

Midtown East has been rezoned. Just don't expect another Hudson Yards

Existing leases, construction complexities & other factors mean large-scale change isn't likely for decades

By KATHRYN BRENZEL

Unlike Hudson Yards, a massive commercial hub that seems to be rising all at once, Midtown East is going to take some time to change. By the city's count, at least 20 years. Critics say it could take even longer.

The City Council on Wednesday approved the rezoning of 73 blocks in the district, paving the way for roughly 6.5 million square feet of new office space to join the skyline. Leading up to the rezoning, the City Planning Commission identified 16 sites — many composed of multiple buildings — that are likely to take advantage of the density bonus in the next 20 years or so. The site that stands to gain the most space under the rezoning is the so-called Pfizer site, the pharmaceutical giant's headquarters on East 42nd Street. Under the rezoning, the site can add 781,869 square feet of space — bringing its total to nearly 1.9 million square feet.

Pfizer is looking to sell its headquarters and is in the process of scoping out a new location somewhere in Manhattan. Under the rezoning, the Pfizer site automatically upgraded its floor area ratio (FAR) from 10 to 15. Some officials and community members argued that this unfairly freed the site's owners from paying for public realm improvements — as is required from other property owners seeking to up their density. City officials stood by the change, saying that most of the district already had an FAR of 15, and that the Pfizer site was simply an anomaly that should be remedied.

Cushman & Wakefield's Bob Knakal believes that the Pfizer site is one of the only properties in the district that is likely to take advantage of the rezoning anytime soon. Many of the sites identified by the city have multiple owners and have tenants whose leases don't end for several years.

"Everybody was waiting for this to happen, but this isn't going to happen overnight," he said. "It'll be interesting to see if anything

gets done in the short-term."

The rezoning is designed to encourage property owners to tear down old buildings in the district to make way for new, class A office space. The average age of buildings in the district is 70 years old, meaning that many were built before the 1961 zoning resolution — which established size limits — and are therefore technically considered overbuilt. Under the previous zoning codes, property owners were required to retain 25 percent of the original buildings if they wanted to rebuild their properties to their existing FARs. That's the route L&L Holding Company took with 425 Park Avenue and 380 Madison Avenue, which are undergoing major renovations.



Under the rezoning, property owners can still opt to keep portions of their original buildings if they choose to add floor area, but Knakal thinks few will take this route. Older buildings tend to lack key features many tenants are looking for: open-floor office layouts and high ceilings. It can be challenging to remove columns and floors to accomplish either in older buildings, he said.

CBRE's Mary Ann Tighe, however, expects that many landlords will opt to expand their buildings in the near-term. Under the rezoning, some sites can apply for additional floor area for "significant renovations." Property owners will likely add 25,000 to 35,000 square feet to their buildings in order to "catapult the buildings into a

different position," she said. Such additions must be approved by City Planning.

"They don't want little hats stuck on buildings," she said. "They want re-imaginings of buildings."

She said new, ground-up buildings can be expected to sprout up every five years or so. Still, she's optimistic that the rezoning will help shape a more modern commercial district.

"This was an important first step," she said. "Without this, even with whatever flaws it has, Midtown East was frozen."

Rob Byrnes, president of the East Midtown Partnership, said there will likely be a mix of ground-up projects and renovations. But it's still too early to tell what will be the favored choice.

"It's going to depend on individual lots, individual needs," he said. "I think very few of [the property owners] have concrete ideas as to what they want to do, but they do see it as a necessary tool to revitalize the area."

Another factor that could potentially hold up the district's metamorphosis is the infrastructure work that certain property owners are required to complete. Properties within so-called transit improvement zones can't move tenants into their buildings until they've completed specific below-grade infrastructure projects.

Frank Chaney, a land use and zoning attorney at Rosenberg & Estis, noted that the approval process for public projects — though it's expected to be expedited in these cases — is typically longer than what is required for private development, due to the number of officials and members of the public involved. This could scare some developers away.

"It kind of depends on whether developers can make the economics of the zoning work for them because there will be a lot of strings attached, particularly in the transit zones," he said. "It's really difficult to say whether this is going to have the result the city hopes it will." **TRD**