

Unconventional

Trading in Javits for more. And better.

New York needs

- a modern, efficient, accessible facility for trade shows and expositions
- a centrally located, top-of-the-line venue for professional conferences and meetings
- a great railroad station to serve over 400,000 commuters and intercity passengers daily

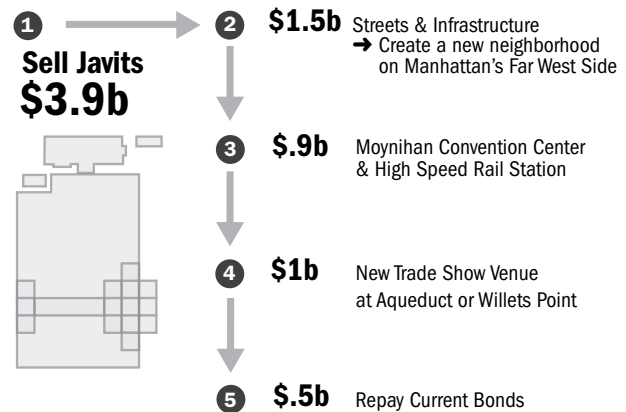
The city can have all these things—along with development made possible by seven full blocks of waterfront real estate in Manhattan’s burgeoning Midtown West neighborhood—at no cost to the taxpaying public.

The key to unlocking all this economic value: rethink the Jacob J. Javits Convention Center.

Revitalization of the Javits site would become the largest urban development project in New York State—indeed in the entire nation. It would generate tens of thousands of construction and permanent jobs and billions of dollars in additional tax revenues for New York City and New York State. It would underpin the development of the Midtown West district that will be the focus of much of the city’s growth in this century.

It’s time to recognize that Javits is attempting to fulfill two different roles—and excelling at neither. It is too small for most consumer and trade shows and lacks the accessibility and meeting space necessary for conferences.

New York now has an unprecedented opportunity to build a brand-new, top-of-the-line conference center next door to America’s busiest train station—in the James A. Farley Post Office’s western half, known as “the Annex.” A public-private partnership is in the process of transforming the post office, which sits above most of the train tracks into Penn Station, into Moynihan

