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Gale A. Brewer, Borough President

August 3, 2021

**Recommendation on ULURP Application Nos. C210369ZSM and C210370ZSM
343 Madison Avenue – Metropolitan Transportation Authority Headquarters
By Boston Properties and the Metropolitan Transportation Authority**

PROPOSED ACTIONS

Boston Properties and the Metropolitan Transportation Authority (“the Applicants”) are seeking two Zoning Special Permits from the City Planning Commission (“CPC”) to facilitate the redevelopment of a site located at 341-347 Madison Avenue (“the Project Site”). The special permits follow provisions of the Vanderbilt Corridor Subarea within the East Midtown Subdistrict of the Special Midtown District, allowing both additional floor area and related modifications of certain district plan requirements and zoning restrictions in exchange for on-site and off-site improvements to the mass transit circulation network of Grand Central Terminal. These special permits are pursuant to ZR § 81-633 and ZR § 81-634 respectively.

Pursuant to ZR § 81-633, a development or enlargement may be granted floor area in excess of the maximum base floor area ratio (“FAR”) up to an FAR of 30.0 if improvements are made to the pedestrian or mass transit circulation network above- or below-grade, as well as to the ground floor level of the building, with particular attention paid to building design and sustainable design measures. Any floor area in excess of the maximum base FAR is subject to a special permit by the CPC with specific findings laid out in ZR § 81-633(b).

Pursuant to ZR § 81-634, a development or enlargement may also be granted certain modifications related to the additional floor area, including modifications to street walls, height, and setback regulations as well as mandatory plan elements. Any such modifications are subject to an additional special permit by the CPC with specific findings laid out in ZR § 81-634(c).

BACKGROUND

Area Context

The Project Site is located within the Vanderbilt Corridor Subarea of the East Midtown Subdistrict of the Special Midtown District. The Vanderbilt Corridor was established in 2015 (Application No. N150127ZRM) in order to facilitate the development of modern commercial

space around Grand Central Terminal while also addressing transit and pedestrian infrastructure challenges, and allowing transfers of unused development rights of landmark buildings within the special district. In 2017, the Vanderbilt Corridor was incorporated into the East Midtown Subdistrict without substantive changes to its original provisions.

The Project Site is located in Manhattan Community Board 5, while part of the proposed transit improvements are located in Community Board 6. The surrounding area is characterized by high-density commercial office buildings, consistent retail and street walls, transit infrastructure centered around Grand Central Terminal, and some scattered institutional and residential uses. Nearby building heights average several hundred feet, with some reaching a maximum of up to 800 feet, and One Vanderbilt reaching 1,400 feet in height.

Much of the surrounding East Midtown Subdistrict is zoned as C5-3, a commercial district with a base maximum FAR of 15.0 for non-residential use and 10.0 for residential use. C5-2.5 is also mapped west of the Project Site, with a base maximum FAR of 12.0 for non-residential use and 10.0 for residential use, with options for floor area increases in exchange for recreation space. Floor area may be increased within the Vanderbilt Corridor Subarea through improvements to adjacent subway stations, transfer of development rights from landmark buildings, or through the provision of transit and public realm improvements.

Site Description

The Project Site, currently owned by the Metropolitan Transportation Authority (“MTA”), is located on the western portion of Manhattan Block 1279, bounded by Madison Avenue, East 44th Street, Vanderbilt Avenue, and East 45th Street, and consists of four tax lots, numbered 23, 24, 25, and 48. The Project Site has a lot area of 25,104 square feet, and is zoned C5-3, allowing as-of-right a total zoned floor area of 376,560 square feet. Current uses of the site include a 13-story office building on Lot 23, a 19-story office building on Lot 24, a 5-story utility building on Lot 25, and a 20-story office building on Lot 48. The eastern portion of the block also includes a 22-story landmarked building containing the Yale Club of New York City, and a 20-story office building.

In addition to the Project Site, the proposal includes off-site improvements to the Flushing Line platform at the Grand Central / 42nd Street subway station located beneath Grand Central Terminal. The Flushing Line currently serves the 7 train, with transfer access at this station to the 4, 5, 6, and S trains, as well as Metro North lines running through Grand Central Terminal.

