

New York Industrial Retention Network



The Garment Center: Still in Fashion
A Land Use Analysis of the Special Garment Center District

April, 2001

Special Report to
the Union of Needletrades, Industrial and Textile Employees
(UNITE)
&
Council for American Fashion
(CAF)

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Executive Summary

Since World War I, the Garment Center in midtown Manhattan has been and continues to be the physical and creative engine for New York City's fashion industry¹. The clustering of companies that design, create, mass produce, market and sell apparel in one concentrated area creates competitive advantages that have propelled New York into the forefront of world fashion. New York's apparel industry employs almost 125,000 persons in a myriad of capacities. While there are production jobs throughout the City, they are anchored in Manhattan by the critical mass of activities in the Garment Center.

The Garment Center, however, is at a critical moment in its history. The space needs of other sectors of the economy have created real estate pressures that threaten the apparel industry's² continued presence in the area and consequently undermine the competitive advantages that are the foundation of the industry. This land-use study by the New York Industrial Retention Network and a companion study by Robert Pauls, LLC were conducted in July and August 2000 to determine the status of the industry in the area. The NYIRN study found that:

- 73% of employment and 74% of occupied space in the Special Garment Center District Preservation Area³ remains in the apparel industry;
- 60% of the leases of garment companies in the Garment Center Preservation Area will expire by the end of 2002;
- New York City has done virtually nothing to enforce the Special Garment Center District zoning and the process is riddled with loopholes;
- There have been over 200 illegal conversions of manufacturing space; and
- The failure to enforce the law has led to

The Union of Needletrades, Industrial and Textile Employees (UNITE) commissioned the New York Industrial Retention Network to conduct this land-use study of the Special Garment Center District. NYIRN is a city-wide economic development organization dedicated to strengthening the manufacturing sector and saving manufacturing jobs. This report presents the findings, recommendations and methodology of that study. It is also available at NYIRN's website, www.nyirn.org. UNITE also commissioned a land use study by Robert Pauls, LLC of the status of Special District avenue buildings and the findings of that study are incorporated into this report.

¹ The term "fashion industry" is broadly inclusive and meant to connote not only the design and production of apparel but the mass marketing, modeling, media and other activities that are closely associated with design and production.

² The term "apparel" or "garment industry" refers to that part of the fashion industry involved in the design, production, and distribution of clothing and related accessories. The terms "apparel" and "garment" are used interchangeably in this report.

³ The Special Garment Center District is a protected area within the Midtown Garment Center. Special zoning limits the amount of conversion from production space to office use in the District.

tremendous uncertainty in the minds of garment tenants, the group the law was intended to protect. Garment tenants have extraordinarily negative expectations about their ability to continue to lease space in the Garment Center due to rising rent levels and conversions of manufacturing space to office use.

Background on this Report

New York's continued strength in financial and business services and the growth of internet-related industries has increased the demand for office space that is easily accessible to midtown Manhattan. The strong demand for new office space has led some to question the continued viability and desirability of Manhattan's Garment Center. This discussion has often assumed that there is little of the apparel industry, particularly production, left in the Garment Center. However, until this report there has not been a systematic assessment of the continued presence of the garment industry in the area.

UNITE commissioned NYIRN to conduct a land-use study of the Preservation Area (see map on following page) within the Special Garment Center District. The purpose of this study was to document the usage of space within every commercial building covered by the zoning provisions of the Special Garment Center District. UNITE also commissioned a study by Robert Pauls, LLC of space usage in the avenue buildings that are not covered by the preservation requirements of the Special District. The findings of that study have been incorporated into this report. Both studies were carried out during July and August 2000.

There are five components to this report. The first discusses the economic impact of the apparel industry in New York City with particular emphasis on the impact of the Garment Center. The second is a land use study that seeks to document the status of the apparel industry in the Special Garment Center District. The third is a qualitative assessment of the City's enforcement of the provisions of the Special District. The fourth is an analysis of real estate trends in the showroom buildings on the avenues, which are not included in the Preservation Area. Finally, a set of strategies are presented that could help address the space concerns of Manhattan's apparel industry.

Introduction

Since World War I, the Garment Center in midtown Manhattan has been the physical and creative engine for New York City's fashion industry. In 1939, the Garment Center stretched from 30th to 42nd Streets, from 6th to 9th Avenues and was home to the largest concentration of apparel manufacturers in the world. Three-quarters of all ready-made women's coats and dresses purchased in the U.S. were produced there.⁴ Particular blocks and buildings were dedicated to certain types of apparel; for example, buildings were reserved exclusively for bridal gowns, children's clothing, blouses, or coats and suits.

Sixty years later, the Garment Center remains New York City's central location for apparel design, sales, distribution and a significant amount of production. It is also the anchor for other areas of garment production that have emerged in Lower Manhattan's Chinatown and the other boroughs. A total of 124,259⁵ persons are employed in apparel and textile manufacturing and wholesaling firms in New York City, and they support one of the largest export-oriented industries in the city.⁶ Of this, the 95,000 jobs⁷ in garment and textiles manufacturing are a crucial source of entry-level employment and entrepreneurial opportunity for New York's growing immigrant population and are the backbone of the fashion industry. In fact, the garment industry represents almost half (46%) of total manufacturing employment in New York City⁸.

In addition to its continuing importance as a center for production, the Garment Center has a unique role as the marketplace for apparel design and sales. While production has diffused to other areas, the creative and front office activities of the industry are located almost exclusively in the Garment Center. Without these strategic activities, it is hard to imagine that production would continue in other areas of the city.

Problematic international trade regulations and the availability of relatively inexpensive labor overseas have taken their toll on the industry citywide. The most serious threat to the garment industry today, however, is arguably due to real estate pressure. Manhattan remains the center

⁴ *WPA Guide To New York City: The Federal Writers' Project Guide to 1930's New York*, The New Press: New York, 1992

⁵ NYS Department of Labor, 3rd Quarter, 1999/Robert Pauls, LLC

⁶ *The Empire Has No Clothes*, Center for an Urban Future, February, 2000

⁷ U.S. Commerce Department, 1997

⁸ U.S. Commerce Department, 1997; total NYC manufacturing employment stands at 208,000

for garment production. Fifty-five percent of garment industry employment is located in Manhattan and it is concentrated in the Garment Center and Chinatown, two areas experiencing tremendous real estate pressures. Between 1993 and 1998, the greatest loss of apparel and textile manufacturing jobs (13,464) occurred in Manhattan, a 23.5% decline, as compared to a decline of 12.2% in Brooklyn, and an increase of 8.1% in Queens. These three boroughs together contain 98% of apparel/textile production in New York City.⁹

Despite the enormous level of economic activity and income generated by New York's apparel industry, public policy, which has supported zoning protections for the Garment Center, is now being challenged. This shift comes at a critical juncture for Garment Center apparel companies. The land-use study conducted by NYIRN in July and August 2000 revealed that 73% of employment and 74% of occupied space in the Special Garment Center District Preservation Area remains in the apparel industry. By the end of 2002, however, 60% of the garment leases in the Preservation Area will expire. The City's failure to enforce the zoning in the Special District undermines the ability of garment companies to renew their leases.

One of the most salient and important findings of NYIRN's study was the pervasive uncertainty of many of the tenants about their ability to remain in the Garment Center. Despite the existence of zoning protections, many buildings are being converted to uses unrelated to apparel and there has been virtually no effort to enforce the Special District protections. Many tenants expect that their leases will not be renewed or that new rents will far exceed their ability to remain in the Garment Center. Several garment tenants reported instances of apparent harassment by landlords seeking to convert their buildings. For example, elevator and other services were curtailed and apparel tenants were denied access to buildings at certain hours while other tenants were given greater access. Practices such as these can lead to dis-investment on the part of garment company owners, creating a self-fulfilling prophecy of industry shrinkage.

Economic Impact of the Apparel Industry:

The fashion industry is one of the largest and most important sectors of the City's economy. In addition to the over 124,000 persons employed by apparel manufacturing and wholesaling establishments, others are employed in such industry activities as modeling and fashion

⁹ *The Empire Has No Clothes*, Center for an Urban Future, February, 2000

photography, fashion publishing, etc. New York City apparel manufacturing and wholesaling firms have a direct payroll in excess of \$2 billion, generate direct sales of over \$11 billion, pay taxes in excess of \$500 million, and have a total economic impact of \$23 billion.¹⁰

In addition, fashion is part of that constellation of industries that enhances New York City's tremendous creative synergy and reputation as a capital of culture. New York is a global center precisely because it is seen as a center for the avant garde in fashion, the performing and visual arts, architecture and interior design, cuisine, etc. This only compliments its strength in the finance, insurance and real estate arenas.

Employment

The size of the fashion industry in New York City can be illustrated by looking at employment totals for other sectors. According to the U.S. Census, there were 123,212 jobs in apparel and textiles manufacturing and wholesaling in 1998. (Please note that other types of employment within the fashion industry are not included in this figure.) This compares favorably with the 149,730 jobs attributed to the "information" sector for the same year. Apparel/textile employment in New York City surpasses other key sectors, such as advertising with 49,397 employees in 1998, legal services with 73,152 employees, and accounting, tax and payroll services with 54,631 employees¹¹.

Despite its high-priced real estate market, Manhattan still remains the focus point for fashion industry marketing, design *and* production activity. Manhattan's apparel and textile manufacturing jobs account for an impressive 62.8% of citywide employment in these sectors.¹² Nonetheless, Manhattan's role as a center for production and distribution is shifting. 80,521 persons worked in apparel and textile manufacturing and wholesale establishments in Manhattan at the end of 1999.¹³ This is a drop of almost 25% since the early 1990's.

Manhattan's traditional Midtown Garment Center has also changed over the past twenty years due to a significant drop in production activities and the growth of other industries. However, it

¹⁰ U.S. Commerce Department/Robert Pauls, LLC

¹¹ County Business Patterns, U.S. Census Bureau, 1998

¹² U.S. Commerce Department, 1997

¹³ NYS Department of Labor, 3rd Quarter, 1999

remains the undisputed center for fashion design, marketing, sales and home for a substantial amount of production.

For research purposes, the Midtown Garment Center is best approximated by zip code 10018 (5th Avenue to the Hudson River, 36th to 42nd streets). Manufacturing still represents a very significant segment of fashion-related employment in the area but has experienced steady decline in terms of total jobs. According to the study by Robert Pauls, LLC, “(apparel and textile manufacturing and wholesaling) employment in zip code 10018 was at 45,300 (in 1999)... The percentage of total employment in the (zip code) area that is garment related has declined from 52.7% to 44.6% since 1996.”¹⁴ The location of apparel manufacturing employment in the Garment Center has shifted to some degree. Robert Pauls, LLC reports that production activity in avenue buildings (at least those on the higher side of the market) has disappeared. In contrast, NYIRN’s study of the Preservation Area on Garment Center side streets (an area much smaller than the zip code) found over 9,000 production workers. Thus production work persists in midtown Manhattan, taking place only hundreds of feet from marketing and design operations.

