



Union, City Sew Tentative Deal on Garment District Future

Plan would spawn slew of office space

BY ELIOT BROWN

It's been 22 months since City Planning chairwoman Amanda Burden declared before a *Crain's* midtown breakfast forum that the city, within a month, would reveal a plan to rezone and revitalize the 13-block garment district north of Penn Station.

No such unveiling ever came, as the Bloomberg administration struggled to craft a proposal that satisfied an array of industry and interest groups involved in the district. For months, many involved thought the plans had been dropped in the face of irreconcilable discord.

But now, those involved say the initiative has come back from the dead—or at least out of hibernation—as the city has cut a deal with key union UNITE HERE, according to city and union officials. Though some barriers remain, consensus appears within grasp for the historic rezoning, which would provide for far more office space and reserve substantially less space than currently mandated for fashion production.

The agreement with UNITE HERE, which represents workers in the apparel industry, speaks to the political complexities that surround land use and zoning in

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New York, as the agreement ties together two seemingly disparate issues: hotel production and the garment industry.

Much of the union's membership is not garment workers but rather hotel workers, so in exchange for its support, the union, led locally by Peter Ward, pushed for a mechanism that would likely encourage a unionized workforce in area hotel development. As such, the Bloomberg administration says it has agreed to mandate a special permit for any new or converted hotels in the district, a step that would require approval from the Planning Commission and the City Council. Given Mr. Ward's sway among council members—his union is generally considered one of the city's more powerful—hotels needing the council's approval are likely to agree to steps that allow for easier unionization.

"The special permit provision is an important piece of the puzzle," Andrew Brent, a spokesman for Deputy Mayor Robert Lieber, said



in a statement. "That said, we still have work to do on developing a plan that balances the needs of the varied garment district stakeholders, spurs investment in the area, and keeps New York City the fashion capital of the world."

Assuming the deal holds, it removes the main and largest potential opposition to the plan, the garment workers. Still, other groups, including the existing property owners and fashion designers, do not yet support the plan, as they haggle with the Bloomberg administration over the details of the rezoning, with a design industry group pushing for more production space than the city has offered.

The zoning plan would alter a 21-year-old set of landowner requirements within the garment district, which is bounded by Broadway and Ninth Avenue, and 40th and 34th streets. The existing zoning has strict regulations to preserve fashion production space. Any landlord wishing to convert existing fashion production space to offices must create an equal amount of production space elsewhere in the district. (Rents for fashion production space are a fraction of Class A or B office space rents.)

The area's landlords complain that a decades-long exodus of city-based fashion producers has left far too few fashion tenants to fill their buildings under the current requirements.

The city's plan would change

the ratio of office-space conversion to production-space preservation from the current 1:1 to one that favors far more office space, perhaps creating millions of square feet of newly permissible space. (A major goal, the city has said, is to allow for more Class B and Class C office space in midtown, as the high rents of Class A space have pushed many firms outside of Manhattan.)

While the city says the new formula has yet to be worked out, city officials presented fashion industry and real estate executives with a plan that called for a 1:6 ratio of preserved production space to converted office space, and a market by which landlords could buy and sell preservation credits. For instance, a landlord that agrees to preserve in fashion production a building of 100,000 square feet could sell 600,000 square feet of office-space conversion rights.

The proposal presented to the fashion industry would leave about 350,000 square feet of production space. Industry groups and the city say somewhere around 800,000 square feet is being used for production, though significantly more is zoned for its use.

Many landlords think that number is agreeable, as does UNITE HERE, which initially pushed for a higher amount. Other groups involved, including the Council of Fashion Designers of America, want more production space.

"I don't think the number is 350," Steven Kolb, the CFDA's executive director, said. "I don't think it's 800, but it's higher than 350."

Some area landlords and the Fashion Center Business Improvement District also have concerns over how the mechanism to buy and sell the preservation rights will exist and be funded, and are resistant to plans that would place too much burden on property owners.

Ultimately, the plan will need the assent of Council Speaker Christine Quinn, who represents the area, as the rezoning needs Council approval.

Ms. Quinn's deputy chief of staff, Maura Keaney, said in a statement that the garment district is an "important economic engine we need to protect and even grow," though she did not speak to the specifics of the rezoning. "We can protect these jobs, while also letting this neighborhood change with the market."

Still, the deal with UNITE HERE seems to make such an approval easier given the union's pull within the Council.

While there is no direct connection between the fashion production industry and hotels, the union, representing the workers of both trades, believes a rezoned garment district would be highly attractive to hotels, and therefore wants a larger public process—with a vote before the Council—for hotel development. Such a mechanism is without precedent in the city, as hotels are currently permitted to rise in many manufacturing and commercially zoned areas.

"The preservation of manufacturing space in the garment center is a critical part of any future rezoning. In our discussions with the Bloomberg administration,

that has been our priority goal," UNITE HERE's political director, Neal Kwatra, said in a statement. "However, given the likelihood of future hotel development in a dynamic, rezoned garment center, we thought it was vital to ensure that garment workers and other stakeholders have a voice in how that development unfolds."

For months, the union has been pushing the city to require special permits for new hotels citywide, and initially offered resistance to the administration's plan to redevelop Willets Point in Queens in hopes of a broad agreement. That push failed, though the union won that concession at the garment district; and also the city agreed to require special permits for hotels in a number of specific industrial-focused sites known as industrial business zones.

The deal over the garment district hotel permits is not welcome news to the real estate industry's main advocacy arm, the Real Estate Board of New York, though REBNY's president, Steven Spinola, said he will not oppose it.

"We think it's a mistake, but my members that are affected in the garment center have basically accepted the concept, so we are not going to scream or yell about it," Mr. Spinola said. "We think it's important to get rid of this ancient, obsolete and ineffective zoning restriction."

As for special hotel permits in other, future rezonings, a fight seems likely. "We think it's a mistake," Mr. Spinola said. "We think it's a terrible precedent."

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