Project Description

The Applicants are seeking to construct a 1,050-foot-tall commercial building with a total floor area of 925,630 square feet and a total zoned floor area of 753,120 square feet (or 30.0 FAR). The base of the building would be 321 feet, with a setback on all frontages and a cantilever over the utility building on Lot 25. The building’s lobby as well as ground floor retail spaces would

front Madison Avenue, while the proposed East Side Access transit entrance will be located at the corner of Madison Avenue and East 45th Street.

On-site transit improvements, pursuant to ZR § 81-633, would consist of the following:

- Three new 40-inch wide escalators connecting the corner entry at street level to the East Side Access concourse level;
- A new 6-foot wide stair adjacent to the new escalators;
- A new elevator connecting the corner entry at street level to the East Side Access concourse level, in full compliance with the Americans with Disabilities Act;
- A new MTA back-of-house space beneath the Project Site accessible by the new elevator; and
- A new double-height, 2,372-square-foot entrance area at the northwest corner of the Project Site.

Off-site transit improvements, pursuant to ZR § 81-633, would consist of the following:

- Widening two platform stairs at the east end of the Flushing Line platform at Grand Central Terminal by approximately four feet and nine inches;
- Widening two sets of stairs that connect the uptown Lexington Line platform to an existing passageway providing access to the existing Flushing Line platform stairs by approximately one foot and three inches each; and
- Constructing a new extension of the existing Flushing Line transfer passageway, as well as two new 5-foot-wide stairs and a 10-foot, 8-inch wide stair connecting the passageway extension and the Flushing Line platform.

Pursuant to the request for proposals (“RFP”), originally issued by the MTA in June of 2013, the MTA will ground lease the property to Boston Properties, who in exchange will pay the MTA both a base rent and a payment in lieu of taxes (“PILOT”), both negotiated between the MTA and Boston Properties. While the PILOT will go directly to the MTA, revenue generated through the base rent will be used to fund the off-site transit improvements listed above. The base rent was calculated by the MTA in order to both meet a reasonable rent price as well as incorporate expected costs of the off-site transit improvements.

COMMUNITY BOARD RECOMMENDATIONS

Manhattan Community Boards 5 and 6 were both briefed by the Applicants during May and June of 2021. Both boards were given a 60-day referral period to opine and present a resolution recommending approval or disapproval of the application with or without conditions.

Manhattan Community Board 5 was briefed at their Joint Land Use, Housing, and Zoning and Transportation and Environment Committee meetings during May and June of 2021. At these two meetings, several concerns were raised, including the increase in shadows and decrease in

sky exposure caused by the proposed development, the height of the street wall as proposed, increases in traffic and pedestrian volume that would come with this project, funding coming from revenue on the site and not separately from the developer, and the improvements as not commensurate with the bonus granted. On June 10, 2021, Manhattan Community Board 5 submitted a resolution recommending disapproval of the application with the following conditions:

- Require the project to meet the daylighting requirements of the current zoning;
- Enhance the proposed below-grade public transit improvements so as to justify the additional floor area requested;
- Lower the street wall height of the proposed building; and
- Reduce the width of the proposed lobby to accommodate the required retail frontage on Madison Avenue.

Manhattan Community Board 6 was briefed at their May Land Use and Waterfront meeting, where several concerns were raised, including the increase in shadows and decrease in sky exposure caused by the proposed development, funding coming from revenue on the site and not separately from the developer, and the improvements as not commensurate with the bonus granted. On June 10, 2021, Manhattan Community Board 6 submitted a resolution recommending disapproval of the application with the following conditions:

- Require the project to meet the daylighting requirements of the current zoning;
- Require the project to meet the street wall and setback requirements of the current zoning;
- Ensure that the revenue generated from rent on the site be used for improvements to transit infrastructure benefiting the community where the building is located;
- Relocate the loading facilities on East 45th Street to maintain retail frontage and pedestrian interest at street level; and
- Require the project team to develop a building enclosure that surpasses the requirements of the 2020 New York City Energy Code.

BOROUGH BOARD RECOMMENDATION

The Manhattan Borough Board received a presentation from the Applicants about this application at its July 15, 2021 meeting. Manhattan Borough Board members raised questions and concerns which were fielded by representatives of the Applicants.

Informed by this discussion, as well as by the meetings and resolutions of individual Manhattan community boards, the Manhattan Borough Board voted to recommend disapproval of the application with the following conditions:

- Require the proposed building to meet the daylighting, street wall, and setback requirements of the current zoning;

- Enhance the proposed transit improvements on-site and off-site to justify the requested additional floor area;
- Reduce the width of the proposed lobby to accommodate retail frontage requirements along Madison Avenue in the Vanderbilt Corridor Subarea;
- Require the proposed building to meet or exceed the 2020 New York City Energy Code;
- Require the proposed loading facilities on East 45th Street to be relocated to maintain consistent retail frontage; and
- Commit any rent generated on site to local transit improvements.