It is worth noting that the rate of job loss of apparel and textile manufacturing was much slower in zip code 10018 (a significant amount of which is covered by the Preservation Area) than in Manhattan as a whole in which the relative impact of the Preservation Area is reduced. The rate of apparel and textile job loss during the 1990’s for zip code 10018 was 14%;¹⁵ as compared to a rate of loss of 24% for Manhattan during the same period.¹⁶ The rate of job loss in the area was most likely also affected by the number of headquarter jobs based in the Garment Center, given that headquarter jobs are less likely to relocate.

Finally, Garment Center apparel employment is heavily concentrated in two areas: women’s and misses outerwear manufacturing, and apparel piece goods and notions (wholesale activity). While total employment may be declining in apparel, New York’s share of the national market in these industries is actually growing, demonstrating again the competitive advantages that come from the cluster of activities in the Garment Center. Thirty-nine percent of Garment Center apparel employment is concentrated in women’s and misses outerwear manufacturing, while 55% of is concentrated in wholesale activity. A 1999 study by the Industrial Technology

¹⁴ Robert Pauls, LLC

¹⁵ NYS Department of Labor, 4th Quarter, 1999

¹⁶ *The Empire Has No Clothes*, Center for An Urban Future, February, 2000

Assistance Corporation stated that “New York’s share of the key women’s outerwear segment grew substantially, especially over the 1992-1997 period. By 1997 just under 20% of national women’s wear employment was concentrated in New York City.”¹⁷

Sales and Multiplier Effects

The markets for New York apparel are worldwide. Not only is New York home to world famous designers such as Donna Karan, Calvin Klein and Bill Blass, but the proximity of design and production activities to the market where apparel is “displayed” and “consumed” helps designers spot new trends and creates a cutting-edge advantage for New York fashion. Apparel buyers for retail outlets make an estimated 125,000 visits to midtown Manhattan per year.¹⁸ While in New York, buyers patronize hotels, restaurants, entertainment centers and retail establishments, contributing to the city’s booming economy and paying sales tax. The Fashion Institute of Technology, with 12,000 students, and Parsons School of Design attract aspiring designers and marketers to live and work in New York.

Wages

The general public perception of working conditions in the apparel industry is probably one of sweatshops and low wages, but the true picture is much more complex. Many regulated apparel production jobs exist in the City, offering work opportunities for immigrant women and others. While production jobs are relatively low wage, paying generally from \$7.00 to \$10 per hour,¹⁹ those that are unionized provide health benefits for the worker’s entire family, paid holidays, and a wide range of services such as English language classes, legal assistance and vocational training. A continuing problem for the industry, however, is the lack of opportunity for advancement into the high wage segment of the apparel/fashion labor market, discussed below.

New York City apparel and textile manufacturing firms generated over \$2 billion in wages in 1997.²⁰ The average annual earnings for an employee in a New York City apparel manufacturing firm were \$21,356. Production workers were paid an average of \$16,042 annually. Wages were slightly higher for employees in Manhattan manufacturing firms.

¹⁷ *April 1999 NYC Apparel & Textiles Study*, Industrial Technology Assistance Corporation, 1999

¹⁸ Robert Pauls, LLC

¹⁹ Garment Industry Development Corporation

²⁰ U.S. Commerce Department, 1997

Employees earned an annual average of \$23,855, as opposed to production employees who earned average annual wages of \$17,140.²¹

The high wage segment of the apparel industry labor market is concentrated in Manhattan and is mostly associated with non-production occupations. An analysis of 92 salaried positions offered in the help wanted columns of *Women's Wear Daily* (November, 2000) yielded the following results: the median salary offered was \$47,500, and the mean was \$59,880. According to the Census Bureau, 19% of New York apparel industry jobs are in the “executive, administrative and managerial,” “professional specialty” and “marketing and sales” categories, as compared to only 7% nationally.

Background on the Special Garment Center District

The Special Garment Center District was created in 1987 to preserve space at affordable rents for apparel-related production within the traditional Garment Center. The circumstances leading to the creation of the Special Garment Center District were similar to those that affect the garment industry today. A highly competitive commercial real estate market in the late 1980's led to the dislocation of apparel businesses and the conversion of production spaces into offices and apartments. These pressures were fueled, in part, by the planned and heavily subsidized redevelopment of Times Square, which is immediately to the north of the Garment Center. The loss of production space, it was feared, would undermine design, marketing and sales functions, weakening the entire industry.

Today, a portion of the Garment Center is designated as a “special district” in which the basic, citywide manufacturing zones are augmented by additional regulations. In the typical “M zone,” manufacturing space can be converted to office use “as-of-right” and does not require a special approval process. In a tight real estate market where rents are at a premium, manufacturers and their suppliers are then forced to compete with office tenants who generally can afford to pay higher rents for space. The purpose of the Special

“There are only 9 factories left that do high quality/couture work in (the) area. Ordering supplies over the internet is foolhardy. The presence of the suppliers is highly efficient. Extras can be sold back to them. It's important to have workers and factories here.”
-Women's Couture Designer/Showroom

²¹ U.S. Commerce Department, 1997

Garment Center District was to protect the apparel industry against such real estate pressures by limiting the conversion of manufacturing space to office uses. In the Special District, the conversion of space in the Preservation Area, an area corresponding to the mid-blocks between 35th and 40th Streets, is prohibited unless an equivalent amount of space is dedicated in the Preservation Area for apparel manufacturing or other production work. Two of the most critical industry space needs that the creation of the Special District helped to address were 1.) availability of low-cost space for young designers, industry newcomers, small entrepreneurs, etc. and 2.) high accessibility of garment production employment for thousands of persons citywide due to the Garment Center's central location.

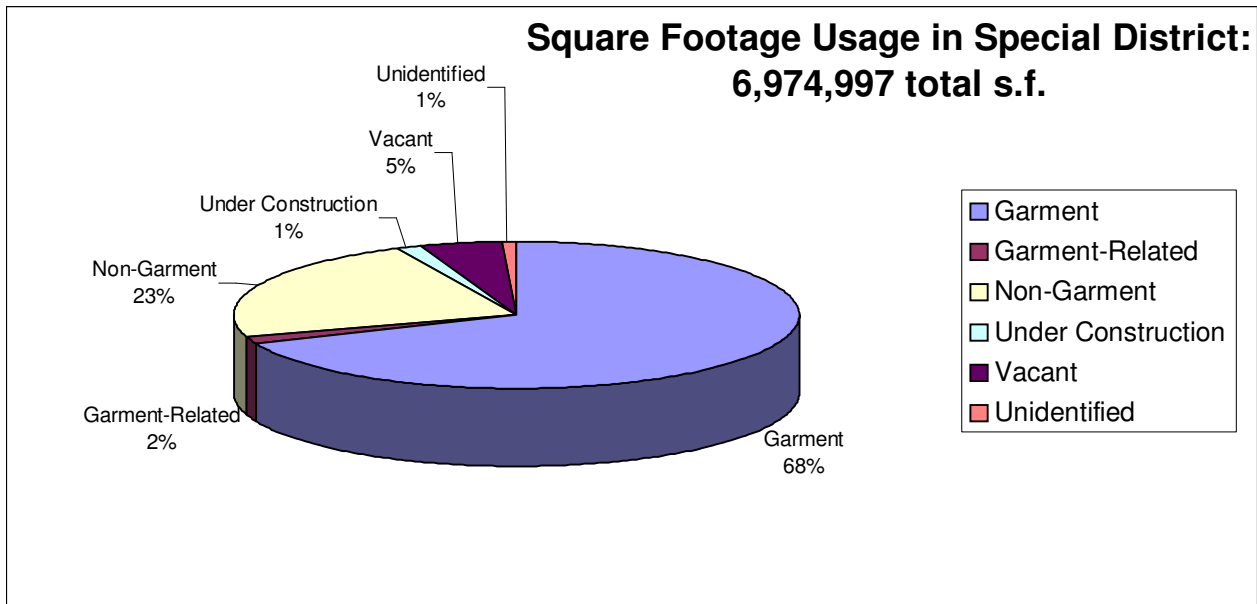
Land Use in the Preservation Area

Use of Square Footage

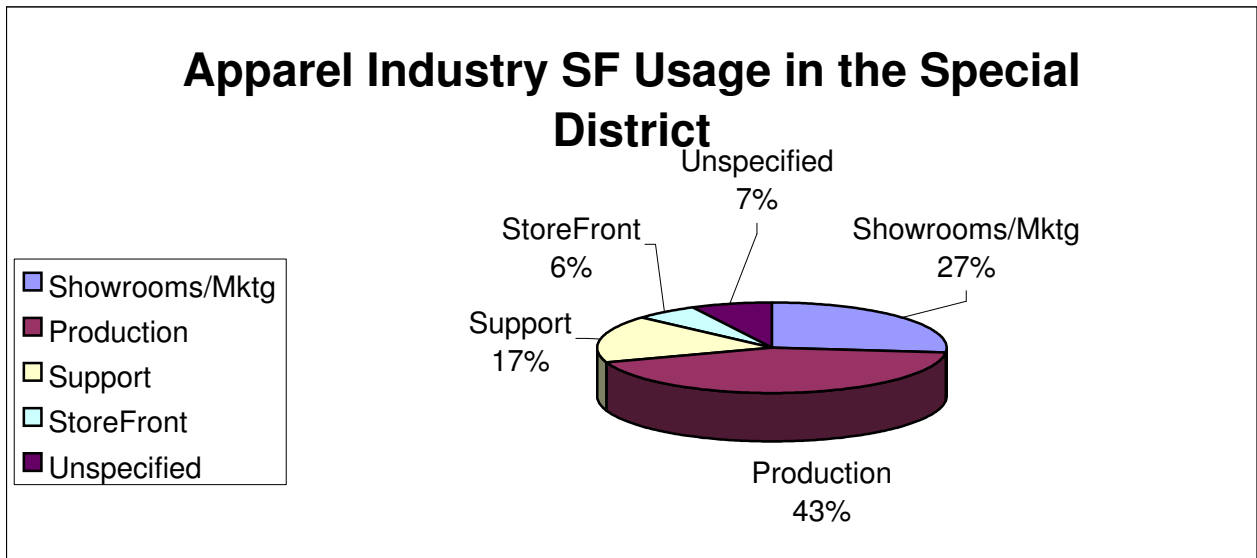
Garment activities continue to consume the overwhelming majority of space in the Special Garment Center District Preservation Area. Approximately 74% of all occupied space in the Special District Preservation Area is held by garment companies. Garment-related companies occupy an additional 2% of the total identified square footage in the Preservation Area. The largest portion of this garment space is used for production and a lesser amount is used for showrooms and offices for garment companies. Approximately 5% of all space in the Preservation Area is vacant and another 1% is under construction.

