

GROWTH STRATEGIES

Needs of High Growth Sectors

By Paula Luria Caplan

Deputy Director of Planning and Development

Office of the Bronx Borough President

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The city's continued economic growth requires a blueprint for economic development, implemented in the short term. This blueprint must address the need for:

- A business friendly climate that breeds creativity and innovation;
- A sector-based economic development strategy;
- Multiple business centers to relieve pressure on real estate costs, capitalizing on city's transit infrastructure, reflecting the principles of smart growth

Even before September 11, the New York City economy's over-dependence on Wall Street rendered it vulnerable to inevitable downturns in the business cycle. A sector-based economic development strategy will direct public investment towards industries and businesses with the highest potential for stable growth, in particular those that truly need public assistance to remain and grow here. Development of a sector policy will involve 1) assessing the key economic sectors that compose the local economy and 2) working in partnership with industry representatives to form programs and policies to buttress these sectors.

GROWTH SECTORS

Small Business

Small business overall constitutes a growth sector because it generates the most jobs and the most employment growth. Small firms have always been the mainstay of New York City's economy. Throughout the nation, local economies that are diversified and characterized by small businesses have proven more resilient than those dominated by a few large corporations and thus dependent on the fortunes of individual companies or industries. The small firms that form the backbone of New York City's economy need a more welcoming business environment, technical assistance, real estate and financial incentive programs.

Five particular industries may be highlighted for their growth potential in NYC.

Bio-Science:

Neither New York City nor State has grasped the seriousness of its failure to promote the bio-science industry. Despite New York City's rich complex of medical and academic research capacity, proximity to investment banking, information technology and other factors ideal for a pre-eminent bioscience center, the city has not attained sufficient critical mass to draw scientists and research dollars. Biotechnology offers opportunities for small firms that can develop products faster and with less bureaucracy than large pharmaceutical corporations.

In recent years, New York has lost relative ground in biomedical employment, with NY State growing at less than half the national rate. To compete, New York must enhance the ability of its medical research centers to attract top-flight scientists, aggressively pursue biomedical businesses and institutions, and create a welcoming environment for these activities. New York City should seek to develop a partnership among medical institutions and industry so that existing and potential synergies between the institutional and private sectors can be optimized. For example, much of the laboratory processing for city hospitals is performed elsewhere. With governmental encouragement and assistance, perhaps local hospitals might be interested in collaborating on development of laboratory facilities here that would lower costs, increase control over procedures, reduce processing time and create jobs.

In addition, by establishing networking opportunities between fledgling companies and large pharmaceutical corporations, working relationships may prove mutually beneficial. Joint state-of-the-art research laboratories are also needed, perhaps institution-sponsored for hospital use, and in incubators for the use of emerging technology firms.

Printing:

Relocation hardships can prove fatal, particularly to printers. Printing, like other industries dislocated by Manhattan real estate pressures, should be relocated within city limits. Printers thrive on the synergies inherent in cluster settings. They draw heavily on the inner-city labor pool. Despite technological advances toward digital presses based on computer electronics, offset and multi-color printers still face particularly burdensome relocation costs for their relatively massive equipment requiring buildings with heavy floor load capacities. Such firms may need additional assistance. A concerted, implementable, sector-related retention mechanism for industries facing pressure from real estate forces must be developed.

New Media and Information Technology:

These related industries need to develop a critical mass in various locations. Integrating the labor force needs of new media and IT firms with academic curricula would help to overcome the "digital divide" while providing a trained work force.

Other measures that would help encourage the growth of this sector include:

- Seek to remove regulatory constraints that may hamper competition and industry growth;
- Better coordinate the wiring of transmitter cables and street re-construction projects;
- Install computer equipment and Internet access in all public schools to produce a computer-literate work force;
- Create incentives for firms that provide T1 and T3 lines, DSL service and other essential infrastructure;
- Explore the possibility of expanding New York City's Investment Tax Credit;
- Assess the extent to which taxes on telephone service and electricity are a burden and if appropriate consider modifications (beyond existing energy tax savings programs);
- Assess the impact of the Unincorporated Business Tax and the Personal Income Tax Surcharge
 - on members of the software/IT industry and approach the State about reducing this burden;
- Consider expanding the Emerging Technologies Tax Credit.

Recycling Based Businesses:

There is significant potential for sustainable, value added industries that use the city's waste stream as feedstock, although it may take time to reduce costs and develop markets. Recycling based industries offer beneficial environmental and fiscal impacts, by reducing the volume of garbage that requires disposal and the associated costs to the city's taxpayers and businesses of export to distant landfills. Businesses in this sector include:

- Manufacturers who would use recyclable materials as raw materials for products or processes;

- Value-added repair, remodeling, refurbishing, rehabilitation and remanufacturing.

