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BEYOND THE OLYMPICS

West Side Projects Dominate Mayor Bloomberg's Agenda, Yet His Administration Has Implemented a Far-Reaching and Vastly Improved Economic Development Strategy

Inside

> The mayor deserves the most credit for recognizing that the old way the city handled economic development no longer makes sense in today's ultra-competitive economic landscape, and for quickly implementing a new, more growth-oriented strategy.

IT'S NO MYSTERY WHICH PROJECT HAS TOPPED MAYOR BLOOMBERG'S list of economic development priorities. The proposal to build a football stadium for the Jets and the accompanying plan to redevelop Manhattan's far West Side has so dominated the mayor's agenda that it has, at times, distracted administration officials from focusing ample attention on other worthy economic development projects and given many New Yorkers the impression that the mayor's economic strategy is inseparable from his plan to bring the 2012 Olympics to New York.

Yet, even while the proposed West Side redevelopment has overshadowed everything else, the Bloomberg administration has quietly implemented a far-reaching economic development program that in many ways has been a refreshing improvement from the past.

For much of the previous four decades, the city's economic development agencies had been largely reactive to the needs of a few dominant sectors, like finance and media, and overwhelmingly focused on the Manhattan core. Economic development primarily revolved around providing multi-million dollar tax incentive packages—known as corporate retention deals—to a handful of large corporations that threatened to take jobs out of the city. In contrast, Bloomberg has initiated a more forward-looking strategy that seeks to diversify New York's economy and

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plan for the city's future growth. His game plan has included a new focus on several previously overlooked industries, from biotechnology to manufacturing, and a concerted effort to look beyond Manhattan for economic development opportunities. The Bloomberg administration has also breathed new life into the long-maligned agency that works with small businesses (the Department of Small Business Services), made targeted infrastructure investment a more common element of the city's neighborhood development efforts and generally has worked more closely with communities than his predecessors.

This report looks beyond the proposed Jets stadium, which has thoroughly dominated public discussion of economic development in New York for much of the past three years, to provide a detailed analysis of the broad range of other economic development initiatives undertaken by the Bloomberg administration. While there are compelling reasons why the West Side stadium deserves continued scrutiny, the controversy surrounding it has obscured the many important economic development projects that are in progress simultaneously across the five boroughs. And in the aftermath of 9/11, rarely has so much been riding on the city's economic growth. This report is based on interviews with dozens of business owners, urban planners and officials from local development corporations, chambers of commerce, business improvement districts, industry associations, community-based organizations and government agencies conducted over the past five months, as well as the extensive research on New York's economy that the Center for an Urban Future has been conducting for nearly a decade.

A New Direction Undoubtedly, there have been missteps and missed opportunities. The administration has shown little regard for the scores of small businesses being displaced by city-sponsored development projects, and its aggressive efforts to increase city revenues from fines and fees have hurt many more small firms. Dan Doctoroff, the Deputy Mayor for Economic Development & Rebuilding, has spent an excessive amount of his time and energy on the city's bid for the 2012 Olympics. While Mayor Bloomberg grasps the economic importance of quality of life issues, he has done little to pressure the MTA to address persistent problems with the subway system and made only meager attempts to convince state officials to properly fund the transit system. And the defiant push for a publicly funded stadium on the West Side makes little economic sense, has been a poor use of the mayor's limited political capital and has diverted staff attention from important projects in lower Manhattan, Long Island City, Jamaica and other areas.

Still, the administration has done many things right. The mayor deserves the most credit for recognizing that the old way the city handled economic development no longer makes sense in today's ultra-competitive economic landscape, and for quickly implementing a new, more growth-oriented strategy. Bloomberg's speeches and policies show that he also understands that in today's global economy, in which companies and workers are less tied to place than ever before, few things are as important to the city's future economic strength as having an environment that enables it to retain and attract a smart, creative and skilled workforce. Like his predecessor, Mayor Rudolph Giuliani, Bloomberg has underscored the importance of public safety to the city's economic health. But Bloomberg has smartly made other quality of life issues—like sanitation, housing affordability, access to open space and education—part of his economic strategy as well, noting in a speech earlier this year that "crime, garbage in the streets, [and] homelessness" are all "job killers."