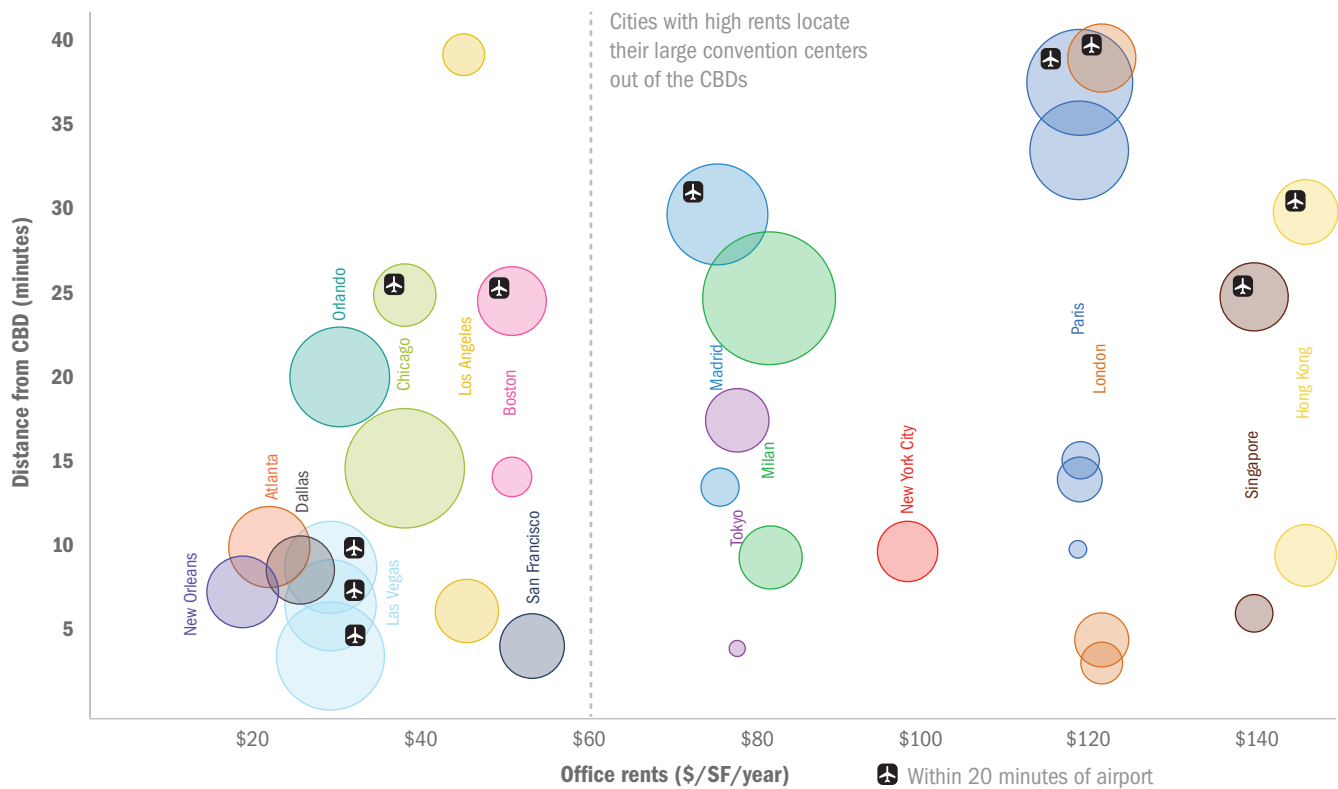


Station. Remarkably, the timing of these efforts matches up with development prospects for either of two high-potential trade-show sites: Willets Point, 1.5 miles from LaGuardia Airport, and Aqueduct Racetrack, 5 miles from JFK.

Other great world cities including Tokyo, Hong Kong, Madrid, and Milan have separated the roles of trade-show venue and conference center into facilities designed for these very different functions. Trade-show venues require large floorplates and excellent truck access. These cities—as well as U.S. cities with large convention facilities, such as Las Vegas, Orlando, and Chicago—have moved this function outside their central business districts to sites with much lower land costs and better highway and airport connections. Moreover, some of these places are able to sustain a regional network of smaller conference centers in addition to a large trade-show venue.

With Javits occupying very high-value real estate—with inadequate truck access for the hundreds of 18-wheelers needed to set up and take down large trade and consumer shows—in the city’s next great central business district, New York needs to take a similar tack. The availability of the Farley Annex to attract the conference market makes the timing ideal. Indeed, New York is likely capable of supporting regional conference centers in, for example, Newark and Stamford, as well as a premier Manhattan venue and a large trade-show facility nearby—but outside—the Manhattan central business district.

Location of convention-center facilities in different world cities



While a modern trade-show venue needs at least 800,000 square feet of exhibition space, a conference (or “congress”) center requires only 300,000-500,000 square feet to attract the high-end professional meetings that have long bypassed New York for places like Las Vegas, Phoenix, San Diego, and even Toronto.

The Conference Center

New York should have a congress center in Manhattan for conferences organized for associations, professional groups, training seminars, sales meetings, shareholder events, product launches and management meetings. These events tend to generate significant economic activity, with attendees staying multiple nights and spending money on accommodations, food, retail, transportation, and entertainment. With its insufficient meeting space, Javits has been missing out on much of this business, instead specializing in large shows that require extensive exhibit space rather than meeting rooms.

