) and the City Environmental Quality Review (CEQR). The city's Uniform Land Use Review Procedure (ULURP) has brought greater predictability to city projects once they are certified for review, but both the pre-certification process and the state's exemption from ULURP should be explored, as should landmarks preservation laws and practices.

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Public and private costs and benefit streams are difficult to estimate for these complex projects, and are even more difficult to understand when responsibilities are divided among multiple agencies and when off-budget items such as loan guarantees, in-kind services and discounted future revenues are part of the considerations. The credibility of cost and revenue estimates are also questioned when they are produced by either the agency or developer promoting the project. The lack of clear, trusted information greatly complicates efforts to determine how many other public benefits, from affordable housing to public parks, that a project can bear. An independent entity, such as the city's Independent Budget Office,

**Chart 1: Square Feet of Building Space in New York City, by Year Built**

Source: Primary Land Use Tax Lot Output files (PLUTO)



should be charged with producing a single accounting of all quantifiable public and private costs and benefits for major city-building initiatives. Accountings are sometimes produced by different entities, including IBO and both state and city comptroller offices, but assigning responsibility to a single entity for all projects will provide a standard for informing public debate.

**Value recapture should be promoted to pay for transit and other necessary infrastructure investments.** City-building projects create enormous value but also put new demands on infrastructure and services. This is especially true for the subways and commuter rails that create much of the land value on which private owners capitalize. Paying for improvements in this infrastructure, both to generate new activity and to accommodate increased demand when a project is constructed, is an expensive undertaking, and both the Metropolitan Transportation Authority (MTA) and other infrastructure agencies face large funding shortfalls in their capital budgets. Value recapture mechanisms, such as tax-increment financing or co-development, are underutilized tools when there are few other politically acceptable revenue options.

The recent generation of city-building initiatives benefited from a strong economy, new infrastructure investments and growth strategies implemented by the Bloomberg administration. The next generation of city-building could be more difficult. Development sites are fewer and more difficult to develop. Capital budgets are more stressed. Resilience to the effects of global warming will need to be incorporated into project design. Income inequality and the need for more affordable housing are persistent problems that will be affected by the physical development of the city. The lingering weakness in both the global and regional economies adds both a challenging environment and greater urgency for investing in the next growth cycle.

These conditions call for a proactive strategy of planning for the next generation of infrastructure and development projects. A new strategy should identify where and how new city-building projects need to supplement actions already completed and under way, and how we are going to pay for them. For example, the city's effort to examine rezoning Midtown East, the area between Fifth and Third avenues and 40th and 57th streets, and the construction of the first phase of the Second Avenue Subway create the opportunity to do joint development around new subway station areas that could be among the city's foremost development opportunities. Rezoning and existing projects in Downtown Brooklyn, Long Island City, Jamaica and the Bronx Center create the potential for centers that could accommodate much of the new demand for commercial and residential space, but require additional planning, resources and development to

provide jobs and affordable housing that are accessible to low-income residents in the outer boroughs. The growth of the city's technology industries and the city's promotion of university-driven development, including New York University's new Polytechnic campus in Brooklyn, Columbia University's expansion and the new Cornell-Technion campus on Roosevelt Island, could create new economic possibilities with space requirements that have yet to emerge. The challenge will be to leverage these opportunities to generate a new era of economic growth that also will make the city more livable, equitable and environmentally sustainable.

## Past Trends and Future Development Needs

Four years after the onset of the global financial crisis, New York City's private construction market remains depressed. The \$13.8 billion in new construction started in 2011 is nearly a third less than in 2008, and is heavily weighted toward public projects.<sup>1</sup> The remarkable rise of new World Trade Center buildings, memorial and transit hub is an unmistakable sign of the city's resilience. But it also accentuates the predominance of public investment in a period when credit is scarce and future demand is uncertain.

This is hardly surprising given the depth of the recession, but it is in marked contrast to the frenetic pace of development that took place in the years leading up to the downturn. Starting in the late 1990s, New York City led an American urban revival with sharp reductions in crime, a rebuilt and rejuvenated transit system and reclamation of dozens of decaying neighborhoods through a combination of public investments in housing, surging immigration, and community organizations that effectively channeled human and financial resources into neighborhood stabilization. Two of the longest bull markets in history, with the 2000-2002 dot-com bust sandwiched in between, fueled a Wall Street-led boom that resulted in thousands of new units of luxury housing and millions of square feet of new office space. Mayor Michael Bloomberg's New Housing Marketplace program has preserved or created 125,000 units of low, moderate and middle-income housing since 2004.