This change in direction shouldn't be taken lightly. After all, as much as New York has going for it today, the city's economy faces profound long-term structural challenges that were brought about by technological advances and globalization, and magnified by September 11. These challenges, detailed in the Center's 2003 "Engine Failure" report, include the sustained weakening of the city's traditional dominance in the financial services sector, where the bulk of all new jobs are being created outside of New York, and the city's gradual but steady loss of market share in several other key, high-wage service industries.

Bloomberg's new strategy takes these trends into account. Early on in his administration, for instance, the mayor publicly cautioned leaders in the business and real estate communities—a group notorious for its boosterism—that New York's economy had become over-reliant on the securities industry, something his predecessors were reluctant to do. He coupled that with a promise to end "corporate welfare," a vow he has largely kept, and backed it up by refocusing the city's Economic Development Corporation (EDC) around efforts to achieve sector and geographic diversity.

Even critics concede that the administration is approaching economic development with a seriousness not seen in some time. The mayor's interest in diversifying the economy and commitment to improving two key economic development agencies, EDC and the

Department of Small Business Services (SBS), has won praise as well. These agencies, as well as the Department of City Planning (DCP), have supported neighborhood development projects in the boroughs outside of Manhattan with a vigor not seen in a generation. And their work in the boroughs—in communities such as Coney Island, Bedford Stuyvesant, Flushing and Hunts Point—has generally involved greater community input, more comprehensive planning and greater attention to core infrastructure improvements than was the case during prior administrations, when city-sponsored initiatives typically revolved around one-shot real estate projects. Says one economic development expert who served at EDC during the Giuliani administration: "When I was at EDC, we did projects in every borough. But with this administration, there's definitely been movement on lots of things in the boroughs that had languished. And they now seem to have more of a strategic planning focus."

The administration's economic development agenda features several big-vision projects—from the extension of the Number 7 train to Manhattan's far West Side and the rezoning of the Greenpoint and Williamsburg waterfront to the plan to create tens of thousands of new housing units—that have caught the attention of the press and public. But the administration has also committed significant energy to lower-profile initiatives, such as stepping up the city's support for business improvement districts, and vastly improving the level of coordination and cooperation among EDC, SBS, DCP and the Department of Housing Preservation and Development (HPD).

"In my time working with city government, since 1970, this is the most dramatic departure in economic development we've ever had," says Kathryn Wylde, president of the Partnership for New York City, the city's largest business advocacy group. "New York City historically has taken for granted that its economy would take care of itself. [The Bloomberg administration has] turned that around and said that we have to have a strategy, we have to have tactics for achieving it, and the 21st century economy is something we have to fashion in a proactive way."

EDC: A MORE DIVERSIFIED APPROACH

Some of the most important changes have taken place at EDC, the city's lead economic development agency.

EDC can boast a number of significant accomplishments over the years, from helping to develop the Metrotech office complex in Brooklyn to creating the incentive plan that paved the way for developers to convert numerous aging office buildings in lower Manhattan into apartments. Yet, for years the agency appeared content to do little more than simply react to projects brought to its attention by individual developers and corporations. To many economic development experts, urban planners and business owners, the agency seemed more interested in supporting large-scale real estate developments, doling out tax breaks to large corporations and building stadiums than helping companies grow, creating jobs or improving the city's business climate.

While plans to build new homes for the Jets and Nets show that the agency is as infatuated as ever with stadiums, much else has changed at EDC over the past few years.

To begin with, during this administration, EDC has entered into only five corporate subsidy deals thus far, compared to 38 in Rudolph Giuliani's first mayoral term and eight during the administration of David Dinkins. In addition, current EDC president Andrew Alper has agreed to disclose more details about all EDC-administered incentive deals—a small step, but one fiercely resisted by every one of his predecessors at the agency.