Estimated Amount of Space			
	Estimated Square Footage	Percent of Total Occupied	Percent of Total Space Identified
Garment	4,786,013	74%	69%
Showrooms/Mktg	1,277,686	20%	18%
Production	2,063,277	32%	30%
Support	800,350	12%	11%
Storefront	288,150	4%	4%
Unspecified	356,550	6%	5%
Garment Related	118,400	2%	2%
Non-Garment	1,578,558	24%	23%
Total Occupied	6,482,971		93%
Under Construction	95,200		1%
Vacant	343,909		5%
Unknown	52,917		.76%
Total Space Identified	6,974,997		100%

NYIRN, 2000



NYIRN, 2000



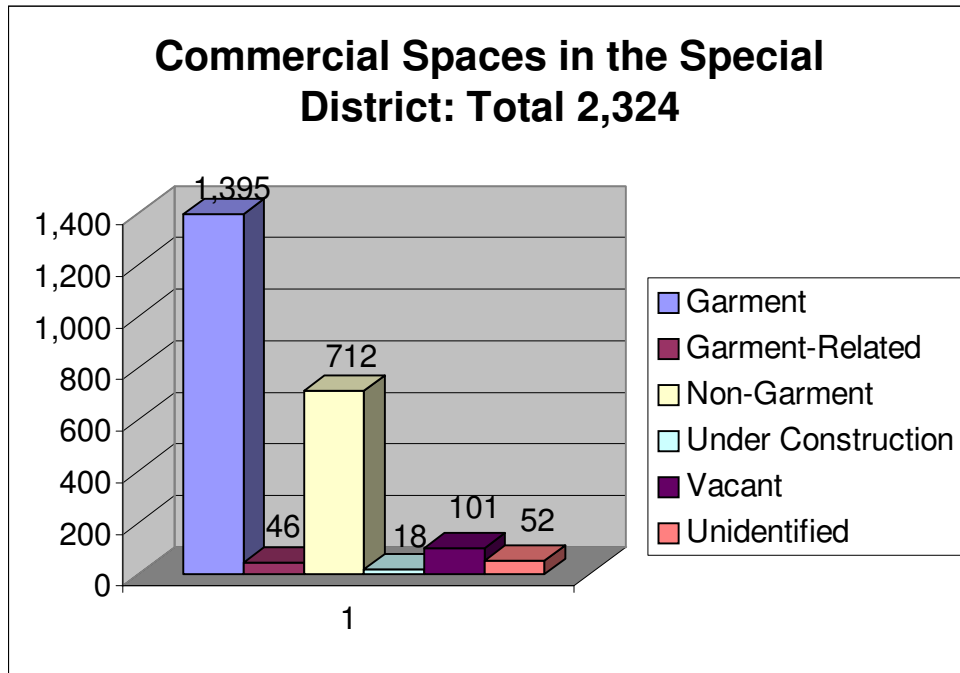
NYIRN, 2000

Use of Commercial Spaces

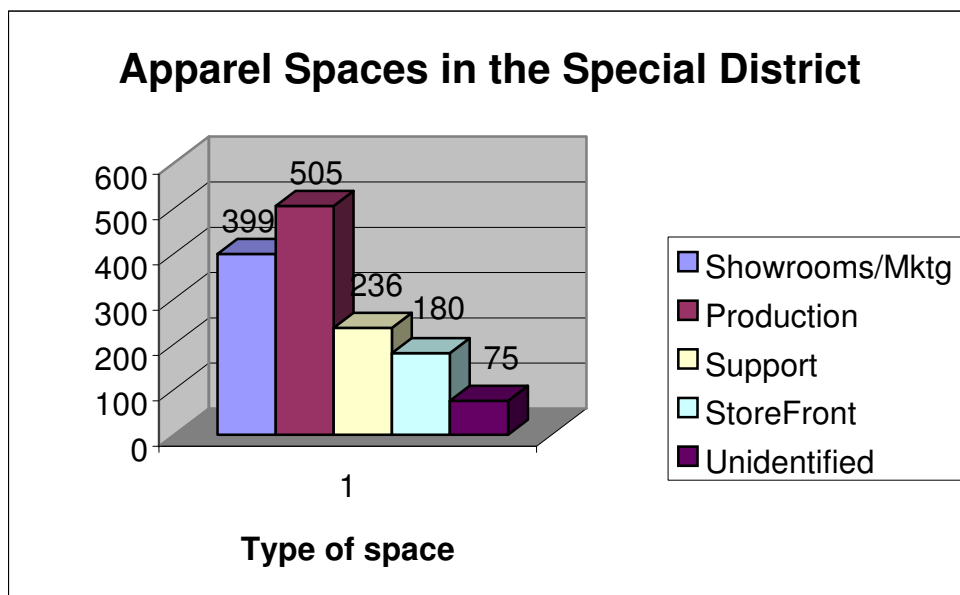
Similarly, garment companies consume the majority of discrete commercial spaces in the Special District. Approximately 60% of Special District commercial spaces are used by garment companies. Again, garment-related firms only occupy an additional 2% of total spaces identified. Thirty-one percent of Special District commercial spaces are occupied by non-garment companies and there is no single industry with an overwhelming concentration of companies. Internet companies take up the highest number (2.7% or 62 spaces) of non-garment spaces, followed by retail food (1.9% or 43 spaces), architecture/interior design (1.7% or 39

spaces), computer service (1.6% or 37 spaces), and commercial printing (1.5% or 34 spaces) establishments.

The apparel industry's rate of occupancy of District square footage is higher than its rate of occupancy of discrete spaces. This indicates that garment spaces are typically larger in area than non-garment spaces.



NYIRN, 2000



NYIRN, 2000

Showrooms and marketing spaces (which include offices, studios, etc.) occupy a disproportionately large number of commercial spaces, despite their relatively lower square footage and employment counts.

Estimated Use of Commercial Spaces			
	Number of Spaces Identified	Percent of Total Occupied	Percent of Total Spaces Identified
Garment	1,395	65%	60%
Showrooms, marketing	399	19%	17%
Production	505	23%	22%
Support	236	11%	10%
Storefront	180	8%	8%
Unspecified	75	3%	3%
Garment Related	46	2%	2%
Non-Garment	712	33%	31%
Total Occupied	<i>2,153</i>		93%
Under Construction	18		1%
Vacant	101		4%
Total Spaces Identified	<i>2,272</i>		98%
Spaces with No Information	52		2%
Total Spaces Recorded	<i>2,324</i>		100%

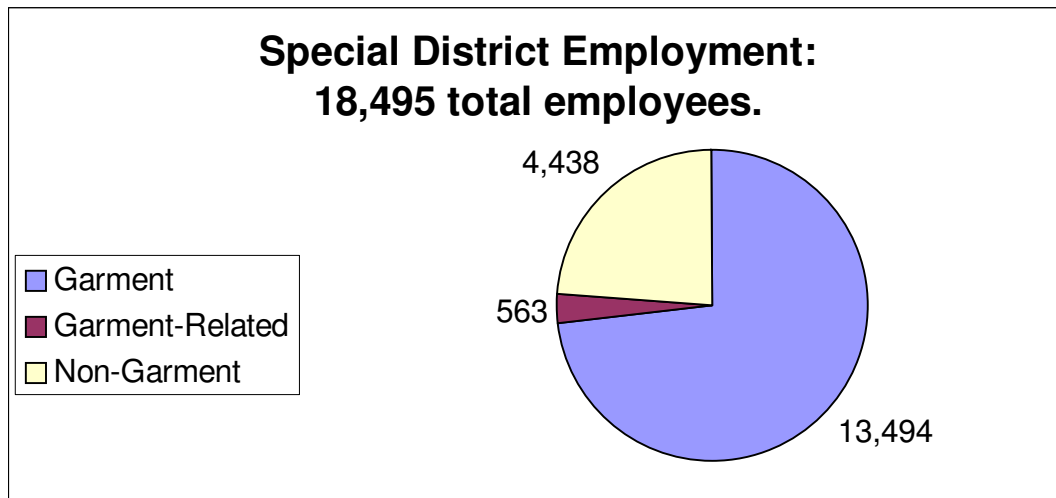
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Employment

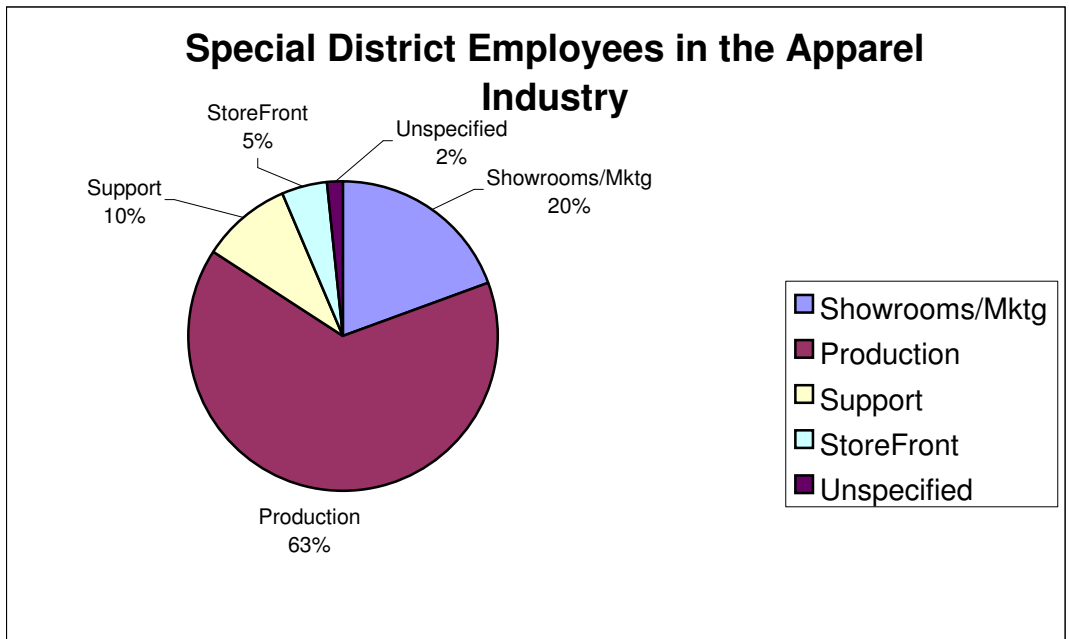
Employment in the District is again predominantly found within the garment industry. Approximately 73% of total employment is in apparel. A surprisingly high percentage remains in apparel production. Forty-seven percent of all District employment (or 64% of apparel employment) is in production. Employees in garment-related companies make up 3% of the District’s employment base. The remaining 24% of employees in the Special District work in non-garment firms. The largest number of which are employed by internet firms.