Perhaps most strikingly, multiple ambitious "city-building" infrastructure and development projects were launched. After 60 years in which no new capacity was added to the city's transit

<sup>1</sup> New York Building Congress, "NYC Construction Starts Decline 31 Percent in 2011," January 30, 2012.

infrastructure, three of the largest rail transit expansion projects in the nation are now under construction—the Second Avenue Subway, the East Side Access project bringing the Long Island Rail Road into Grand Central Terminal and the extension of the #7 subway line to the far West Side. Two new transit hubs—the Calatrava-designed PATH terminal and the Fulton Street transit hub—are also under construction in Lower Manhattan, and Moynihan Station is taking its first tentative steps toward construction in the Farley Post Office across from Penn Station.

New mixed-use districts are in various stages of development, all following controversial planning and approval processes. On the World Trade Center site, the memorial, public spaces and two of the planned office towers are nearing completion. At Atlantic Yards in Downtown Brooklyn, construction of a new basketball arena is under way, while the ambitious plan for new residential, commercial, and open space has been dramatically scaled back in response to weak demand and an inability to obtain financing. In the Hudson Yards on the Far West Side, an even more ambitious project is proceeding with public infrastructure investments, including the #7 Line extension and initial construction of a new boulevard between 10th and 11th avenues, and the first commercial building will begin construction in 2012.

Even more than in prior recessions, it is difficult to predict when the real estate market will recover enough to restart dozens of stalled projects. Some will survive, some won't. Nearly all are likely to undergo revisions to meet the realities of a new market environment. There are certainly reasons to believe that the market recovery will be slow and the resulting expansion less exuberant than the earlier decade. Financial recoveries are notoriously long and uneven. Banks and other financial institutions will be under new capital and regulatory requirements intended to restrain excessive risks.

The history of New York's real estate cycles, however, demonstrates that market sentiments and building patterns can shift abruptly. There were few signs that a new wave of commercial and residential building was about to take place in the late 1990s until office rents and household demand reached a point where construction once again became profitable. But once conditions were favorable, the real estate market responded with relative speed. A similar period of strong construction took place in the mid-1980s following New York City's steep decline in the 1970s. The next expansion phase in the building cycle could also take us by surprise.

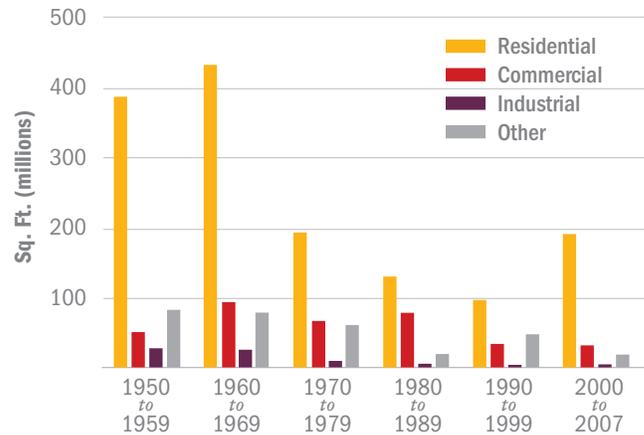
## New York City's Physical Expansion Through 2007

To plan for the next expansion and beyond, it is helpful to put New York City's future needs in the context of its historic development patterns. Chart 1 shows square footage of New York City buildings by the year in which they were built. Although portraying the data by decades masks some of the cyclical patterns, the broad trends are readily apparent. From this perspective, the "boomlet" from 2000-2007 that led up to the recent recession pales in comparison to the construction that occurred in the early years of the 20th century.

Construction peaked in the 1920s when a billion square feet of houses, apartment buildings, office towers, factories and other commercial and industrial space was built. A booming economy, a tide of immigrants and the extension of the subway system into rural areas of the outer boroughs drove the expansion. More than half of the city's current building stock was constructed

**Chart 2: New York City Building Space by Use and Year Built, 1950 to 2007**

Source: Primary Land Use Tax Lot Output files (PLUTO)



before 1940. After declining sharply during World War II, construction rebounded in the 1950s and 1960s, before declining steadily through the 1990s.

Chart 2 highlights these trends in the post-World War II period. It shows both the predominance of residential construction and the sharp drop-off in all construction following the 1950s and 1960s. Although more was built in the 1970s than the 1980s or 1990s, most was built in the early 1970s. Except for a burst in the late 1980s, there was a roughly 20-year period from the city's fiscal crisis in the mid-1970s to the expansion of the late 1990s when relatively little was built. The boom in construction in the eight years from 2000-2007, however, exceeded the amount of space built in either of the prior two full decades (1980-1989 or 1990-1999), even with a recession in the first two years of the 2000 decade. Even if data were available for 2008 and 2009, however, construction since 2000 would likely be about half of what it was in either the 1950s or 1960s.

Much of the recent construction boom has been concentrated in residential development, and much of the current and planned office development merely replaces the space that was lost in the September 11 attacks. Other world cities are increasing their stock of Class A office space, as New York will need to do as the market for office space rebounds.