"The number of deals has changed dramatically and there's some accountability in the new ones," says Bettina Damiani, executive director of Good Jobs New York, an organization that monitors business subsidy programs. "Alper has moved some things forward on basic transparency issues. They now release information on corporate retention deals six days before a public hearing. Before, they wouldn't do it until the day of the hearing."

Alper's early decision to bring in management consulting firm McKinsey and Company to help EDC identify steps it could take to diversify the city's econ-

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omy and better harness industries in which New York has a competitive advantage has triggered another welcome change at the agency. Instead of focusing so intently on a few individual companies, EDC now more broadly concentrates on supporting a number of key sectors—many of which barely got the time of day during the prior administration. Through a new system of industry desks, initiated after the McKinsey analysis, agency staff work as full-time liaisons to sectors such as life sciences; financial services; professional services; media, technology and telecommunications; airlines and consumer products. EDC expects to establish a desk soon that will focus on "corporate retail and fashion jobs." The administration has also dedicated considerable attention to the cruise ship industry, significantly improved its film office and, notably, created a new office focused on the obstacles facing manufacturers.

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The philosophy behind the industry desk approach wasn't entirely new. In the final two years of the Dinkins Administration, the city's Economic Policy and Marketing Group (EPM) identified 10 key industries that it said should be the centerpiece of a new sector-based economic development strategy. The plan was intended to be a more forward-looking, growth-oriented alternative to the past focus on offering tax breaks to retain large corporations. But the strategy wasn't implemented before Dinkins was defeated in his 1993 re-election bid, and economic development officials in the Giuliani administration immediately junked the idea upon taking office, along with the EPM unit.

Alper, however, made sector coverage a central part of his more proactive strategy for EDC. Most notably, this has included an aggressive new effort to grow the life sciences industry, a sector that barely even registered on the radar at EDC in prior administrations even though New York has long been uniquely positioned to capture growth in this field.

The Bioscience Sector EDC started to pay closer attention to New York's fledgling biotechnology sector during Mayor Giuliani's second term, commissioning a report to identify steps the city should take to grow this sector and dedicating a staff member to work with companies in the industry. But industry leaders say the agency never made biotech a priority and failed to follow up the report it commissioned with any concerted program or policy.

Today, EDC has three full-time staff solely focused on life sciences. (Impressively, Alper plucked two of these people straight from the sector. The head of the unit previously ran his own health care company and another staffer worked for a start-up in the medical devices field.) Together, they have worked hard to turn around long-held perceptions in the field that New York isn't a conducive environment for biotech companies and that city policymakers aren't committed to supporting the industry's growth. As part of this strategy, EDC's life sciences team has reached out to almost every biotech company in the city and dramatically increased efforts to promote New York as a competitive location for the industry.

Notably, EDC is also attempting to address what industry leaders unanimously consider the biggest impediment to growth of biotech in New York: a shortage of lab facilities. The agency is now pushing for the development of the East River Science Park, a proposed bioscience campus on a city-owned portion of the Bellevue Hospital Center that would provide desperately needed space for both biotech start-ups and mid-sized companies. EDC, which has been working with New York University and the Partnership for New York City, aims to select a developer for this project later this year, though it remains unclear whether the city will invest enough of its own resources to make the proposal a reality.

Alper has also made the biotech sector a personal priority. He has traveled extensively around the country and across the globe to shake hands with pharmaceutical and biotech executives and pitch them on the benefits of setting up shop in New York. He is trolling for possible recruits because he believes New York needs a decent-sized anchor tenant to at least partially defray the costs of developing the East River Science Park or some other commercial biotech facility.

"Under Andy's leadership … at the EDC, I've been impressed that there really is someone who's in a position to do something who finally gets it," says Ron Cohen, past chairman of the New York Biotech Association and CEO of Acorda Therapeutics, a company that moved from the city to Westchester in 1998 when it couldn't find adequate space within the five boroughs. "And that has not been the case, in my experience, until now."