BOROUGH PRESIDENT’S COMMENTS

I believe the Applicants have presented a thorough and thoughtful proposal for a development that will provide transit improvements that are pivotal for East Midtown, a crucial transit hub. However, the local community boards have raised substantive issues with the proposed project. I have considered every concern raised by both Manhattan Community Boards 5 and 6, as well as by the Manhattan Borough Board, and conveyed their issues and others with the MTA and the developer in numerous discussions. On July 27, 2021, I visited the sites of the off-site improvements at Grand Central Terminal with the MTA to fully understand the scope of these projects, the logic behind the original RFP, and the continued commitment by the MTA to mass transit infrastructure in East Midtown.

I still have several concerns:

Floor Area Bonus Rationale

The Applicants have laid out a clear rationale for the floor area bonus they are proposing. However, aspects of the argument extend a rationale of the Zoning Resolution beyond its intended purpose, leaving room for debate as to whether the proposed transit improvements are truly commensurate with the bonus being sought. As the local community boards have recognized, I find that a further assessment is needed to determine whether such a proposal is consistent and justifiable.

The provision allowing such a floor area bonus through CPC special permit is found in ZR § 81-633, where certain findings are required to be met in order for the CPC to approve of such an application. These findings include appropriateness related to mass transit access, zoning lot size, wide street frontage, and adjacency to open areas above Grand Central Terminal; significance and quality of both above- and below-grade circulation improvements; significance of the public benefit created by the project; and quality of design of the building. While the proposed project poses concerns regarding light and air quality on adjacent streets, I believe the Applicants have made a case for meeting these requirements. Whether the public benefit merits the floor area bonus, however, requires further analysis.

The rationale of the Applicants primarily references the Priority Improvement List found in ZR § 81-682. While the site in question is located in the Vanderbilt Corridor Subarea, and this list

technically applies only to sites located in either the Grand Central Transit Improvement Zone Subarea or the Other Transit Improvement Zone Subarea, the application proposes transit improvements which are specifically laid out in the list with equivalent floor area bonuses for each by type. For the project's off-site improvements, the Applicants have proposed 160,000 square feet in bonus floor area as is consistent with the list. The Applicants then argue that the rationale of this list should be extended to the on-site improvements proposed. The similarities between the East Side Access entrance and those within the Priority Improvement List may be reasonably understood as similar. The Applicants propose that the East Side Access entrance consists of three "Type 1" improvements and one "Type 3" improvement, totaling 240,000 square feet in bonus floor area.

A variety of factors were considered in developing the Priority Improvement List. To extend such a rationale to a separate on-site improvement was certainly not the intention of this provision. Not only is the East Side Access entrance not relevant to the list, but as an on-site improvement, it provides a public benefit valued differently from improvements to existing off-site transit infrastructure. As this improvement does not exist within the Priority Improvement List, the Applicants can argue for any number of equivalent floor area bonuses. For example, as "Type 1" improvements include "new or expanded off-street entrances," one may argue that only 40,000 bonus square feet should be awarded for this improvement. The 240,000 bonus square feet proposed is arguably overgenerous given the extent of the East Side Access improvement.

There is a plethora of existing needs in the local mass transit system and public realm. These needs include items listed on the Priority Improvement List, as well as the list of projects identified by the East Midtown Governing Group Concept Plan. Given the significance of this project and the floor area bonus being sought, I believe that the public benefit to the local community should be maximized to be truly justified.

The Applicants have made the following commitment to my office regarding improvement to the public realm:

- Work with the New York City Department of Transportation ("DOT") to fund and, at the discretion of DOT, design and construct a sidewalk widening along the north side of 44th Street between Vanderbilt and Madison Avenues as consistent with the East Midtown Governing Group Concept Plan and in consideration of the needs of the Yale Club.

Dedicated On-Site Space for the Arts

I strongly believe that new developments like this one offer unique opportunities to support and highlight the New York arts community. Too often we miss that opportunity. This project should contain a significant art component accessible to the public, and commensurate with the scale of the proposed building and its site.