## Future Demand for New Construction

Numerous factors will determine New York City's need for new construction over the next several decades, from the amount of population growth to the desire to modernize and replace obsolescent buildings. From 1970-2007, over a billion square feet of building space was constructed in the city, even though population grew by less than 300,000. Future growth of the city's population makes considered development capacity essential. Even if actual growth falls far short of the million new New Yorkers projected when Mayor Bloomberg announced his PlaNYC initiative in 2007, substantial new space will be needed to keep the city vital, livable and economically competitive. Several factors indicate that the need for new building space for the next forty years will be of a similar order of magnitude to the one billion square feet constructed in the forty years since 1970:

- **New York City's pre-eminence as a global city:** Part of New York's story has been its resilience in the face of multiple challenges—the fiscal crisis and middle-class flight of the 1970s, the surge in crime through the early 1990s, the September

11 attacks and several Wall Street crashes. Even the current financial crisis is unlikely to displace New York as the Western Hemisphere's leading financial center. Many economists expect leading world cities to attract even more growth in the future, and New York's assets appear well suited to the requirements of the global economy—its dense agglomeration of high-value activities and intellectual talent, its energy efficiency, its robust transit network, its diversity and cosmopolitan tolerance.

Reflecting these advantages, the most recent forecast of the New York Metropolitan Transportation Council (NYMTC), projects New York City's population will grow by 1.2 million and its employment base will grow by 1.3 million between 2010 and 2040. Using a rough rule of thumb of 500 square feet per person and 250 square feet per employee, it would take nearly a billion square feet of space to accommodate this growth.

Obviously, there are a number of downside risks to this forecast, including a potential long-term erosion of U.S. competitiveness or fiscal constraints that would prevent needed investments in infrastructure, education or public services. Some of this demand could also be accommodated by the adaptive reuse of existing buildings, or by a more intensive use of space that would reduce the square footage per person. But even if growth is much lower than forecast and underutilized buildings accommodate more residents and workers, there are several compelling reasons for continued long-term demand for new construction.

- **An aging building stock:** More than half of the city's building stock is over 70 years old, and its housing stock is older than that of any major U.S. city. While many older buildings are built to last with architectural features that will continue to make them desirable places to live and work, many are deteriorating and most lack many modern amenities that residents and businesses have come to expect in places around the world. While much of the city's building challenge relates to how we retrofit these structures to make them more technologically current and energy efficient, many will need to be demolished or decommissioned over the next 40 years.
- **Changing demographics and industry space requirements:** Just as the typical family and businesses had different space needs in 1960 than they have today, so the next 50 years is likely to see significant change. Households will be older and smaller. Industry mix and business requirements are difficult to predict, but current trends indicate a growing need for flexible workspace to accommodate wider range of work hours and practices. Even if there is no aggregate growth in the number of households and jobs, there would still be a mismatch between the types and locations of space needed and the characteristics of the existing built environment.
- **Slower suburban growth:** Much of the city's postwar workforce needs have been accommodated by a rapid suburban growth and growing commutation into the city. This growth has slowed in the last two decades as developable land has dwindled, highways have filled and family formation has slowed. Future growth could be further slowed unless municipalities begin to allow higher densities and there is sufficient investment in transportation, water and other infrastructure. Without these actions, there will be greater pressure on New York City to expand housing supply within the city boundaries to accommodate a growing work force and address the persistent shortage of affordable housing.

## New York's Capacity for Growth

The rapid growth of the early 20th century was fueled by the combination of robust demand, abundant land and new infrastructure capacity. The challenge of the early 21st century will be to satisfy demand with a constrained supply of developable land and transportation, water, power and other infrastructure. There are very few large tracts of land left in the five boroughs that are not already developed or protected parkland. Those that remain invariably face costly infrastructure and environmental challenges. Most new growth is likely to come from infill development or redevelopment of existing industrial or commercial property.

However, it would be a mistake to assume that there is a specific cap on the city's growth capacity. Dynamic cities like New York have capacity to accommodate growth in unanticipated ways. They have accumulated social and economic capital built up over decades that endows them with a remarkable ability to transform themselves in response to economic and social trends, new technology and changing culture. Their adaptability also contributes to changes in the social-economic environment in a continuous feedback loop. Cities can grow vertically as well as horizontally, and remake entire districts as well as individual buildings. To some extent, land use regulations leave room for new growth. For example, there are nearly two billion square feet of unused development rights in Brooklyn and Queens, much of it on industrial or underutilized commercial property.<sup>2</sup> While most of it lacks the current market demand for development, and much would need significant infrastructure upgrades and environmental remediation, there is still room for growth within the existing building envelope.