Their needs include land, capital and incubator space for new ventures (e.g. product designers seeking to use recycled materials).

Food Processing and Distribution:

A 1999 study by the New York Industrial Retention Network (NYIRN) found New York City's food industry to be strong and growing, bolstered by ethnic foods manufacturing. Obstacles to growth cited in the report include finding appropriate and affordable space, and worker preparedness skills. Food businesses infrequently take advantage of City and State incentive programs, a missed opportunity. These firms also tend to lack succession plans, a concern as so many are family-owned and managed. The food industry could benefit from seamless transportation systems, such as direct rail delivery to the Hunts Point market, and from innovative recycling practices such as on-site composting.

Needs of growing firms in the small business sector

1. Real estate needs

The city needs targeted programs to make land and space available at affordable costs.

- Incubator buildings for new and young businesses in all boroughs.

It is essential for New York City to meet the space requisites of young and expanding firms, those in traditional industries as well as those in niche markets and new technologies. Manhattan, which still houses the city's largest industrial concentration, has an existing stock of loft space that fits their need for small (5,000 to 25,000 sq. ft.), flexible and immediately available space. Brooklyn offers three successful, publicly-sponsored facilities at the Brooklyn Navy Yard, Bush Terminal and the Brooklyn Army Terminal and a fourth operated by the not-for-profit Greenpoint Manufacturing and Design Center. The City should assist in developing additional incubator facilities in The Bronx, Queens and Brooklyn, offering infrastructure-rich space with maximum flexibility.

- Beyond incubators, fully wired "smart" buildings, developed by the private sector.

like Manhattan's 55 Broad Street, in all the boroughs, with incentives in certain areas;

The NYC Downtown Alliance's "Plug n Go" program could be implemented in central business districts of other boroughs. The City should provide:

- A retention mechanism for industries facing pressure from real estate forces;
- Timely disposition of City-owned industrial land to small businesses;
- Assistance to companies in finding affordable space.

2. Finance and taxes

Young firms, and other small or medium sized businesses, need access to working capital and interim financing. Programs should be oriented toward companies that lack access to capital markets, rather than the current preference for large deals which require relatively less staff time for greater impact. The Emerging Industries Fund and the Prospect Street NYC Discovery fund should be re-evaluated. New measures might include:

- Working capital for adding product lines, etc.;
- Equity financing to avoid excessive debt loads;
- Tax incentives for increasing employment of city residents beyond designated economic development zones;
- A (revolving) loan guarantee fund to leverage private dollars;
- Elimination of "nuisance taxes" that are burdensome to businesses but do not necessarily generate major revenues, such as the commercial rent tax.

3. Simplification of bureaucratic procedures

With a one-stop shopping service, businesses would avoid the need to navigate the bureaucracies of numerous agencies. This might be accomplished through a special City department with an office in each borough, or alternatively by building capacity at local development corporations. The following assistance would be offered:

- Coordinate and expedite the issuance of all necessary business permits with one-stop shopping;
- Help solve individual business problems, on a company's own premises;
- Inform businesses of the array of energy assistance measures and other programs already available, such as small business tax credits, helping to determine whether they qualify, assisting with paperwork;
- Assist firms, manufacturers in particular, at their own premises, in compliance with local, state and federal regulations that can retard growth or even threaten their viability;
- Help businesses forced to relocate in finding affordable space;
- Operate workforce training programs.

4. Programs for retention of viable businesses

Lack of a succession plan often accounts for the folding of viable small businesses, notably when the children of a retiring owner have other career objectives. The food and garment industries are particularly vulnerable to this phenomenon. New York City needs a program to identify and train transitional management who would ultimately assume control of a business. In addition, a concerted, implementable, sector-related retention mechanism for industries facing pressure from real estate forces must be developed. This might include a non-profit Trust for Industrial Space that would acquire and renovate space suitable for use by manufacturers, as proposed by the New York Industrial Retention Network.

When manufacturers are forced out of central business district locations by development pressures resulting from rezoning actions that raise land values, relocation is a hardship. Although the Business Relocation Assistance Corporation (BRAC) provided helpful financial aid to small firms dislocated by development projects, its funding was allowed to sunset. It should be revived on a long-term basis, with appropriate funding.

5. Labor force development

New York City needs a workforce development program tailored to the specialized skill needs of targeted industries as well as a public education system that produces literate graduates with math and science skills. Large firms may administer customized incentive programs to stimulate employment growth. Smaller firms would benefit from an industry-based approach. Those publicly funded programs that place graduates in real and productive jobs should be retained with adequate funding and staff, while those that do not perform effectively should be eliminated or modified. Industries should participate in the development and implementation of these programs, to ensure that their needs are met.