Estimated Number of Employees		
	Number of Employees	Percent of Total
Garment	13,494	73%
Showrooms, marketing	2,639	14%
Production	8,701	47%
Support	1,301	7%
Storefront	613	3%
Unspecified	240	1%
Garment Related	563	3%
Non-Garment	4,438	24%
Total	18,495	100%

NYIRN, 2000



NYIRN, 2000



NYIRN, 2000

Risk of Garment Space Loss Due to Lease Expirations

Forty percent of the spaces used for garment purposes have leases that will expire by the end of 2001. A total of 60% will expire by the end of 2002. Special District landlords are not offering longer leases to non-garment tenants. A breakdown of lease expiration dates shows virtually the same yearly percentages for garment and non-garment companies.

Reported Garment Leases			Reported Non-Garment Leases		
	Number of Leases Expiring	Percent of Total		Number of Leases Expiring	Percent of Total
Year			Year		
2000	46	10%	2000	18	12%
2001	134	30%	2001	43	28%
2002	84	19%	2002	30	19%
2003	66	15%	2003	29	19%
2004	45	10%	2004	14	9%
2005 +	79	17%	2005 +	22	14%
Total	454		Total	167	

Rent Levels

As one would expect, space used for garment showrooms and offices in the Preservation Area commands a significantly higher price than space used for production. The average rent for garment showrooms and offices was over \$19.00 per square foot. While this is a relatively high rent for the mid-blocks it is significantly less than the rents paid for showrooms and other high end spaces on the avenues. Non-garment firms are paying the highest average rents in the District, at \$22.07 per square foot. Interestingly, there is not a large discrepancy between the rents paid by garment showrooms and offices and non-garment firms in general. The most severe rental pressure is felt by production facilities who are currently paying an average of \$13.20 per square foot (already more than twice the rate for comparable space in other boroughs) and who are being asked to pay double or triple their current rent in order to renew leases.

(Please note that many garment companies we interviewed had already moved at least once during their tenure in the Special District due to rent increases.)

	Average Rent per Square Foot
Garment	\$ 16.09
Showrooms/	
Marketing	\$ 19.06
Production	\$ 13.20
Support	\$ 15.30
Storefront	\$ 39.11
Unspecified	\$ 16.98
Garment Related	\$ 18.34
Non-Garment	\$ 22.07

NYIRN, 2000

Rents paid by apparel production shops are rising throughout the District.

“(We) came from 252 W.38th St. after being there for 17 years. Building (was) sold to new owner. Rent was doubled.”
-Fabric Cutters

“(Our) rent is going up from \$2,500 per month to \$7,000 per month. We plan to move.” –Contractor

“Last year we lost half our space but we are still being charged the same rent. In effect our rent was doubled.” –Trimming Wholesalers

Expectations for the Future

Garment firms are fairly pessimistic about their ability to continue renting space in the District. Fifty-four percent reported that they expected to have difficulty renewing their lease. Fifty-eight percent of production and 39% of showroom/marketing spaces anticipated difficulty renewing

their leases. These negative expectations are based primarily on anticipation of rent increases and space conversions, as opposed to negative assessments about future business conditions.

Negative expectations are twice as high in the garment industry as in other industries in the District. While 54% of garment spaces had negative expectations, only 22% of non-garment spaces had negative expectations concerning lease renewals. Given that rent levels for showrooms, for example, and non-garment uses are actually fairly comparable, the higher level of negative expectations may be more a reflection of concerns about general changes in the District and the conversion of space.

“(I) got the space by saying I was a computer graphics company. Realty agent had said: ‘We don’t want your clientele’. Whenever you say “garment”, agents don’t want to deal with you”. –Fabric Marker

“We make evening wear, sell to boutiques. Might have to move... owner cut 24-hour access to building, now closes at 6pm... No hot water for several months... Building very intent on harassing tenants, wanting to get them out.”-Sample Maker

“I’m a men’s clothing designer (and) tried to move into 330 W. 36th. After I signed the lease, the landlord said I could not move more than 5 machines in the space. At this space, the landlord refused to rent me a workspace, saying it must be a showroom.”-Designer

Smaller companies, as measured by either number of employees or the amount of space occupied, were more pessimistic about their ability to remain in the District. This is due to the fact that smaller firms make up the majority of Garment Center tenants. To the extent their expectations are accurate, however, it also suggests that the growth of new designers who start off small is being stymied.

The anticipation of difficulty renewing a lease was analyzed according to three criteria: space size, rent paid per square foot, and number of employees in the space. Fifty-three percent of the total spaces that anticipated difficulty were between 1,000 and

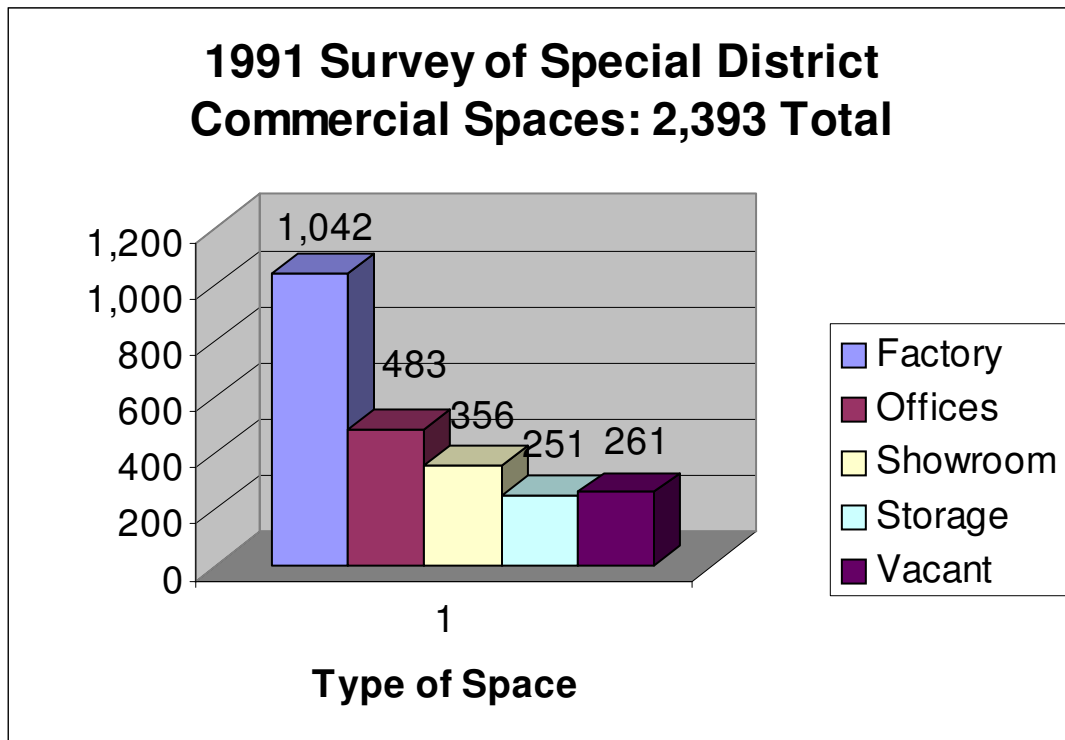
5,000 square feet. Twenty-three percent were between 5,000 and 10,000 square feet. The overwhelming majority of these spaces were used for apparel purposes. Of the spaces which reported a square foot rent and an anticipation of difficulty, 61% paid rents of \$15 per square foot or less. Finally, 67% of all spaces reporting an anticipation of difficulty had 10 employees or less.

Expectation of Difficulty Renewing Lease											
	Yes	Percent of all "Yes"	Percent of all Type	Not Sure	Percent of all "Not Sure"	Percent of all Type	No	Percent of all "No"	Percent of all Type	Total Answers by Type	
Garment	129	91%	54%	50	77%	21%	59	62%	25%	238	Garment
Rent Increase	78	55%		7	5%						
Landlord Wants Them Out	17	12%			0%						
Poor Business	2	1%			0%						
Other	4	3%		1	1%						
No Answer	28	20%		42	30%						
Garment Related	1	1%	11%	4	3%	44%	4	3%	44%	9	Garment Related
Non-Garment	12	8%	22%	11	8%	20%	32	23%	58%	55	Non-Garment
Total Each Answer	142			65			95				
Total Answering Question										302	

NYIRN, 2000

Historical Analysis

A comparison of the data collected by NYIRN's 2000 survey with data collected by the Office of Midtown Enforcement in 1991 offers some insight into trends in the Garment Center. The 1991 survey reports that there were 2,393 commercial spaces in the Special District, compared to our count of 2,326 today. Unfortunately, the 1991 data does not distinguish between garment and non-garment uses. However, the Office of Midtown Enforcement found 1,042 factory spaces and it is safe to assume that the vast majority of these were garment. There are currently 505 spaces devoted exclusively to apparel production in the Special District, a drop of almost 50%.²² The sharp drop in the number of production spaces may be partially explained by company consolidations in the 1990's, as well as conversions to design or showroom space. The NYIRN study did not count design or showroom spaces *that had production workers* as production spaces. Nonetheless the drop is considerable. The percentage of vacant spaces in the District has dropped from 11% to 4%.



Office of Midtown Enforcement, 1991

²² The 1991 study also reports that offices and showrooms together occupied 35% of the space in the District. A certain number of these offices assuredly were not related to the apparel industry, however, it is worth noting that garment high-end uses (offices, showrooms and design studios) occupy 19% of commercial spaces in the Special District today.

Despite this drop in the number of Preservation Area factory spaces, there is a striking difference between the levels of apparel industry intensity on the side streets and on the avenues.

According to Robert Pauls, LLC, there is virtually no production activity remaining on the avenues. Seventy-six percent of total employment in the Preservation Area is garment related, while apparel employment in the Garment Center overall (zip code 10018) has dropped to 44.6%. Garment workers in the Preservation Area make up a disproportionate amount of zip code 10018 apparel employment. As mentioned earlier, the rate of loss of apparel employment in zip code 10018 is also significantly less than that of Manhattan overall. All of these factors are possible indicators that the very existence of the Preservation Area has had a stabilizing effect.

Enforcement of the Zoning in the Special District

Summary

The illegal conversion of manufacturing space is widespread in the Special Garment Center District. NYIRN found at least 212 spaces in 45 buildings that had been converted from manufacturing to office uses since 1991. In only two instances did building owners complete the process for dedicating space within the Preservation Area and only one of them followed through with a conversion. The process established to monitor conversions is excessively cumbersome and discourages owners from seeking to convert their spaces legally. At the same time, the process is riddled with loopholes that encourage owners to circumvent the zoning regulations. In particular, by self-certifying Type II Alteration permits that do not disclose a change of use in the space, the owner is able to avoid the District's provisions. Finally, there are no inspections to enforce the zoning and detect illegal conversions.

Zoning Use Regulations in the Special Garment Center District

The Special Garment Center District was created in 1987 by an amendment to New York City's Zoning Resolution. It was intended to protect the garment industry from the displacement that was anticipated due to the redevelopment of Times Square, while also protecting the value of land and buildings within the District.²³ The amendment designates a "Preservation Area"²⁴

²³ Department of City Planning. (1987). Zoning Resolution, (Article XII, Chapter 1: Special Garment Center District). New York, NY: City Planning Commission

²⁴ See map of Preservation Area.

within the Special District, limits the as-of-right uses in this Area to certain types of retail, service, and manufacturing establishments, and permits conversion of manufacturing space to office uses only if the building owner preserves an equal amount of space elsewhere in the Area for manufacturing.