Clearly, physical changes can be more difficult and expensive in a densely developed city, which leads to intense focus on a small number of large-scale development opportunities with the potential to remake large portions of the city fabric. Rail yards such as Atlantic Yards in Brooklyn, Hudson Yards in Manhattan and Sunnyside Yards in Queens have large footprints in attractive locations but present daunting challenges in building over active transportation facilities near residential areas. Large industrial districts such as Willets Point support existing businesses and have extensive environmental costs. Mixed-use areas from Coney Island in Brooklyn to the Bronx Hub offer their own set of complex planning and development issues.

New York City's capacity for sustainable economic growth rests in large measure on how we address the challenges in this handful of places. While the process will always be contentious, the history of large-scale real estate development, both within the five boroughs and elsewhere, offers lessons that can be applied to the next wave of city-building.

## Lessons From Past Development

From its earliest days, through the construction of Rockefeller Center in the Great Depression to the building of Battery Park City in the 1980s and to current rebuilding of the World Trade Center, New York has a rich history of mega-projects, many of which became blueprints for what other cities aspired to create. It is impossible to divorce these developments from the politics

<sup>2</sup> From unpublished study of the I-278 transportation corridor by Regional Plan Association and the Region 2 Urban Transportation Research Center for the New York State Department of Transportation.

and economics of their time, location and idiosyncratic characteristics. But there are recurring themes and prominent examples that provide lessons for shaping best practices in the future.

The following describes lessons based on observations from 10 prominent New York city-building initiatives. For comparison, three projects in other cities were examined: Boston's Seaport, Chicago's Millennium Park and San Francisco's Mission Bay. A description of the history and outcomes for each of these initiatives, and a bibliography of sources, can be found in the Appendix<sup>3</sup>

**Figure 1: Timeline for Selected Large-Scale Developments**

Project	Start	Finish
Lincoln Center	1955	1974
World Trade Center	1961	1987
Riverside South	1962	Ongoing
Battery Park City	1969	2012
Roosevelt Island	1969	Ongoing
Times Square	1981	2001
Columbus Circle	1985	2004
Willets Point	2002	Ongoing
Atlantic Yards	2003	Ongoing
Coney Island	2003	Ongoing
<b>Comparable Projects</b>		
Boston's Seaport	1987	Ongoing
Millennium Park, Chicago	1997	2004
Mission Bay, San Francisco	1999	Ongoing

Some have roots going back to the 1950s and 1960s, even though planning and construction extended beyond these decades: Lincoln Center, the original World Trade Center, Battery Park City and Roosevelt Island. Some are products of the 1980s and 1990s—Times Square, Columbus Circle, and Riverside South—and three were planned and approved during the last decade—Atlantic Yards, Willets Point and Coney Island.

**In most instances, planning, approval and construction generally took far longer than originally envisioned.** Most had several false starts and went through multiple plans before development was approved and construction started. Complete build-out of approved projects generally stretched over several years, even decades, and multiple business cycles. Battery Park City, Roosevelt Island, Times Square, Columbus Circle, Riverside South and San Francisco's Mission Bay are all examples of where one or more development plans needed to be scratched, whether due to financial infeasibility, political opposition or changes in developers or political leaders. Litigation can often delay projects for years, especially when eminent domain is involved. Even after plans are approved and the project is under construction, the project can undergo major changes in scope, timing and program. Both Times Square and Atlantic Yards, for example, experienced major changes shortly after their ambitious and controversial plans were approved.

**High upfront costs and long-term paybacks make public-private development difficult to negotiate, implement and evaluate.**

Nearly all projects require substantial investments in infrastructure, site preparation, remediation and other costs that must be borne by either the public entity or the private developer. Even tallying

the costs can be difficult when projects require public infrastructure investments or regulatory changes that impact more than the individual project, and when many of the public costs are in the form of discounted land values, loan guarantees, deferment of projected tax revenues and other considerations that can be difficult to price. There is also little consensus on how to measure or weigh a wide range of public benefits that may not have an accepted market value, such as design values or environmental mitigation.<sup>4</sup> Evaluating outcomes through a sustainability lens that looks at economic, social equity and environmental outcomes over an extended time frame can be particularly difficult. A good example of a project that can be viewed as a success or failure depending on time frames and perspective is the original World Trade Center. Never loved by most planners, it took many years to fill with private tenants and arguably depressed Lower Manhattan real estate values in its early years. Yet by the time of the September 11 attacks, it was an anchor for global financial businesses and a New York icon.