The Applicants have made the following commitments to my office regarding arts in the building:

- Provide opportunities for artists to gain exposure through installations in the on-site transit entrance, under MTA’s Arts for Transit Program;
- Provide free “pop-up” space for artists within available retail space prior to rent-up; and
- Provide space within the building for use by artists or New York-based arts organizations, at a cost to the tenant equivalent to the local commercial tax rate in addition to utility expenses. The space will be at least 500 square feet if at grade or 1,000 square feet in other locations, to be offered for a period of five years from initial rent up of the building.

Accessible Office Layouts

Related to a commitment to the arts, this office tower could better support smaller businesses and nonprofit tenants. Not every business can afford floorplates as large as the ones proposed in this project. Availability of office space in this city is an ongoing issue, and a proactive strategy to facilitate use of these spaces by smaller tenants is essential. Programs like Durst Ready, an initiative of the Durst Organization, work to support tenants in office buildouts and through other services that ensure the success of small and large businesses alike. Continuing an innovative approach to commercial development, property owners must do more to support their tenants and recognize the symbiotic nature of their relationships.

I urge the Applicants to divide floorplates and price spaces in ways that invite and support small businesses and nonprofits struggling in a competitive real estate environment.

Rent and PILOT Structure

As this project involves proposed on- and off-site transit improvements, funding on the part of the developer must be allocated to cover these improvement costs. It is my understanding that when a private developer is required through a special permit like this one to provide any public benefit as part of the proposal, the developer must allocate dedicated funds for those improvements. However, in this case, the RFP distributed by the MTA proposes a funding stream that is not set aside but built into the rent structure for the ground lease on this site. Therefore, part of the rent generated at 343 Madison Avenue will be used to fund the off-site improvements proposed at Grand Central Terminal.

I understand that the base rent for the site was calculated to incorporate this cost, and that it would be lower if funding for the improvements were not included. I also understand that a payment in lieu of taxes (“PILOT”) structure is required by the RFP, and that both the PILOT- and rent-generated revenue that is not already dedicated to the off-site improvements will be directed to the MTA’s Capital Program, covering capital project costs across the MTA system. However, I remain concerned that the funding for these off-site improvements is conflated with

the rent generated through the ground lease, and I believe that special permits like this one intend for a separate pot of money to go toward any public benefits attached to a project. This is a unique project in that the MTA remains owner of the property, and I recognize that the revenue structure was developed by the MTA and not Boston Properties. I agree that the MTA should carry out the construction of these improvements, as they are best suited to oversee improvements to their own system, and I urge the Applicants to consider a revenue structure that separates funds generated through rent dedicated to the Capital Program, and funds intended for off-site improvements specific to this project.

BOROUGH PRESIDENT'S RECOMMENDATION

I therefore recommend **approval of the application with conditions**. This recommendation is contingent on the Applicants' completion of the following commitments:

- Work with DOT to fund and, at the discretion of DOT, design and construct a sidewalk widening along the north side of 44th Street between Vanderbilt and Madison Avenues as consistent with the East Midtown Governing Group Concept Plan and in consideration of the needs of the Yale Club;
- Provide opportunities for artists to gain exposure through installations in the on-site transit entrance, under MTA's Arts for Transit Program;
- Provide free "pop-up" space for artists within available retail space prior to rent-up; and
- Provide space within the building for use by artists or New York-based arts organizations, at a cost to the tenant equivalent to the local commercial tax rate in addition to utility expenses. The space will be at least 500 square feet if at grade or 1,000 square feet in other locations, to be offered for a period of five years from initial rent up of the building.

In addition to these conditions, I urge the Applicants to consider the following recommendations put forth by the Manhattan Borough Board in their resolution dated June 17, 2021:

- That the proposed building meet the daylighting, street wall, and setback requirements of the current zoning;
- That the Applicants enhance the proposed transit improvements on-site and off-site to justify the requested additional floor area;
- That the Applicants reduce the width of the proposed lobby to accommodate retail frontage requirements along Madison Avenue in the Vanderbilt Corridor Subarea;

- That the proposed building meet or exceed the 2020 New York City Energy Code;
- That the proposed loading facilities be relocated to maintain consistent retail frontage;
and
- That any rent generated on site be committed to local transit improvements.

A handwritten signature in black ink that reads "Gale A. Brewer". The signature is written in a cursive, flowing style with a large initial 'G'.

Gale A. Brewer
Manhattan Borough President