The Zoning Resolution specifies that after March 26, 1987, conversion to office use in the Garment Center’s Preservation Area is permitted but is subject to “floor area preservation” requirements.²⁵ Prior to converting any amount of floor area to office use, a building owner must designate an equal amount of floor area, in either the same building or a comparable building, to be preserved and maintained for permitted manufacturing uses. The preserved space must be on whole (not partial) floors, and must meet specific criteria regarding number and load of elevators, floor load, size of floors, loading facilities, column spacing, and height of stories. The space to be preserved must either be occupied by a manufacturing use or be vacant at the time that it is designated for preservation.

The regulations also allow conversions to most retail and service uses to occur as-of-right, without any preservation of manufacturing space. While this exemption allows a variety of amenities to co-exist with the garment companies in the District, it also creates a gray area of unrestricted permissible conversions. As a growing number of service-oriented companies are essentially office-based operations, the distinction has become increasingly ambiguous between conversions that require preservation and those that do not. Each time a factory space is converted to one of these ambiguous uses but no equivalent floor area is preserved, the District suffers a permanent loss of affordable manufacturing space.

A building owner seeking to convert floor area to office use in the Special Garment Center District Preservation Area must do the following:

1. Execute a restrictive declaration for the property where the equivalent floor area to be preserved is located. This must be filed with the Conveyances Section of the Office of the City Register.
2. Request a “Chairman Certification” from the City Planning Commission, certifying compliance with the floor area preservation requirements. A copy of the restrictive declaration must be submitted along with a completed Land Use Review application.
3. Obtain a permit from the Department of Buildings for the conversion of floor area to office use. This is considered a Type I Alteration, which requires amending the

²⁵ Department of City Planning. Zoning Resolution, Section 121-113

building's certificate of occupancy to indicate the change in use, regardless of whether construction work is done.

The Department of Buildings is the agency responsible for enforcement of these regulations. Enforcement was originally facilitated through a special task force of the Mayor's Office of Midtown Enforcement, which performed cyclical inspections of the buildings to ensure compliance with the zoning regulations, building code, and other health and safety regulations. This Garment Center Enforcement Project completed one cycle of inspections throughout the District in 1991, and produced a comprehensive baseline survey identifying what spaces were used for manufacturing. This survey was intended to serve as the basis from which future conversions could be evaluated. When the Enforcement Project's funding was eliminated in 1992, the District was left with a much weaker process for inspections and thus became more vulnerable to illegal conversions.

NYIRN sought to examine the effectiveness of the City's enforcement efforts through an examination of public records at the Departments of Buildings and City Planning. This examination showed that compliance with the preservation requirements was extremely rare. Our survey found at least 212 (and as many as 250) spaces in 45 buildings in the Preservation Area that have been converted to offices since the Special District was created. Only two buildings in the entire District, however, have obtained all the permits required for converting factory space to offices and only one of these was converted. Evidently, the vast majority of new offices in the District were illegally converted.

The Department of City Planning has granted Chairman Certifications approving the conversion of space in the Garment Center to office use only twice, both times before 1993. One of these applicants waited nearly 18 months for approval; the other waited 12 months. Only after the certifications were granted were the owners able to apply for their building permits and commence conversion.

The owners of the remaining 44 building with newly converted offices in the Preservation Area apparently never applied for certification. NYIRN sought to further explore the status of these conversions by reviewing a sample of applications filed with the Department of Buildings. Approval of a Chairman's Certification should result in a written notice sent to the Department of Buildings, notifying them that preservation requirements have been met and that alteration permits for conversion to offices in the building may be considered. NYIRN's review of files

found that the Department of Buildings has repeatedly permitted building alterations without receiving either letters from City Planning or any other proof of compliance with the preservation requirements.

The loophole in the Department of Building's permit application process appears to be in their acceptance of self-certification for Type II building alteration permits. NYIRN's search revealed that many building owners in the Garment Center have begun renting former garment factory spaces to office tenants without applying for an Alteration Type I permit from the Department of Buildings. Type I permits are required when there is a change of use in the space being renovated, thus changing the building's Certificate of Occupancy as well. The Certificates of Occupancy on file for these converted buildings still indicate "factory" uses on converted floors. In many cases, the owners have requested approval for "new dry wall partitions" or similar work suggesting office construction, but stated that there was "no change to use" on the application form.

By not indicating that there was a change of use, the owner can file a Type II Alteration permit, which is subject to less scrutiny by the Department of Buildings. The Department of Buildings' Professional Self-Certification program enables registered architects and professional engineers to certify that the plans they are filing are in compliance with the New York City Zoning Resolution.²⁶ While greatly reducing the amount of time one has to wait before starting construction, the Department of Buildings spot checks roughly 15% of these applications, leaving too much room for unchecked non-compliance. Because many of the work plans have been self-certified, these sites frequently are neither visited by Department of Buildings' inspectors nor checked for zoning compliance. By filing an Alteration Type II rather than a Type I, landlords in the Garment Center are essentially bypassing the special zoning regulations by not disclosing a change of use.

Additionally, in a few cases, the owners did not even disclose that the building was located in the Special Garment Center District. There is a box on the application in which applicants are required to indicate if the building is in a special district and in several instances this box was left blank on the application, where "GC" should have been entered. The fact that this was

²⁶ NYC Department of Buildings. "Online Brochure – Professional Self-Certification Program." [http://www.nyclink.org/html/Department of Building/html/worper.html](http://www.nyclink.org/html/Department%20of%20Building/html/worper.html)>

overlooked, both by self-certifying professionals and by Department of Buildings staff, suggests either a lack of awareness or a total disregard for the special zoning. In cases where a site inspection might have prompted a building inspector to observe and enforce the special zoning, the self-certification process enables landlords to sidestep this obstacle. NYIRN identified many alteration applications in the District that were self-certified and that were not flagged in any perceptible way as being subject to special zoning regulations. As the number of construction applications using self-certification steadily increases (29.45% of all applications in 2000), self-certification has drawn increasing public attention. A December 3, 2000 article in the *New York Times* quoted Mark Muscaro, executive vice president of the Building Industry Association of New York who asserted that “[t]he best practitioners abide by the law. But, at this juncture, the system encourages someone with less integrity to self-certify something under the premise that no one is going to catch up with them – which is a pretty good bet given that there is an overburdened internal audit process at the department.”²⁷

Failure of the process to ensure preservation of manufacturing space

Even for spaces that have been properly “preserved” for manufacturing, future protection from conversion is not guaranteed. It is unclear how anyone; including tenants, community members or Department of Buildings staff, could determine that particular floors of a building are preserved for manufacturing use. A routine search of the Department of Buildings Information Service reveals no hint of preservation requirements. Of course, this issue has hardly been raised, since preserved floor area exists in only one building in the entire District. That particular owner followed every detail of the special zoning rules and every step of the preservation process, dedicating several floors for manufacturing before converting other floors to office uses. Nevertheless, the building now appears to have at least one non-conforming use on one of the “preserved” floors.

Real Estate Analysis of the Avenue Buildings

While buildings fronting on the avenues are not within the “preservation areas” of the Special District, these buildings serve a critical function in the industry and activity in these buildings

²⁷ “When Builders Are Inspectors,” *New York Times*, December 3, 2000, section 11, page 1

impacts the District overall. According to the Robert Pauls, LLC study, the avenue buildings consume almost 60% of total commercial space in the Garment Center²⁸.

Apparel tenants continue to represent a majority of the commercial tenants in the Garment Center's buildings. In the major buildings fronting the avenues where detailed tenant information was available, there were 2,467 tenants, of which 1,649, or 67%, were identified as garment and garment-related companies.²⁹ Avenue buildings which are solidly "garment," i.e. 70% to 90% of the tenants are garment companies, are clustered very tightly on Broadway and 7th Avenue, between 37th and 40th Streets.

Vacancy rates within the avenue buildings are extremely low (7.3%). Similarly, NYIRN found a vacancy rate of 5% within the Preservation Area buildings. Historical analysis of vacancy rates within the overall Garment Center shows a steady decline of available space. Vacancy rates peaked at 11.5% in 1994 and dropped at a significant speed between 1997 and 1999.³⁰ The Pauls report also concluded that "very few buildings have large blocks of space available, and those that do may be warehousing space to create large deals with traditional office tenants".³¹

Asking rents in major buildings fronting the avenues average over \$37 per square foot and range between \$22 to \$53 per square foot depending on building quality and services³². This is a 68% increase in the past 6 years. (In the Preservation Area rents for showroom and office space for apparel companies average \$19 p.s.f.)

A fairly ominous indicator of the pressures threatening the apparel industry is the amount of real estate sales activity in the Garment Center in recent years. Fifteen Garment Center buildings representing 1.7 million square feet have been sold since January 1998. In addition, 18 buildings adjacent to the Garment Center have also been sold. These 18 buildings account for another 1.55 million square feet. Many of the 15 buildings that have been recently sold are located within the Garment Center Special District. Thirteen of the 15 recently sold properties in the Garment

²⁸ Pauls defines the Garment Center as West 35th to West 40th Streets, 6th to 8th Avenues.

²⁹ Robert Pauls, LLC, (version 1, pg 9)

³⁰ Robert Pauls, LLC, (version 1, pg 8)

³¹ Robert Pauls, LLC, (version 1, pg 8)

³² Robert Pauls, LLC, (version 1, pg 9)

Center are side street buildings located within the Special District. This may “put them at greater risk as the price basis for the new owner is much higher than (that of) the previous owners...”³³

Those new owners may not have long to wait until they can raise rent levels to offset the higher price basis. A significant number of avenue tenant leases (28%) will also expire by the end of 2001. This is based on an analysis of 353 reported avenue leases of all types.³⁴

Recommendations

Today’s Garment Center remains a unique place for the creation and marketing of fashion. It also remains home to a surprising amount of production. While production has decreased in the area, the willingness of manufacturers to pay relatively high rents for Garment Center production space suggests the importance they continue to place on the integration of production with design and marketing. In addition, the design and marketing activities that occur in the Garment Center anchor the other elements of the industry throughout the City.

In short, there remains something very much worth saving.

Ironically, much of the space for the most critical functions – design and marketing – remains on the avenues which are outside the Special District and consequently outside the existing system of protections. In addition, only production activities are protected within the District itself. New ways to support the showroom, design and marketing activities –both in and outside of the District- need to be developed.