**Projects that share both risks and long-term revenues between the public sector and private developers have a track record of success in New York and other cities.** Because projects can change so drastically from plan to completion, and because it so difficult to calculate the return on public investments, the public interest is often best protected by ensuring its continuing role in the development. Battery Park City may offer the best example of long-term public oversight that has generated huge financial returns for the city and state. By maintaining ownership and entering into long-term leases as the market developed, the Battery Park City Commission has funded thousands of units of affordable housing and helped close city budget deficits. Nearly three decades after the first buildings were constructed, the development generates nearly \$200 million per year in operating income from rents, payments in lieu of taxes and other revenue. Other examples of co-development that generated long-term revenues, often far exceeding both expectations and the revenue that would have been generated from a short-term land sale include Faneuil Hall in Boston, California Plaza in Los Angeles, and National Place in Washington, D.C.<sup>5</sup>

**Community and environmental benefits have become increasingly important in public-private negotiations, but are difficult to balance with economic and financial objectives.** The growing emphasis on energy efficiency and other sustainability outcomes can be seen in the increasing inclusion of environmental criteria in Battery Park City's design guidelines from the 1980s to the present. Similarly, the negotiations for affordable housing, public spaces, local job preferences and other community benefits in more recent projects like Riverside South, Atlantic Yards, Willets Point, Coney Island and Mission Bay—while controversial and with uneven results—are a far cry from more top-down models of Lincoln Center and other earlier projects. However, in part because it is difficult to place a monetary value on these considerations, they are more often part of the political negotiations to secure project approvals. This can result in poor outcomes on both sides of the ledger—projects that may not adequately address adverse impacts on existing residents or failed projects that become too expensive to implement.

**Robust public input early in the planning process tends to produce greater political consensus and better outcomes.** Boston's Seaport redevelopment was shaped by more than 200 community meetings and an advisory committee of government, business, labor and neighborhood representatives, and led to a vibrant waterfront accommodating multiple needs and emphasizing public waterfront

<sup>4</sup> Sagalyn, Lynne B., "Public Profit Sharing: Symbol or Substance?", *City Deal Making*, Terry Jill Lassar, ed., ULI-the Urban Land Institute, 1990.

<sup>5</sup> *ibid.*

<sup>3</sup> <http://www.rpa.org/library/pdf/RPA-Building-the-Next-NY-Appendix.pdf>



Battery Park City. Source: Flickr | RealMattKane

access. In Riverside South, a controversial project with strong community opposition, was approved and built only after a coalition of city and community civic organizations, including Regional Plan Association, was able to negotiate density, housing, open space and waterfront access concessions.

**Multiple and overlapping jurisdictions by different city, state and federal agencies can often make for an inconsistent and confusing set of rules governing the development of different projects.**

The result can be time-consuming resolution of regulatory and jurisdictional issues in some instances and insufficient public review in others. Much of the land for these large projects is owned by either city or state agencies, or is subject to provisions which allow the state to override local zoning and land use regulations. The city, state and federal agencies have different environmental review processes, different eminent domain and bonding authority. The state has a more constricted public review process than the city's Uniform Land Use Review Procedure (ULURP), and property owned by the federal and state governments and state-controlled authorities such as the Urban Development Corporation (UDC), Metropolitan Transportation Authority (MTA) and the Port Authority of New York and New Jersey (PA) are exempt from ULURP. This can lead to vastly different processes that range from a city-controlled project like Coney Island to the UDC-led Times Square project to the PA-governed World Trade Center. The different scale and impact of these projects provide some rationale for varying processes, but mostly they are determined by different ownership structures or governing authorities.

**Most of these projects attempted to build on their proximity to existing or planned transit services and improved surface vehicular and pedestrian circulation, some more successfully than others.** Lincoln Center created a direct underground connection between the arts complex and the #1 line subway station at 66th Street and Broadway, and the Columbus Circle redevelopment funded various station circulation improvements and a new entrance. The Times Square redevelopment plan mandated building easements to construct several new subway entrances to replace existing sidewalk locations, increasing surface space for pedestrians. A tramway and new subway station were constructed for Roosevelt Island and a new PATH station was built as part of the original

World Trade Center development, along with new underground connections to three existing subway lines. Riverside South and Atlantic Yards are examples of large projects that have done little to improve the accessibility or capacity of existing transit services, yet both projects are large auto trip generators. Battery Park also initially failed to incorporate connections to transit and improvements to surface mobility as part of its master plan, separating BPC from the rest of Lower Manhattan. Recent changes to calm Route 9A and the planned underground passage connecting the World Financial Center to the new WTC Transportation and Fulton Street Transit hubs help to remedy the earlier omissions.

## Principles and Policies for Future Development

Even with a depressed real estate market, plans and studies for many large projects are moving forward. The largest of these, over the Hudson Rail Yards, has project approvals and a developer to move forward with nearly 13 million square feet of development when market conditions materialize. Other districts are in earlier stages of development or planning and provide opportunities to adopt sustainable development best practices. Examples of these include Greenwich South in Lower Manhattan, Seward Park on the Lower East Side, the BAM Cultural District in Downtown Brooklyn, the North Shore of Staten Island and Jamaica Center in Queens. Other potential city-building locations include Sunnyside Yards in Queens and the site of Javits Convention Center. How these and other city-building initiatives are designed and implemented will help determine whether the next economic expansion provides the impetus for sustained prosperity that also addresses growing environmental and social challenges.

