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Testimony of Jessica Lappin, President of the Alliance for Downtown New York

**Senate Standing Committee on Finance, Senate Standing Committee on Economic
Development, Commerce & Small Business, Senate Standing Committee on
Investigations and Governmental Oversight**

Oversight Hearing on the Effectiveness of NYS Tax Incentives

Hon. Sen. Liz Krueger, Hon. Sen. Anna Kaplan, & Hon. Sen. James Skouflis

January 14th, 2022

The resurgence of lower Manhattan over the last twenty years is due in no small part to the financial incentives put in place after 9/11. We are counting on them to remain, and to aid our recovery from the COVID-19 crisis.

Small and mid-sized firms have long powered Lower Manhattan's economy and job growth. Contrary to popular mythology, it is the smaller companies, not huge behemoths, that benefit most from the array of the district's leasing incentives

The Commercial Revitalization Program (CRP) in particular, was designed to generate investment in older vacant commercial office space. The goal was to preserve an affordable option for smaller tenants. Roughly 1,700 firms tapped into the program between 2007 and 2018. The average lease size was just under 11,000 square feet, and tenants received a yearly benefit of about \$21,000. That translates to measurable value to enterprises of that size, which are typically offices with fewer than 50 employees. In 2018 and 2019 alone, over 1.4M square feet was leased in CRP eligible buildings to tenants who were relocating to Lower Manhattan.

CRP also provides a much needed incentive for property owners to invest in older commercial properties in spite of record residential prices in the district. Market forces, in the wake of the COVID-19 pandemic, will only increase pressure on property owners to convert older, more affordable office space, to luxury residential use. A measure of success is that fewer than 12% of properties eligible for CRP in Lower Manhattan have converted to residential or been demolished over the last ten years.

The other Lower Manhattan targeted incentive programs have also been critical to revitalizing our economy and fueling an important economic engine for the region. A study of a select group of 19 firms benefiting from the Lower Manhattan Relocation Employment Assistance Program (LM-REAP), between 2008 and 2018, indicated that over 620 jobs were created and more than \$16.9M has been invested as a result of the program. The Lower Manhattan Energy Program (LMEP) has also helped smaller firms. Of the 10 buildings currently in the program, the average lease size is a little over 25,000 square feet.

Economic development incentives have also played a central role in the successful redevelopment of the World Trade Center campus. The WTC has benefited from a permanent exemption from the city's Commercial Rent Tax (CRT), an expanded version of the Sales Tax Exemption available to other Lower Manhattan tenants. It has also gained from a discretionary incentive program managed by ESDC. While tremendous progress has been made toward fulfilling the state's commitment to rebuilding the WTC, substantial work remains to be done. Notably, the final 2.8M square foot office tower planned at the site has yet to be completed.

Lower Manhattan holds 90 million square feet of office space and supports nearly a quarter million private sector jobs. And 70% of our workers hail from within the five boroughs. We are the 4th largest business district in the country and an economic engine for the region.

Affordable real estate is an absolute necessity for small and midsize businesses looking to grow. Supporting these businesses, increasing NYC jobs, and realizing Lower Manhattan's full potential requires sustained commitment from the public sector. This is especially salient given the pressures and uncertainty linked to the current health crisis. Our leasing incentives are key to our continued success.

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About the Alliance for Downtown New York: *The Alliance for Downtown New York operates one of the largest business improvement districts in New York City. It manages the Downtown-Lower Manhattan Business Improvement District (BID), serving an area roughly from City Hall to the Battery, from the East River to West Street. For more information visit downtownny.com.*