Enforce The Existing Law

The Special Garment Center District represented a commitment by the City of New York to minimize the negative impacts to the garment industry that would be caused by the redevelopment of Times Square. The City and State have moved forward with that redevelopment including the condemnation, site assembly and transfer of ownership to private developers of 12 acres of mid-Manhattan and the award of tax benefits to subsidize that development. The City has failed, however, to implement a process to prevent the illegal conversion of space in the adjoining Special Garment Center District and it discontinued funding

³³ Robert Pauls, LLC, (version 2, pg 15)

³⁴ Robert Pauls, LLC, (version 1, pg 10)

for enforcement of the Special District regulations. In short, the City has not honored its commitment.

The result has been the widespread illegal conversion of space in the area, pervasive uncertainty about the future availability of space for apparel use by the tenants, and dis-investment by the industry as a result of that uncertainty. As the market heats up and the financial incentives to convert space increase, the risks to the industry and the City also increase. In addition, forty percent of the leases of the apparel companies in the Special District will expire by the end of 2001, creating the opportunity for a tremendous amount of conversions to occur in the very near future.

The City should keep its commitment to the apparel industry. First, it must reform the process within the Departments of City Planning and Buildings that was developed to implement the provisions of the Special District. The process for dedicating space as required by the zoning is cumbersome and ineffective, allowing many conversions to be hidden. It should not take over a year to obtain a permit to renovate space, causing building owners unnecessary expense and uncertainty and creating a disincentive for following the law. Owners should also not be able to avoid the law by merely not disclosing on their Department of Buildings application that the building is in the Special District, or by self-certifying that no change of use is occurring.

- The Department of Buildings should maintain a registry of all buildings by block and lot, and by address, that are in the Special Garment Center District, and of the spaces that have been dedicated for manufacturing pursuant to Special District regulations. There must be an easy way for examiners and others to determine if space is covered and has been protected;
- Building owners should be required to install signage on the façades and/or in the lobbies of buildings with space dedicated to manufacturing so that manufacturing tenants are made aware if their space is protected. This will help reduce the uncertainty that characterizes the industry and provide tenants with the knowledge they need to protect their rights;
- There should be a presumption that any construction in Garment Center manufacturing buildings involving the installation of new walls, new windows, and new building systems, such as new elevators, is part of a conversion of space to other uses. Building inspectors should be required to visit alteration sites to determine if a change of use has occurred;
- The Department of City Planning should revise the list of services that are permitted in the Special District without triggering the dedication requirements. Over time, an increasing

number of services that are fundamentally office uses without connection to the apparel industry have been permitted through an expansive interpretation of the list;

- The City should institute legal action against building owners that have illegally converted their spaces. Many of the buildings where illegal conversions have taken place still have some manufacturing tenants. Owners should be compelled to provide dedicated manufacturing space as originally intended or, if this is no longer possible, to pay a fine that deprives them of their illegal profits;
- The City should impose a moratorium on building permits in the Special District until the other recommendations are implemented. Given that an extraordinarily high percentage of leases are to expire within the next 12 months, the City should develop interim protections until the longer-term strategies are put in place; and
- The City should enforce existing zoning by inspecting the buildings. The City should reinstitute cycles of regular building inspections. Inspecting the buildings will not only improve enforcement of Special District regulations, it will protect the health and safety of workers in the area.

Protecting Showroom Space

Maintaining design, marketing and sales activities in the Garment Center is essential to the continued well-being of the other components of the garment industry throughout the City. There would not be production in Sunset Park, Flushing or the South Bronx if buyers did not come to the Garment Center to shop. However, these critical “showroom” and ancillary functions are located on the avenues and are excluded from the protections of the Special District. The City should seek ways to protect these anchor functions. It should consider:

- Creating new zoning to protect apparel uses on the avenues. The remaining showroom buildings are very tightly clustered together. New zoning could be created which would permit only apparel related businesses to occupy a fixed percentage of these buildings. This zoning would be similar to that which is now used to limit the conversion of older loft buildings to use by artists as certified by the City’s Department of Cultural Affairs. For example, only companies which are listed with the New York State Apparel Registry and/or are “certified” by the City’s Department of Business Services as apparel related could lease space on designated floors; and/or

- Create financial incentives for the owners of avenue buildings to maintain space for apparel related uses. The City has already used this strategy to attract targeted sectors to particular geographic areas. For example, the City provided financial incentives to support the revitalization of Lower Manhattan, targeting financial services and internet related companies. City programs which encouraged the renovation of space, and reduced taxes for firms signing new leases, provided a total of \$14.60 per square foot in benefits to financial services and internet companies located in Lower Manhattan. As part of the same effort, the City has heavily subsidized the construction of a new commodities exchange and is negotiating to subsidize the construction of a stock exchange. These efforts extend beyond Manhattan, as exemplified by new city funding in order to promote high tech districts throughout the five boroughs.

Expanding Manufacturing Space and Facilitating Relocation For Contractors

Even with better enforcement of zoning regulations, some space currently occupied by contractors (high-volume apparel production shops) will be legally converted to non-apparel uses or to showrooms. In addition, there is tremendous real estate pressure in Chinatown to convert manufacturing lofts to residential and commercial uses. To retain these contractors and the jobs they provide, the City, State and Federal governments should develop a comprehensive package of services to encourage the creation and preservation of manufacturing space, to facilitate the relocation of displaced companies into these spaces and to improve the competitiveness of companies when they relocate. The City, State and Federal Government should:

- Renovate the remaining vacant portions of the Brooklyn Army Terminal for apparel use. BAT is located in Sunset Park which is already home to a significant cluster of garment companies and is relatively convenient for many garment workers;
- Review the portfolio of City, State and Federally owned properties to identify other sites suitable for garment production and dispose of those properties for redevelopment as manufacturing facilities;
- Create an Industrial Development Incentive Program that would provide grants for the acquisition, development or dedication of space for apparel production. These grants would lower capital costs and thereby either increase the return on investment or lower the rents for the dedicated space. For example, a \$1 million grant for a 100,000 square foot project would lower rents or increase returns by approximately \$0.80 to \$1.00 per

square foot, depending on interest rates. Grants would be awarded through a competitive process which would encourage private and not-for-profit developers to make additional space available for apparel production;

- Create a tax credit to encourage the renovation of manufacturing space similar to the tax credit for low income housing;
- Reform the industrial development bond program to provide financing for large, multi-tenant industrial buildings;
- Fund the Move Smart program to assist individual companies seeking to relocate. Move Smart is a new initiative developed by the Garment Industry Development Corporation, the Industrial Technology Assistance Corporation and NYIRN. Move Smart would provide a comprehensive package of relocations services including:
 - Relocation grants to reimburse companies for expenses associated with relocation. Companies facing relocation are in particularly precarious positions because their cash flow is disrupted, they have unusual expenses associated with relocating and making leasehold improvements, and they may be considering relocating to areas outside New York City that offer reimbursement for relocation expenses.
 - Technology assistance to use the relocation as an opportunity to improve the competitiveness of companies through upgraded technology and improved production processes. The actual move presents an opportunity to upgrade the infrastructure and change the culture of a company; and
 - Real estate and business planning assistance to help companies project their space needs, identify appropriate space, plan their moves, apply for relevant City and State assistance, and link relocating companies to training and employment organizations in their new neighborhoods. This relocation assistance should involve not only helping each individual company to move but to help groups of companies to relocate and to foster new clusters of apparel contractors. Apparel companies achieve a variety of “agglomeration” benefits by being located in clusters. These include the ability to share and subcontract work, to obtain services such as equipment repair, to access a skilled workforce, and to meet easily with other contractors to share information.

Appendix A: Methodology

This land-use study is a snapshot of a particular area at a particular point in time. We have attempted to capture some of the complexity of the relationships that persist in the District despite the relentless pressure of rent increases, building conversions, and market up- and downturns. The garment industry in New York City has traditionally been organized into a large number of relatively small units. For the purposes of this study, these units have been aggregated into six major categories and have been analyzed at a variety of levels related to their real estate situation.

Physical boundaries of the Garment Center Preservation Area

The physical boundaries of the Special Garment Center District (see map) are the following: 35th Street (north-side only) through 40th Street (south-side only) between 7th and 9th Avenues. In addition, 35th Street (north-side only) through 37th Street (south-side only) between Broadway and 7th Avenue is also part of the District. The protective zoning applies only to the “Preservation Area” within the Special District. The Preservation Area includes side streets only, beginning 100 feet from every avenue corner. In cases where an avenue building extends more than 100 feet into a side street, the entire building is excluded from the Preservation Area.

Physical execution of the survey

The actual survey was carried out for approximately one month (beginning July 21st), Monday through Friday, from approximately 9:30 to 5:30. The survey team was made up of staff from NYIRN, two consultants completing graduate work in urban planning/urban affairs, staff from the Garment Industry Development Corporation, business agents and organizers from UNITE, and a large group of student interns from UNITE. Surveyors canvassed buildings in teams of two and attempted to visit every business on every floor in every commercial building in the District, including ground floor establishments.

A survey sheet (see appendix) was completed for every business site that we encountered, whether business activity was garment or non-garment related. Where companies had separate spaces on multiple floors or buildings, separate sheets were filled out for each space in order to

more accurately track the various uses of the spaces we encountered. For example, a company may have had office space on the second floor and warehouse space on the sixth floor. Therefore, the data will speak for individual spaces not individual companies unless specified otherwise. Also, occasionally several companies occupied one space. If all the companies in one space fell into the same industry category (office or design work as opposed to production activity) then it was counted as one space; if the companies fell into different industry categories, then they were counted separately. Survey sheets were also completed for spaces that were vacant or under construction.

Garment and non-garment companies were asked the same set of questions, except those that pertained to specific tasks carried out only by apparel companies. The amount of information gathered depended to a great extent on the level of cooperation offered by the companies themselves. Often we were asked to return or contact a company representative by phone. Every effort was made to carry out follow-up research with companies. We were also able to gather information about companies and their spaces through corporate headquarters, other tenants in the building, building agents and superintendents, and internet listings, such as BigBook.com. The basic requirement for any company entered into our database was that we have their line of business, number of employees, and an estimation of the square footage that they occupied. Normally, at least two attempts were made to gather this information for each company. However, despite these efforts, it was not always possible to do this.

Defining Garment, Garment-Related and Non-Garment Businesses

Garment establishments are defined as those businesses that are directly involved in the design, production, and/or sale of garments and related accessories (specifically belts, hats, bags, and decorative elements to garments such as trimmings). Suppliers who work exclusively with the garment industry are included in this category as well.

We have created a separate category entitled “garment-related” businesses. These are the ancillary establishments whose business is derived from providing services to the garment industry. These include garment trucking companies, marketing/advertising firms, internet companies that market clothing exclusively, and firms that provide accounting/computer services to Garment Center companies. These activities would not exist but for the apparel activities carried out in the surrounding area.

All other firms were categorized as “non-garment.” Non-garment companies were further categorized with as much specificity as possible. The non-garment categories that were created reflect what we actually encountered during the survey but were also modeled on the Standard Industrial Classification (SIC) system. Company types that are just now entering the SIC system, such as internet-related and new media, were included as non-garment categories.