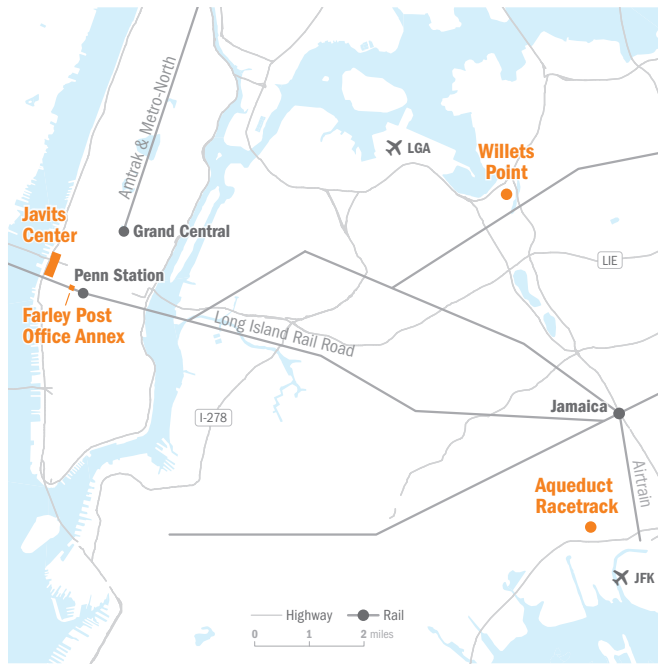
According to market research performed for RPA by the Augusta Group, a leading strategic advisory firm serving the meetings and exhibition industry, approximately 8,000 meetings with exhibitions held each year could be accommodated in a new conference center in the Farley Annex. In 2010, only 347 of these meetings were held in New York; surveys of event planners indicate that at least another 1,000 or so could be. In addition to these small-scale exhibitions—many of them in the health care, banking/finance, information technology and engineering sectors that could support New York’s prices for production, lodging, and entertainment—there is a growing market in private corporate events, including IT product meetings for key clients. IT events typically run for 2 days (plus half a day of move-in) and

conferences with exhibits often run 3-4 days (plus 2 days each for move-in and move-out). Augusta estimates that a meeting-oriented conference center in Manhattan would easily reach 75% occupancy.

In the Farley Annex, New York State owns the perfect location for this kind of conference center. Neighboring Moynihan Station will provide direct access to Amtrak, New Jersey Transit, and Long Island Rail Road service, as well as direct connections to JFK and Newark airports. Three major subway lines serve it, and most of the rest are available within a two-block walk. The Farley complex sits on the western edge of Midtown, the most concentrated business, retail, entertainment, and tourist district in the U.S.

With 500,000 gross square feet on four floors of a historic building—including a 140,000-square-foot, double-height ground floor—Farley could accommodate conferences requiring up to 350,000 square feet of meeting-room and exhibit space. With a trend and a demand in the industry for smaller, high-end meeting spaces, a conference center in the historic Farley Post Office would be well positioned to compete in the national and even international market. In fact, nearly 95 percent of all events in United States require less than 350,000 square feet.

Possible Convention Center Sites



The Trade-Show Facility

A handful of consumer shows, such as the car, bridal, and boat shows, require large unobstructed floorplates in locations that can easily handle major truck traffic. Ideally, a trade-show facility should have good airport access as well. In New York City, there are two promising possibilities, one near each airport in Queens: Willets Point, 1.5 miles from LaGuardia, and Aqueduct Racetrack, 5 miles from JFK.

The Willets Point Development District is a 62-acre redevelopment area near CitiField, Flushing Meadows Corona Park, the USTA Tennis Center, and Downtown Flushing, with excellent highway and transit connections. The development concept has long included a midsize convention center (400,000 square feet). Reconfiguration would allow development of a full, million-plus square foot trade-show facility. The nearby ballpark and proposed mixed-use entertainment district would mesh well with an exposition hall.

The 200-acre Aqueduct Racetrack site has excellent highway and decent transit access to Manhattan. In 2010, New York State, owner of the underlying land, awarded casino operator Genting Resorts World a 30-year lease to develop a “racino”—keeping the historic racetrack in place, turning the grandstand building into a casino, and building a parking structure and eventually, a hotel. The racino opened to great success in the fall of 2011, and Genting has let it be known that it is interested in developing a convention center on the site, at its own expense. In Asia, Genting has a successful track record in development and operation of large entertainment complexes that include convention halls, hotels, and casinos. In his 2012 state of the state address on January 4, New York Governor Andrew Cuomo proposed building the nation’s largest convention center at the Aqueduct site through a joint venture with Genting.

The Railroad Station

For nearly 20 years, New York has been working toward building a great train station in the Farley Post Office. The state’s longtime U.S. Senator, Daniel Patrick Moynihan, pointed the way, securing federal, state and city funds and guiding initial architectural plans. Like the original Doric-columned Pennsylvania Station, the Corinthian-columned post office was designed by McKim, Meade & White.