The Film Production Sector The late 1990s were boom times for film production in New York, but by the time Bloomberg took office in January 2002, the film industry was reeling. The steep decline in the stock market after the dot com bust tapped out many of the venture capital firms that had been funding independent film projects; a Screen Actors Guild strike drove some film projects out of the country; and countries from Canada to New Zealand were luring away production companies with lucrative incentives. The Bloomberg administration, understanding that New York would have to compete as never before for film and television business, responded with a series of initiatives, such as streamlining the process for getting a film permit and creating a tax credit for companies filming in the city.

Mayor's Office of Film, Theater and Broadcasting commissioner Katherine Oliver has won praise from film industry leaders for understanding the new dynamics and cutting through the red tape that had previously hampered productions. "This office was helpful [under the prior administration]. We just took it to a different level and were sensitive to a changing, more competitive environment," says Oliver. "When I started here, the average wait time for a permit was three hours to three days. There was a staff of 20, but only three were processing permits. There was no real appreciation for customer service. If we're processing more than 100 permits a day, we've got to have more than three people working on it."

The office still has the same overall number of employees, but Oliver reorganized the staff so that seven people are processing permits. She says that the wait time is now down to 30 minutes. Importantly, production work in the city is on the rise again: the number of location shooting days in the city increased by 30 percent from 2002 to 2003, then spiked another 21 percent in 2004. The new film-friendly environment also has enabled city officials to ensure that more of the movies set in New York are shot here, reversing a trend that cost the city jobs and revenue. In 2002, for instance, USA Network chose to shoot most of the New York scenes for "Rudy!"—a movie about Mayor Giuliani—in less expensive Montreal. More recently, the city has attracted high-profile productions such as "The Producers," "Hitch," "The Pink Panther," and even Martin Scorsese's upcoming film "The Departed," which is set in Boston.

The Manufacturing Sector Mayor Bloomberg got off to a bumpy start with manufacturing industry leaders after a March 2003 article in *Financial Times* quoted him saying: "New York City should not waste its time with manufacturing." It didn't help that under Bloomberg's direction, the Department of City Planning launched a virtually unprecedented effort to rezone manufacturing areas across the city into new residential and mixed-use districts. While these rezoning plans have the laudable goal of paving the way for desperately needed housing development, they also greatly reduce the amount of industrial space in the city at a time when manufacturing companies already face a shortage of affordable properties.

The administration started to turn things around when EDC and SBS commissioned a study to help the city come up with a new strategy for retaining viable manufacturers. But after officials at EDC and SBS circulated a draft of the plan and privately embraced the study's proposal for an aggressive new strategy to support the industry, the administration did an about-face and shelved the plan for more than a year. Fortunately, in January 2005, the administration finally came out with a new initiative to retain industrial businesses. The plan includes the establishment of a permanent office to work with and support businesses in the industrial sector—the Mayor's Office of Industrial and Manufacturing Businesses. And notably, the mayor vowed that his administration would not rezone a number of newly designated "industrial business zones," areas that remain vital hotbeds of manufacturing activity—such as East New York, Long Island City, Sunset Park and Jamaica.

The new plan is far from perfect, but it is the most meaningful plan taken by city government to support this beleaguered sector in at least a generation. "We haven't had an industrial policy in this city for 15 years," says Neil Pariser, senior vice president at the South Bronx Overall Economic Development Corporation (SoBRO). "It may not be the quintessential policy, but we have a policy."

Five Borough Focus The boroughs outside of Manhattan also figure prominently in EDC's efforts to diversify the city's economy, a notable change from the Manhattan-centric Giuliani administration According to EDC, $442 million (47 percent) of the $938 million the agency has budgeted for capital projects over the next four years is dedicated to initiatives in Brooklyn, Staten Island, Queens and the Bronx. Manhattan is slated to receive a smaller share ($361 million, or 38 percent of the total pot), though this amount does not include the hundreds of millions of dollars planned for the extension of the number 7 train and the expansion of the Jacob Javits Convention Center. The remaining $135 million will to go to "citywide" projects that haven't yet been determined.

To be sure, EDC still seems to favor big-ticket projects either in Manhattan or in outer-borough areas that are in close proximity to Manhattan. In fact, of the $442 million in capital funds EDC has budgeted to the boroughs, $154 million is dedicated to projects in and around downtown Brooklyn. Another $15 million is targeted for Queens West, a major development in progress along the Long Island City waterfront. (The largest share of the money—$170 million—is intended for three projects in Staten Island.)