To succeed, these initiatives will need to address the same complex set of questions faced by previous projects.

→ **How can public participation be inclusive of diverse stakeholders and build consensus for long-term success?**

- **How should community benefits, including jobs, housing and services be determined and built into the outcomes of the project?**
- **What type of development framework can provide the most effective incentives for private development while bringing the best return for public assets and investments?**
- **How should large-scale projects be designed to both enhance their marketability and include green design and sustainability as main features?**
- **Can public realm improvements, including streets, parks and public buildings provide amenities that not only attract users but also increase the value of the developments?**
- **How should both the planning and construction process be managed to accommodate market fluctuations or other changes that inevitably impact costs, phasing and outcomes?**

To better address these questions, city and state agencies, as well as private developers and community stakeholders, can learn from the successes and failures of past efforts. Many of the following recommendations are already incorporated in individual projects, but a more consistent, comprehensive application would help ensure that large real estate development projects support the long-term economic, fiscal, environmental and social goals of the city. These city-building initiatives can both incorporate emerging best practices in sustainability and demonstrate the effectiveness of new concepts that are best implemented and evaluated in projects of this scale.

**Establish a set of goals and benchmarks to guide development projects and balance economic, environmental and social equity objectives.** These include both immediate and long-term job growth, protecting and improving environmental and community resources, expanding affordable housing, maximizing net revenues to the city and state, improving energy efficiency and creating quality public spaces. Every project requires trade-offs between multiple objectives that need to be weighed against each other and project costs, only some of which can be met by any particular project. The particular components for each project will vary—for example, some will have more emphasis on commercial office space, others on housing or open space. Articulating a clearer framework for evaluating these specifics against measurable economic, environmental and social equity goals will ensure that economic development projects are more fully integrated with city and state environmental, health, social welfare, education and other policies and investments.

**Clarify the maze of state, city and federal processes.** The governing regulations for a project depend on jurisdiction, land ownership and one-time agreements between city, state and federal agencies. These can seem capricious and lead to different processes for similar projects. It also leads to multiple reviews from different agencies, which are often duplicative and play out on different time frames. There is no simple way to create more efficient and transparent processes when multiple jurisdictions, agencies, private property owners and constituents have a stake in the outcome. However, several actions could make a difference. At a minimum, there should be sufficient attention early in the planning stage to insure that agencies have a consistent interpretation of regulations guiding the process, documented by memoranda of agreements that clearly define responsibilities. More projects could also make use of Generic Environmental Impact Statements (GEIS) to govern large districts,

as was done in the case of the World Trade Center rebuilding project. These can minimize the overall scope of the review and the need for subsequent reviews of specific projects. In instances when the City of New York does not have jurisdiction for a project, the process should provide public review steps and a timeline similar to the city's ULURP process to provide consistent levels of community and public official input. Beyond these actions, high-level state and city leadership should seek to consolidate overlapping rules, minimize administrative bottlenecks and clarify any jurisdictional guidelines.

**Initiate public planning processes early to develop greater consensus on project priorities.** While public participation and planning guidelines are the norm for rezoning and district master plans, the development of many past projects has been driven by developer proposals that triggered a reactive public review. This practice short-circuits the ability to gather stakeholder input and develop consensus for project priorities, and inhibits the consideration of alternatives that could achieve a higher return on public assets and investments. It can also exacerbate costly project delays if there is no development of political consensus prior to project proposals. This will generally require creating master plans for large projects and zoning changes for smaller projects. Among other conditions, these can establish standards for brownfield remediation, green infrastructure and energy systems. The Boston Seaport project provides one model for robust stakeholder input and alternatives analysis prior to seeking development proposals.

**Start with public-realm improvements that connect the district to the city and create an armature for private development.** Prioritizing public space means designing, constructing and even programming these improvements in advance of the buildings that will be constructed around them, and devoting sufficient resources to get these elements right. City-building involves changing space in a fundamental way. Usually this means altering or expanding existing streets, parks, squares, plazas and other shared space. Redrawing this foundation layer of public space must be considered with exceptional care because what is created today will shape the neighborhoods of tomorrow. Temporary uses and programs can generate visibility and create identity. As demonstrated by Hudson River Park, the High Line and Brooklyn Bridge Park, when done right these improvements create real estate value, frontages and coherent neighborhoods that make private real estate more marketable and profitable. These common open spaces should be permanently protected and managed by a parks agency or a non-profit dedicated to public space management and programming, rather than the developer or building manager. Mapping of these areas as city or state parkland is the surest and most straightforward means of achieving this goal.