Vacant space/under construction

Vacant spaces, as well as those under construction, were not ignored. We attempted to estimate the square footage of these spaces, however, it is highly probable that our square footage figures are lower than the actual totals in that we were often not able to see unoccupied spaces in their entirety.

Year Company Founded/Years in Building

We questioned every company about its founding year and the duration spent at its current location. At times it was difficult to determine a founding year for some of the garment companies because a company had changed hands several times, or the same owners had changed their company’s corporate identity more than once. Obtaining consistent answers regarding the duration in a building was far easier.

Building Changes

Companies were asked if they had observed changes in their building during the time they had occupied their present location. The main thrust of the question was if the nature of the tenants/activity in a particular building had changed. However, if a respondent indicated “yes,” any further comments were entered directly onto the survey sheet and into the database.

Expect Difficulty Renewing Lease

All companies were asked about their expectations regarding lease renewals. If a company indicated that they anticipated difficulty in renewing their lease, they often commented further. These comments were then grouped into four categories:

1. A “rental increase” would make remaining in the building a hardship;
2. “Poor business” would also make remaining in the building a hardship;
3. The fact that the “landlord wanted them out of the building” would make lease renewal impossible; and
4. Or another reason—“other.”

Inevitably, there is a certain degree of overlap between the effects of poor business activity or rental increases on the viability of lease renewal. While subjective, it nevertheless sheds light on the owners’ perceptions about the relative reasons for their fate.

Date Lease Expires

Company owners were normally quite certain of the year that their lease expired, however, it was more difficult to learn the correct month. Therefore, the final report indicates lease expirations by year.

Total Square Feet and Rent

This was one of the most challenging aspects of our survey and affected our ability to calculate rent levels. It is important to stress that our square footage figures are estimates. A certain number of the companies that we surveyed did know the square footage of their spaces. If the company knew both the gross and the net (usable) square footages of their space, we worked with the gross figure because rent is based on gross square footage.

A surveyor was often forced to estimate the size of the space based on his/her own judgement, the known size of other comparable spaces in the building, and the percentage of the total floor occupied by the business. We were able to obtain a database listing the gross square footage and total number of floors of every building in zip codes 10001 and 10018. We then built a spreadsheet of the gross square footage for each floor in the Garment Center. This spreadsheet was especially useful in cases where a business occupied an entire floor of a building or a very discernible section, such as one-half or one-quarter.

The issue of building setbacks had to be addressed because many of the buildings in the Garment Center have a series of setbacks starting on the upper floors that radically diminish the size of the

upper floors. Buildings over ten stories tall were split into thirds. Standard percentage adjustments were made to the gross square footage of the bottom two-thirds and top one-third of every building over ten stories with setbacks. This was done to factor in the impact of the setbacks. These percentages were tested on buildings whose square footages were already known. The results were quite precise. In cases where estimation was basically impossible (we were not permitted entry and no other source of information was available), the square footage was left blank and thus is not included in the totals.

With regard to rent level data, the best-case scenario was a tenant who knew their rent per square foot. In several cases, however, companies provided their monthly rent but were unable to tell us how many square feet they occupied. We would then calculate the rent based on our estimation of the square footage. We also knew that some monthly rents included electricity charges. We filtered out these additional charges when we were aware of them. In many cases no information about rent was provided.

Estimated Number of Employees

Counting the total number of employees in every space was a top priority. Again, this figure is an estimate based on our ability to enter and observe each company. Often the company owner or manager would provide us with a head count if we were not admitted into the space. Part-time employees were counted as one-half an employee.

Classification of Garment Industry Businesses: The Five Groups

The garment companies that we visited fell into five basic groups. These categories are based both on the nature of work performed in the space and the basic condition/level of amenities in the space itself. These categories are:

- 1.) Showrooms, offices, and design rooms;
- 2.) Production activity: High-volume sewing and fabric cutting, sample and pattern-making, fabric marking and grading, fabric dyeing, and “other production,” which includes activities such as the manufacture of belts or buttons;
- 3.) Support: Wholesale goods and industry suppliers. This includes textile dealers and converters, all suppliers, clothing wholesalers and warehouse spaces.;

- 4.) Storefronts: Ground floor retail and wholesale garment and textile establishments; and
- 5.) Unknown were spaces for which we were unable to obtain information.

These categories are intended as a general framework to understand how the garment industry is organized. What we discovered during the actual survey process was that one company could be engaged in activities from two or more distinct categories. For example, we visited several showrooms and design rooms that also had sample-making areas. Likewise, we visited garment wholesalers who had production areas and warehouse spaces. In cases such as this, we were required to determine which was the dominant use in a particular space so that a company would not be counted twice, i.e. once as a showroom and once as a sample maker. This judgement was normally based on what use occupied more of the space and required more employees.

Finally, there are a certain number of companies that we were able to determine were garment or non-garment but we were not able to categorize them any further.

Notes/Comments From Tenants

Additional comments, questions and concerns of the company representatives with whom we spoke were also recorded. These have now been organized. They are valuable testimony and address other issues affecting the garment industry today, such as national trade policies and the cost of overseas labor.

A Guide to the Reports/Summary of Data

Data gathered as part of the survey process has been presented in four ways. The most crucial findings appear in a series of charts and graphs with attached explanations. In addition, the appendix provides final totals for every question asked as part of the survey process. The appendix also includes a data outline, which organizes all totals and percentages calculated as part of the analysis process. Fourth, a series of maps have been prepared which visually analyze employment and square footage data at the lot and block level. Blocks or portions of blocks that still have a substantial amount of garment activity are highlighted. Finally, buildings that have been entirely converted to non-garment use have been researched further to determine the nature of the review process that permitted these conversions to take place.

Appendix B: Data Totals

SPACE

GRAND TOTAL (6,974,997 sf)

Total Occupied Square Feet (6,482,971 sf) (92.95%)

Garment

Total Square Feet (4,786,013) (73.82% of total occupied space)

Percent by Garment Group (5) of universal total

Showrooms/Mktg	(1,277,686 sf)	(18.32%)
Production	(2,063,277 sf)	(29.58%)
Support	(800,350 sf)	(11.47%)
StoreFront	(288,150 sf)	(4.13%)
Unspecified	(356,550 sf)	(5.11%)

Percent by Garment Group (5) of total occupied space

Showrooms/Mktg	(19.71%)
Production	(31.83%)
Support	(12.35%)
StoreFront	(4.44%)
Unspecified	(5.50%)

Percent by Garment Group (5) of total Garment

Showrooms/Mktg	(26.70%)
Production	(43.11%)
Support	(16.72%)
StoreFront	(6.02%)
Unspecified	(7.45%)

Garment-related

Total Square feet (118,400)

Percent of total occupied space (1.83%)

Non-garment

Total Square feet (1,582,568)

Percent of total occupied space (24.41%)

Percent by prominent Non-garment Uses of total occupied space

Internet Services	(3.09%)
Art Studio/Gallery	(1.75%)
Commercial Printing	(1.68%)
Computer Services/Consulting	(1.43%)
Other manufacturing	(1.42%)

Percent by prominent Non-garment Uses of Non-garment occupied space

Internet Services	(200,145 sf)	(12.68%)
Art Studio/Gallery	(113,428 sf)	(7.19%)
Commercial Printing	(108,680 sf)	(6.88%)
Computer Svcs/Consulting	(92,946 sf)	(5.89%)
Other manufacturing	(91,875 sf)	(5.82%)

Under construction

Square feet (95,200)
Percent of universal (1.36%)
Percent of total occupied space (1.47%)

Vacant

Square feet (343,909)
Percent of universal (4.93%)
Percent of total occupied space (5.30%)

Unknown

Square feet (52,917)
Percent of universal (.76%)
Percent of total occupied space (.82%)

EMPLOYEES

Total for all 3 Categories by Use (18,535)

Garment employees

Total (13,494)
Percent of universal (72.80%)

Percent by Garment Group (5) of universal

Showrooms/Mktg	(2,639)	(14.24%)
Production	(8,701)	(46.94%)
Support	(1,301)	(7.02%)
StoreFront	(613)	(3.31%)
Unspecified	(240)	(1.29%)

Percent by Garment Group (5) of total Garment

Showrooms/Mktg	(19.56%)
Production	(64.48%)
Support	(9.64%)
StoreFront	(4.54%)
Unspecified	(1.78%)

Garment-related employees

Total (563)

Percent of universal (3.04%)

Non-garment employees

Total (4,438)

Percent of universal (23.94%)

Percent by top five Non-garment employees of universal

Internet Services	(768) (4.14%)
Food Distributor	(432) (2.33%)
Commercial Printing	(364) (1.96%)
Computer/Computer Consulting	(309) (1.67%)
Jewelry Production/Sales	(206) (1.11%)

Percent by top five Non-garment employees of total Non-garment

Internet Services	(17.31%)
Food Distributor	(9.73%)
Commercial Printing	(8.20%)
Computer/Computer Consulting	(6.96%)
Jewelry Production/Sales	(4.64%)

Number of Commercial Spaces

Total for all Commercial Spaces (universal) (2,324) (100.00%)

Total for all identified Commercial Spaces (occupied/vacant/under construction) (2,272) (97.76%)

Total for all occupied commercial spaces (2,153) (92.64%)

****Number of named firms within the Special District (1,925)*

****Number of un-named firms within the Special District (136)*

****Number of garment firms within the Special District (1,312)*

Garment Spaces

Total (1,395)

Garment as Percentage of all identified commercial spaces (61.40%)

Garment Groups (5) as percentage of identified spaces

Showrooms/Mktg (399) (17.56%)

Production (505) (22.23%)

Support (236) (10.39%)

StoreFront (180) (7.92%)

Unspecified (75) (3.30%)

Garment Groups (5) as percentage of total garment spaces

Showrooms/Mktg (28.60%)

Production (36.20%)

Support (16.92%)

StoreFront (12.90%)

Unspecified (5.38%)

Garment-related commercial spaces

Total (46)

Percentage of all identified spaces (2.02%)

Non-garment

Total (712)

Percentage of all identified spaces (31.34%)

Top five Non-garment Uses as percentage of identified spaces

Internet Services (62) (2.73%)

Retail Food Establishment (43) (1.89%)

Architecture/Interior Design (39) (1.72%)

Computer Svcs/Consulting (37) (1.63%)

Commercial Printing (34) (1.50%)

Top Five as Percentage of all non-garment commercial spaces

Internet Services	(8.68%)
Retail Food Establishment	(6.02%)
Architecture/Interior Design	(5.46%)
Computer Services/Consulting	(5.18%)
Commercial Printing	(4.76%)

RENT PER SQUARE FOOT

Garment

Average (\$16.09)

Average by Garment Group (5)

Showrooms/Mktg	(\$19.06)
Production	(\$13.20)
Support	(\$15.30)
StoreFront	(\$39.11)
Unspecified	(\$16.98)

Garment-related

Average (\$18.34)