Nevertheless, EDC has championed economic initiatives in neighborhoods throughout the boroughs, including Coney Island, Hunts Point, Flushing, Stapleton and the Brooklyn Navy Yard. And beyond simply paying more attention to the boroughs, EDC has sought input from communities to a much greater extent than in the past and generally taken a more strategic approach. "The Economic Development Corporation, which was at one time very removed from communities, is really trying to get out there and work with everyone," says Pariser.

Coney Island Under Mayor Giuliani, the city committed $39 million to build a minor league baseball stadium on the Coney Island waterfront. The resulting KeySpan Park, which brought professional baseball back to the borough for the first time since the Dodgers left for the West Coast in 1957, has been a huge hit among Brooklynites. But despite consistent sellout crowds, the stadium hasn't provided the economic stimulus for the neighborhood that many had hoped for. Four years after the ballpark opened, several nearby sites remain vacant, few new businesses were established near the ballpark and most existing businesses haven't seen a meaningful spike in sales.

The Bloomberg administration has taken a more strategic approach. Instead of a one-shot real estate project, Bloomberg's economic team is developing a strategic plan that aims to boost the entire neighborhood. Ultimately, it hopes to revitalize Coney Island's long struggling amusement area, spur new development on many of the vacant sites across the neighborhood, and attract employers that would provide year-round jobs for local residents.

EDC started the ball rolling almost two years ago when it helped set up a local entity, the Coney Island Development Corporation (CIDC), to guide the strategic planning process. The agency also provided funds to hire consultants to draft a strategic plan, an important process that never got off the drawing board during the previous administration. The final version of the plan, which is expected to be released this summer, will likely include everything from basic infrastructure investments designed to make the major commercial strips more attractive to sprucing up the boardwalk and luring new entertainment uses to the area. By demonstrating a serious commitment to improving the area, the administration hopes to serve as a catalyst for private investment. "The Giuliani administration built the stadium, and there was talk of setting up the CIDC, but it never got off the ground," says Judi Orlando, executive director of the Astella Development Corporation, a community-based organization in Coney Island, and a member of the CIDC. "But the Bloomberg administration really has focused on it and is looking at this in a more comprehensive way."

Some questions remain. For instance, it's perplexing why no one affiliated with Coney Island's amusement area was asked to serve on CIDC. There's also some cause for concern that EDC's interest in new housing and retail development may not be compatible with the kitschy, unique (and often loud) outdoor amusement activities nearby. Nevertheless, EDC has sought input from many in the community and seems to be making a genuine attempt to develop a comprehensive strategy for the area's improvement.

Hunts Point Hunts Point has been a focus at EDC since the Giuliani administration announced in 2001 that the Fulton Fish Market would move from lower Manhattan to the Bronx neighborhood. The Bloomberg administration, however, has coupled the relocation of the fish market with a multi-tiered initiative to reinvigorate Hunts Point, which is also home to the region's largest meat and produce distribution centers as well as one of the city's poorest residential communities.

Two years ago, the administration formed a task force of local leaders to help EDC develop a comprehensive framework for strengthening the business environment and creating a sustainable community. The resulting "Hunts Point Vision Plan" was unveiled by the mayor in March of this year. Bloomberg also committed a not-insignificant $27 million in capital funds to implement the master plan, supplementing the $85 million already dedicated to the fish market development. According to the plan, the city will create new zoning guidelines that support the expansion of food-related industry in Hunts Point and aggressively market vacant parcels within the area's Food Distribution Center to food-related manufacturers and distribution companies.

The city's plan also attempts to create better connections between the growth occurring at the various food markets in Hunts Point and the adjacent residential community, a facet of economic development almost completely neglected by prior administrations. For instance, the city opened a new employment and training center that aims to ensure more local residents have the skills to fill job openings at the market. The city also plans to make streets and sidewalks more pedestrian friendly, through new lighting, streetscape improvements and new truck routes.