**Connect real estate and transportation improvements to address pedestrian circulation, goods movement and new transit service demand.** Large developments rely heavily on transit and should be required to invest in improvements to effectively serve the added passenger volumes induced by the new development. This might include the construction of new station entrances, vertical circulation elements and widening of stairs and platforms, or operations and maintenance support. New construction is also an opportunity to free up sidewalk space by incorporating subway entrances into the building itself, an approach first adopted by the city in 1974 as part of the Second Avenue Special Transit Land Use District. These large developments also attract significant freight volumes. Where possible, provisions should be made to centralize freight deliveries to reduce surface truck traffic and the number of curb cuts, which create a "dead" space at the street level.

**Promote long-term partnerships among public and private investors to share risks and revenues.** Too often, government agencies provide valuable land or make expensive infrastructure investments and turn over most of the upside potential to a private developer. There are several reasons for this. It is difficult to assess the long-term revenue potential of a project and the value to the project of public infrastructure. The city and state lack the private-sector capacity for real estate development, and are often under pressure to meet immediate fiscal needs at the expense of overall return on investment. However, there are a number of ways of providing long-term revenue to the public land holder. Creating a master plan and then developing parcels incrementally as the market materializes, as the city and state did in Battery Park City, creates a long-term revenue stream that rises with increases in land value. Long-term leases calibrated to the rental income of the developer and performance of the project provide a means of sharing both risks and benefits. Co-development of a property with a private sector partner is another mechanism that creates a more active partnership in sharing the responsibilities and rewards.

**Promote innovative sustainability practices through large city-building initiatives.** Projects of this scale can push the envelope of new energy technologies, green infrastructure, healthy pedestrian environments and other best practices. These can include distributed energy systems that use solar power, co-generation and other alternative sources to take buildings and districts “off the grid.” Districts can be designed to absorb storm water runoff with green roofs and streets. Even the boundaries of development districts themselves should consider topography, soils, waterfronts and other natural features as well as man-made infrastructure and land ownership.

**Create appropriate mechanisms for ongoing public oversight.** Given the degree to which developments change from conception to construction, a continuing public oversight role is appropriate when large commitments of government resources have been made. These mechanisms need to maintain sufficient flexibility to respond to changing market conditions while staying true to the approved project objectives and priorities. This will often require maintaining title to the land in perpetuity and leasing portions of these tracts to developers, subject to continued public monitoring for building design and use. This is, in fact, how Boston and other major U.S. cities handle similar economic development projects. For others, it may be appropriate for the city to clear land of encumbrances and prepare it for disposition, wherever possible maintaining the fee interest in development parcels. Commissions similar to the Battery Park Authority—with both city and community representation—should become standard procedure for large district-wide plans to insure that changes in project design and implementation are consistent with sustainability goals and project commitments.

## Future City-Building: What Comes After Javits?

One of the next opportunities to start a large, city-building initiative using these principles could be the redevelopment of the current Jacob J. Javits Convention Center. Governor Cuomo has proposed building the nation’s largest convention center at the site of the Aqueduct Racetrack in Queens through a joint venture with casino operator Genting Resorts World, unlocking the enormous economic potential of the current location of the Javits Center. The proposal builds on a longstanding idea of Regional Plan Association to replace the convention center with

both a new, smaller conference facility in the Farley Annex, adjacent to the Farley Post Office that will house the new Moynihan Station, and a larger trade show facility in Queens. The governor’s proposal makes redevelopment a likely occurrence, even if it is several years in the future. With no process yet under way to plan for its reuse, it is also an opportunity to consolidate lessons of the past and establish a model for planning other large developments.

## The Site and Its Potential

Javits and its ancillary facilities occupy a prime waterfront site on a superblock between 11th and 12th avenues and 33rd and 40th streets. By the time the site is ready for redevelopment, it will be flanked to the east by blocks primed for office development along the new boulevard between 11th and 12th avenues and by a rising mixed-use complex over the Hudson Rail Yards to the south. With recent residential development along 42nd Street to the north, the site will be the last large site between the growing Hudson Yards district and the Hudson River waterfront to be redeveloped for mixed use. The southern portion of the site will be well served with transit once the #7 Subway is extended to 11th Avenue and 34th Street in 2013.

The land underneath the center is co-owned by two New York State authorities—Empire State Development Corporation and the Metropolitan Transportation Authority, through its Bridges & Tunnels subsidiary. RPA estimates that disposition of the site would yield nearly \$4 billion in net revenue for the state if it were rezoned for mixed uses at densities typical of midtown Manhattan. In a January 2012 white paper, “Unconventional: Trading in Javits for more. And better,” RPA proposed that revenues from the site could fund new infrastructure on the site and new conference and trade show facilities.

Figure 2: Site of the Jacob J. Javits Convention Center



These are not the only potential uses of revenue nor is a mix of high-density residential and commercial development the only option for the site. There are strong voices within the convention and tourism industries arguing that the Javits Center is too important to the city’s economy to be abandoned. Michael Kimmelman, the architecture critic for the New York Times, has proposed moving Madison Square Garden to the site. Within the option of mixed-use development is an almost infinite range of possible uses and designs. As the future of the convention

industry and Javits Center are debated, it is not too early to consider the process under which the future of the site is considered and planned.