Named for the senator, Moynihan Station will relieve severe pedestrian congestion at Penn, allow for ridership growth on Amtrak’s busiest line, and enhance the traveler experience at the nation’s highest-traffic train station. Engineering vital infrastructure upgrades, including installation of new access points to train platforms from Farley—the first, \$267 million phase of building Moynihan Station—just began, with construction scheduled for completion in 2016.

Full transformation of Farley into Moynihan Station will cost about \$1 billion. New York State’s Moynihan Station Development Corporation, now a subdivision of the Port Authority of New York & New Jersey, has identified most of the funding needed, mainly from its own sale of development rights (\$375 million), contributions from a joint venture of private developers (\$370 million), and from the City of New York’s collection of property-tax substitute payments (\$150 million). The missing piece has been a new use for the Farley Annex. An anchor tenant for the annex space would help finance the train hall.

Efficient, welcoming, and beautiful Moynihan Station also is essential to the development of Midtown West, including Hudson Yards, as Manhattan’s next great center of commerce. It just needs an anchor tenant.

Moynihan Station



The Land

Javits occupies the superblock between 11th and 12th avenues, 34th and 38th streets, cutting off Midtown Manhattan from the Hudson River and generating terrible truck traffic in the area. Removing this behemoth from the waterfront would allow development of a vibrant residential and commercial neighborhood—and the economic value and tax revenues that it would generate.

Two New York State public benefit authorities—Empire State Development Corporation and the Metropolitan Transportation Authority, through its Bridges & Tunnels subsidiary—are co-equal stockholders of the New York Convention Center Development Corporation and therefore owners of the land Javits occupies, along with an additional three waterfront blocks (33rd – 34th and 38th – 40th). Facing major long-term fiscal challenges, New York should use this resource to fund key investments in the state’s economic future.

Based on mixed-use zoning levels typical for Midtown Manhattan, RPA estimates that disposition of the full Javits site would yield nearly \$4 billion in net revenue for New York State. Transfer should be done as long-term ground leases to multiple private developers, similar to the system used for Battery Park City.

Acknowledgements

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The Math: \$3.9 billion

Where the \$ comes from

Assuming a rezoning to standard Midtown Manhattan levels, the site yields approximately 9 million gross square feet of development potential for a development cost of \$7.8 billion

Total (\$)		
Hard Cost	\$587 PSF	\$5,382,428,408
Soft Cost (20% of hard)	\$117 PSF	1,076,485,682
Carry (25% of hard)	\$147 PSF	1,345,607,102
Development Cost		\$7,804,521,192

Accounting for a standard 20% loss factor, approximately 7.3 million square feet of net sellable floor area for a development value of \$11.7 billion.

Revenue	\$1700 PSF	\$12,470,362,240
Commission	6%	\$ 748,221,734
Development Value		\$11,722,140,506
Site Value		\$3,917,619,314

Where the \$ would go

What to buy	How much	Notes
Remove Javits and build streets and other site infrastructure	\$1.5 billion	
Repay bonds on current Javits renovation project	\$0.5 billion	
Build trade-show facility	\$1.0 billion	1 million net square feet
Build conference center	\$0.5 billion	350,000 net square feet
Complete railroad station	\$0.4 billion	Total cost of remaining construction and mortgage is \$950 million, of which \$920 million has been identified, mainly from development contributions and sale of development (“air”) rights over Farley building. \$30 million is required. \$375 million from Port Authority sale of air rights needs to be financed.
Total	\$3.9 billion	

Clarifying the Port Authority’s air-rights commitment could lead to reducing the railroad station’s need by \$375 million. Self-financing by Genting Resorts World at Aqueduct could eliminate the need for \$1 billion for a trade show facility.

Beyond the Math

Trading in Javits buys even more than the buildings it pays for directly. RPA’s proposal would enable access to a long stretch of the Hudson River waterfront that has been cut off from the rest of the city for decades. In providing world-class conference and exposition venues, it would attract events that have long bypassed New York City. And, of course, it would make available a huge swath of land for housing and commerce, served by an extended #7 subway line. A new neighborhood and new tourist attractions—each of these would be a major new source of jobs, economic activity, and tax revenue.

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