Thus far, the administration has managed that rare feat of pleasing both business leaders and community advocates with its work in Hunts Point. "I give [Bloomberg] major props for listening to us and actually acting on it," says Majora Carter, a longtime environmental justice advocate who runs Sustainable South Bronx, a Hunts Point-based organization that promotes sustainable economic and environmental development. "It's a total change. I don't think under another administration this would have happened at all."

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SBS: A MORE AGGRESSIVE APPROACH TO SUPPORTING SMALL BUSINESSES

Some of the most satisfying changes in economic development policy during the past few years have occurred at the Department of Small Business Services (SBS). Prior to this administration, the traditionally low-profile agency—which until 2002 was called the Department of Business Services (DBS)—had little direction, even less visibility and was universally derided by business leaders and economic development officials. "It was a joke," says one Brooklyn-based economic development expert.

Today, it's difficult to find a local economic development practitioner in New York who doesn't give SBS high marks. "Now, the agency is respected," says the Brooklyn official. "Bloomberg and his staff take these issues seriously. They really are trying to bring economic development out to the neighborhoods."

Bloomberg clarified the agency's mission to focus on small businesses and gave it a more central role in the administration's economic development agenda. Meanwhile, SBS commissioner Robert Walsh has impressed business leaders and community development officials with his energy, his understanding of the issues facing small companies around the city and his willingness to visit business areas in all five boroughs. Under Walsh's leadership, SBS has revamped its neighborhood revitalization program, aggressively supported the formation of new business improvement districts (BIDs) and opened a business solutions center in each borough in an effort to improve how it provides assistance to business owners and entrepreneurs.

The agency has also taken over the bulk of the city's workforce development programs from the now-defunct Department of Employment, and, for the first time, created a system linking new economic development projects—like the Steiner Studios project in the Brooklyn Navy Yard and the Atlantic Terminal project in Fort Greene—with job training and placement programs. Local and national workforce advocates credit SBS for moving the city's job training system—long an adrift, uncoordinated mishmash of lightly regulated vendors—toward greater responsiveness to employer demand.

"SBS is a changed place today, and I think it's really to Rob Walsh's credit," says Jennifer Gerend, who spent several years as executive director of the Myrtle Avenue Revitalization Project, a group focused on improving the main commercial corridor in the Fort Greene and Clinton Hill neighborhoods of Brooklyn, before leaving the organization in 2004 to become director of economic development for the city of Edmonds, Washington. "He took an agency that wasn't as much of a priority under the previous administration and worked with staff who had been there for ages. These people were reborn under Rob Walsh. They were inspired. And the whole agency now has a mission that's important to the [Bloomberg] administration."

Business Improvement Districts Thus far, mission number one for SBS has been the establishment of new BIDs. The agency streamlined the process that merchants associations and neighborhood leaders must go through to set up a BID, and SBS staff have gone out of their way to aid these groups along the way with financial support and technical assistance. Walsh has personally lobbied—some say begged—local development leaders to go this route. The number of BIDs has increased from 44 to 51 since Bloomberg took office, with another 15 in various stages of the application process; every borough but Manhattan has added at least one.

All of this is a 180-degree change from the Giuliani administration, which was hostile to existing BIDs and discouraged new ones from forming. But business leaders around the city seem to be meeting the shift in policy with open arms.

"We wouldn't have taken a look at the BID process if it weren't for SBS," says Gerend, who was at the helm when Myrtle Avenue merchants decided to start a BID in 2002. "I'm so glad we did. It was perfect timing for the avenue."

Some economic development experts argue that BIDs allow the city to reduce the various services they are responsible for providing, and others complain that the mandatory assessments companies must pay to be part of a BID add to the already high cost of doing business in New York. Yet, while BIDs clearly have limitations, it's difficult to ignore that BIDs have proven successful both in small-scale commercial strips outside of Manhattan and in high-profile retail areas, and that a growing number of communities are embracing them.