## The Process

Two priorities should guide the planning and decision-making process for the site: designating a commission with oversight for both the planning and future development of the site and conducting a robust public process to engage the public and elicit input from community, business, and civic interest groups. Once a preferred alternative is chosen, New York City's ULURP process should serve as a guide for obtaining comment on the proposed plan prior to approval.

The first step is to designate a commission with the authority to conduct a planning process, approve a final plan and oversee the development of the site. Commission members should include ESDC and the MTA as owners of the site, the City of New York and representation from the West Side community. A memorandum of agreement should clearly articulate the authority and responsibilities of the commission and each of its members. The Battery Park City Authority can serve as a model for an inter-governmental agreement that has provided long-term oversight, maximizing public benefits while providing the flexibility to respond to the market. This could most easily be accomplished by establishing an ESDC subsidiary or Battery Park City-like authority to oversee this project.

Evaluating alternatives for the site should include sufficient opportunities for public input and access to relevant project information, and skilled, professional facilitation of the process. Several models could serve as prototypes, including the Listening to the City event that gathered and processed public comments on early plans for redeveloping the World Trade Center site, or the series of public workshops and committee meetings that led to the plan for redeveloping the Boston Seaport.

While it would only be advisory because the land is owned by the state, review of the final land use plan should follow the steps and timeline of the city's ULURP prior to approval. This would provide a recognized process with hearings and actions by the Community Board, Borough President, City Planning Commission and City Council. It would provide transparency, a certain timeline and consistency with other projects across the city.

## Achieving Sustainability Goals

An initial objective of the commission and public process should be to establish a set of goals for the project based on a "triple bottom line" that includes economic and financial return on investment, an equitable distribution of benefits and costs, and a healthy and sustainable environment. Goals and benchmarks for success should be proposed by the commission and evaluated and revised through the public dialogue. Issues for this location include how best to measure job creation and income generation from a site that can support the westward expansion of the Midtown Central Business District, maximizing public access to the waterfront, achieving the city's affordable housing goals and supporting mixed-income communities, minimizing the city's carbon footprint and supporting existing residents and businesses in the larger district. Cost estimates to determine which of these priorities can be met should be provided through a cost-benefit accounting prepared by the Independent Budget Office or state or city Comptroller's office.

Achieving this broad set of sustainability goals will require leading with the right physical and institutional infrastructure. The physical structure can build off of the street, open space and transit infrastructure that is already under development for the Hudson Yards district. The public realm armature for the site itself will need to connect to the waterfront and street grid, and provide a rational context to guide the private development. This not only includes maximizing the functionality of the district. It also involves establishing its character and identity, and providing for the broadest use and enjoyment of the parks, streets, plazas and other public spaces in their own right.

With this initial mapping and design of the public spaces, a master plan for the site should set the parameters for the location, design and construction of commercial and residential buildings. As was the case with Battery Park City, parcels can be leased to developers as the market materializes. A set of design guidelines can provide coherence to the architecture and still allow for the variety and organic development of the most successful urban districts. Long-term leases will allow for revenue streams that can be bonded to support mass transit, affordable housing and other public benefits. While the state would share the financial risk of developing the site, it would also maintain a stake in the upside potential of property that is likely to increase in value as Midtown West develops over time.

One potential beneficiary use of revenue from the site is the construction of a station at 41st Street and 10th Avenue for the #7 line subway extension. The station was dropped from the construction plans for budget reasons, even though there is broad agreement that this station is critical to the long term development of the Far West Side. Unfortunately, there still is no consensus on where the money should come from with the MTA facing a multibillion dollar hole in its capital program. It will be even more essential with more transit-dependent uses on the site. Development revenues should fund new transportation services to address any additional demand created, and the 41st Street station should go a long way toward meeting that demand.

A new district also provides an opportunity for reducing energy emissions and demands on the region's electricity grid. Some municipalities have adopted the goal of "net zero" emissions from new development through the use of green infrastructure, solar power and co-generation facilities. None, however, have been attempted at this scale. Designed from the ground up, an entirely new district on the Javits site could even go beyond these and become a net energy producer. As such, it could become a model for other large-scale development in the city for years to come.

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## About RPA

Regional Plan Association is America's oldest and most distinguished independent urban research and advocacy organization. RPA works to improve the infrastructure, economic competitiveness and sustainability of the New York- New Jersey- Connecticut metropolitan region. A cornerstone of our work is the development of long-range plans and policies to guide the growth of the region. Through our America 2050 program, RPA also provides leadership in the Northeast and across the U.S. on a broad range of transportation and economic-development issues. RPA enjoys broad support from the business, philanthropic, civic and planning communities. For more information, please visit [www.rpa.org](http://www.rpa.org)