Average by prominent Garment-related Use

Internet Services	(\$23.20)
Marketing/Publicity	(\$23.00)
Trucking	(\$13.00)
Other	(\$13.75)

Non-garment

Average (\$22.07)

Average by prominent Non-garment Use (by highest number of spaces)

Internet Services	(\$23.86)
Retail Food Establishment	(no data)
Architecture/Interior Design	(\$22.19)
Computer Services/Consulting	(\$21.64)
Commercial Printing	(\$14.76)

TENURE

(Yearly Average by Category by Use)

Garment

Average (5.16)

Average by Garment Group (5)

Showrooms/Mktg (5.94)

Production (4.03)

Support (6.18)

StoreFront (6.93)

Unspecified (6.17)

Garment-related

Average (11.00)

Average by prominent Garment-Related Uses

Computer Services (2.00)

Internet Services (.41)

Marketing/Publicity (3.95)

Other (23.83)

Trucking (10.50)

Non-garment

Average (2.49)

Average by prominent Non-garment Uses (by highest number of spaces)

Internet Services (.78)

Retail Food Establishment (no data)

Architecture/Interior Design (2.38)

Computer Services/Consulting (1.15)

Commercial Printing (8.24)

LEASE EXPIRATION

Garment

By year

2000 – 46 leases (10.1%)
2001 – 134 leases (29.5%)
2002 – 84 leases (18.5%)
2003 – 66 leases (14.5%)
2004 – 45 leases (9.9%)
2005 on – 79 leases (17%)

By year by Garment Group (5)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005 on</u>
Showrooms/Mktg	9	28	15	10	6	22
Production	27	80	47	44	25	23
Support	8	17	15	11	10	18
StoreFront	0	7	5	1	4	15
Unspecified	2	2	2			1

Garment-related

By year

2000 – 1 lease (10%)
2001 – 3 leases (30%)
2002 – 1 lease (10%)
2003 – 2 leases (20%)
2004 – 2 leases (20%)
2005 on – 1 lease (10%)

Non-garment

By year

2000 – 18 leases (11.5%)
2001 – 43 leases (27.6%)
2002 – 30 leases (19.2%)
2003 – 29 leases (18.6%)
2004 – 14 leases (9%)
2005 on – 22 leases (14%)

By year by prominent Non-garment Uses

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005 on</u>
Internet Services	3	6	3	4	2	3
Retail Food Estab.	NO DATA					
Architecture/Inter. Des.	1	4	6			
Computer Svcs/Consult.	0	2	1	4	1	2
Commercial Printing	1	5	0	1	2	2

Future Expectations: Lease renewals

Garment (238 respondents)

Types of difficulty related to lease renewal

<i>Expect Difficulty (129)</i>	<i>(54.20%)</i>
Rent Increase (78) (60.47%)	
No explanation (28) (21.71%)	
Landlord wants them out (17) (13.18%)	
Other (4) (3.1%)	
Poor Business (2) (1.55%)	
<i>Don't expect difficulty (59)</i>	<i>(24.79%)</i>
<i>Don't Know (50)</i>	<i>(21.01%)</i>
No explanation (42) (84%)	
Rent increase (7) (14%)	
Other (1) (2%)	

Types of difficulty related to lease renewal by Garment Group (5)

Expect difficulty

Showrooms/Mktg – 39.13% (of 46 respondents)
Production – 58.82% (of 136 respondents)
Support – 56.41% (of 39 respondents)
StoreFront – 53.33% (of 15 respondents)
Unclassified – 50.00% (of 2 respondents)

Don't expect difficulty

Showrooms/Mktg – 41.30% (of 46 respondents)
Production – 14.71% (of 136 respondents)
Support – 30.77% (of 39 respondents)
StoreFront – 46.67% (of 15 respondents)
Unclassified – 50.00% (of 2 respondents)

Don't know

Showrooms/Mktg – 19.57% (of 46 respondents)

Production – 26.47% (of 136 respondents)

Support – 12.82% (of 39 respondents)

StoreFront – 00 (of 15 respondents)

Unclassified – 00 (of 2 respondents)

Garment-related (9 respondents)

Types of difficulty related to lease renewal

Expect Difficulty (1) (11.11%)

Rent Increase (1)

Don't expect difficulty (4) (44.44%)

Don't know (4) (44.44%)

Non-garment (55 respondents)

Types of difficulty related to lease renewal

Expect Difficulty (12) (21.82%)

No explanation (6)

Poor business (1)

Rent Increase (5)

Don't expect difficulty (32) (58.18%)

Don't Know (11) (20.00%)

Types of difficulty by prominent Non-Garment Use

Expect difficulty

Internet Services (1/5)

Retail Food Establishment (NO DATA)

Architecture/Interior Design (0/5)

Computer Services/Consulting (0/5)

Commercial Printing (1/7)

Don't expect difficulty

Internet Services (2/5)

Retail Food Establishment (NO DATA)

Architecture/Interior Design (3/5)

Computer Services/Consulting (3/5)

Commercial Printing (5/7)

Don't know

Internet Services (2/5)

Retail Food Establishment (NO DATA)

Architecture/Interior Design (2/5)

Computer Services/Consulting (2/5)

Commercial Printing (1/7)

BUILDING CHANGES

Garment

89 spaces indicated that the character of activity in their building had changed.
68.99% of total respondents.

Building changes by Garment Group (5)

Showrooms/Mktg (16)

Production (49)

StoreFront (3)

Support (18)

Unclassified (3)

Garment-related

Building change (4)

Non-garment

Building change (36)

Building change by prominent Non-Garment Use

Internet Services (4/36)

Retail Food Establishment (NO DATA)

Architecture/Interior Design (4/36)

Computer Services/Consulting (3/36)

Commercial Printing (2/36)

Notes:

Garment group (5): Showrooms/Mktg, Production, Support, Storefront, Unspecified

Category by Use (3): Garment, Non-Garment, Garment-Related

Non-Garment Use: Internet services, Commercial printing, etc.

Garment-related Use: Trucking, Internet services, etc.

Appendix C: Response Totals for Survey Questions

The reports/queries indicate the following:

1. 343,909 square feet in the Special District are vacant, which represents 5% of the total square feet recorded by the survey (6,974,997).

2. 95,200 square feet in the Special District are under construction, which represents 1% of the total square feet recorded by the survey.

3. There are 712 non-garment spaces in the Special District. This represents 33% of the total number of occupied spaces in the District (2,153). Non-garment spaces fall under the following 40 categories. The most numerous companies include:

Internet services	62 (9%)
Retail food Establishment	43 (6%)
Architecture/interior design	39 (5%)
Computer services/consulting	37 (5%)
Commercial printing	34 (5%)
Commercial photography	32 (4%)
Art studio/gallery	30 (4%)
Theatrical/Stage	28 (4%)
Music industry	24 (3%)
Jewelry	20 (3%)

4. Of the 275 companies that answered the question, the average tenancy of a non-garment tenant in a District building is almost three years.

5. Of the 506 companies that answered the question, the average tenancy of a garment tenant in a District building is a little over five years. For the 17 garment-related companies who responded, the average tenancy is 11 years.

6. Of the 2,153 garment, garment-related, and non-garment spaces in the Special District, 129 indicated that their building has changed since 1990. (We have collected a large number of comments about the nature of these changes.)

7. Of the 238 garment companies who responded to a question regarding the difficulty of renewing their lease, 129, or 54% stated that they expected difficulty, 59 (25%) stated that they did not expect difficulty, and 50 (21%) did not know.

The following categories of garment companies responded to the question as well. Of the 46 high end use spaces responding, 39% indicated that they expected difficulty, 41% did not expect difficulty, and 20% were not sure.

Of the 136 production spaces responding to the question, 80 (58%) expected difficulty renewing their lease, 20 (15%) did not expect difficulty, and 36 (26%) were not sure.

8. Of the 55 non-garment companies who responded to a question regarding the difficulty of renewing their lease, 12 (22%) stated that they expected difficulty, 32 (58%) stated that they did not expect difficulty, and 11 (20%) did not know.

9. Of the 238 garment companies who responded to a question regarding the type of difficulty they anticipated when renewing their lease, 17 (7%) expected difficulty because the landlord wanted them out of the building, 78 (33%) expected difficulty because of a rent increase, 2 (1%) expected difficulty because of poor business, and 4 (2%) stated another reason.

10. Of the 55 non-garment companies who responded to a question regarding the type of difficulty they anticipated when renewing their lease, none expected difficulty because the landlord wanted them out of the building, 5 (9%) expected difficulty because of a rent increase, and 1 (2%) expected difficulty because of poor business.

11. Of the 454 garment companies that indicated a lease expiration date,
46 had leases that expired in 2000 (10%)
134 had leases that expired in 2001 (30%)
84 had leases that expired in 2002 (19%)
66 had leases that expired in 2003 (15%)
45 had leases that expired in 2004 (10%)
79 had leases that expired in 2005 or beyond (17%)

12. Of the 167 non-garment companies that indicated a lease expiration date,

18 had leases that expired in 2000 (12%)

43 had leases that expired in 2001 (28%)

30 had leases that expired in 2002 (19%)

29 had leases that expired in 2003 (19%)

14 had leases that expired in 2004 (9%)

22 had leases that expired in 2005 or beyond (14%)

13. Of the 116 companies that answered the question, the average rent per square foot paid by non-garment firms is \$22.

14. Of the 339 companies that answered the question, the average rent per square foot paid by garment firms is \$16. Of these, the high end use spaces paid an average of \$19; production spaces paid an average of \$13; support spaces paid an average of \$15; and storefronts paid \$39 on average. Garment-related companies paid an average of \$18 with 10 spaces responding.

15. The total number of non-garment workers we found is 4,438. Non-garment companies were broken down into 40 types (see attached). The companies with the most workers include:

Internet services	768 (17%)
Food Distributor	432 (10%)
Commercial Printing	364 (8%)
Computer/Computer Consulting	309 (7%)
Jewelry Production/Sales	206 (5%)
Marketing/Market Research	189 (4%)
Architect/Interior Design	186 (4%)
Shipping/Courier Services	170 (4%)
Film/Television Production	145 (3%)

16. The total number of garment workers we found is 13,494. Included in this number are high end use establishments with 2,639 (20%) employees, production establishments had 8,701 (64%) employees, storefronts had 613 (5%), and support spaces had 1,301 (10%) employees.

17. The total square feet occupied by non-garment companies is 1,578,558. This is 24% of all the occupied spaces in which we were able to obtain the information for square footage.

18. The total square feet occupied by garment companies is 4,786,013 which is 74% of the total occupied square footage we were able to obtain. High end uses occupied 1,277,686 square feet (27%), production spaces occupied 2,063,277 (43%), storefronts occupied 288,150 (6%) and support spaces occupied 800,350 (17%) of all the spaces occupied by garment companies.

19. The total square feet of space (not just full floors) for which we had no information is 52,917.

20. The total number of spaces for which we were unable to gather information is 52.