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Community Development While BIDs have been the centerpiece of the Bloomberg administration's more aggressive neighborhood revitalization strategy, SBS has engaged businesses and community development officials in other important ways. In Bedford Stuyvesant, for instance, local officials say the firm commitment SBS demonstrated to the renovation of Restoration Plaza played a major role in helping them convince Food Town and Applebee's to open stores there. The agency didn't dangle any cash in front of the companies. Rather, it has simply shown a sustained interest in working with local officials to improve the neighborhood.

After an initial planning study, SBS invested $800,000 for façade improvements, landscaping and other infrastructure work that's designed to transform the uninviting Plaza into a more attractive and pedestrian-friendly town square. And when Food Town and Applebee's were considering opening stores in the neighborhood, Commissioner Walsh personally encouraged executives from the two companies to do so, reassuring them that the city is fully behind the neighborhood's continued revitalization. Both companies recently announced plans to come to Bed Stuy.

"[Walsh and other SBS officials] didn't put any money in, they didn't bring the deal in, but they expressed a lot of support [for the Food Town project] and I think that was helpful," says Colvin Grannum, president of the Bedford Stuyvesant Restoration Corporation, an organization that works with local businesses and promotes development in the area. "The city's interest in the area gave the supermarket owner additional comfort."

These relatively modest commitments from SBS hardly seem innovative or dramatic. Yet, Walsh's staff seems to understand that doing simple things well often translates into smart economic development. They also recognize that for the agency to be effective on its limited budget, it has to partner with and support the dozens of community-based organizations that are already tapped into the needs of local businesses. If only for these reasons, SBS under this administration has gotten results where the agency did not in the past.

BLOOMBERG'S BLUNDERS: INFATUATION WITH LARGE SCALE PROJECTS

Mayor Bloomberg and his economic development team haven't gotten everything right. Some of the old bad habits of city economic development thinking—too much deference to developers, indifference or worse to potential negative impacts of projects on communities and businesses—have lingered into the current administration. A few new missteps, including an excessive focus on real estate appreciation and unwarranted zeal for raising revenue through fines and fees, have sullied the Bloomberg record as well.

Developer-Driven Most frustrating has been the administration's penchant for large-scale, developer-driven initiatives that too often involve the displacement of viable businesses and allow little room for community input.

Not all of the administration's major economic development projects follow this flawed formula. In much of its work throughout the five boroughs, the administration has involved community officials and developed a comprehensive plan for economic growth. But in almost every neighborhood where prominent real estate developers have expressed an interest—including Greenpoint and Williamsburg, Red Hook, the far West Side of Manhattan and the Bronx Terminal

Market—the administration has taken a distinctly top-down approach to economic development. While the prospect of significant private investment in these long-overlooked neighborhoods is most welcome, the administration often has seemed overeager to cut deals with developers and uninterested in whether a project will displace existing businesses or significantly alter the unique character of a neighborhood.

One example of this is the city's plan to redevelop the Bronx Terminal Market, a 31-acre wholesale produce center that has fallen into disrepair over the past three decades. The administration deserves credit for wresting control of the site from longtime owner David Buntzman, who let the market deteriorate and exploited the merchants that operated there. No other administration over the last few decades was able to do this. But the Bloomberg administration apparently didn't even consider renovating the produce market, or keeping the more than 20 merchants that had managed to persevere at the facility. Instead, without public bidding and with no meaningful input from the merchants and the community, it turned over the property to a developer with close ties to Deputy Mayor Dan Doctoroff (Steven Ross, executive director of the Related Companies) who plans to build a million square foot retail complex with the help of lucrative city incentives. The new development will also include a cycling velodrome the administration plans to use for the 2012 Olympics, if New York is awarded the Games.

Ron Shiffman, an urban planning expert whose father managed a manufacturing company a few blocks away from the market, supports the administration's attempt to redevelop the facility but questions why the merchants couldn't have been a part of the new plan. "They could have revitalized [the produce market]. They could have integrated it into their plans," says Shiffman. "It could have added value to the development."

It's not hard to understand the administration's thinking—it is paving the way for significant new private investment on a property that wasn't even close to being used to its maximum economic potential, while incurring only relatively minor casualties (a couple dozen merchants and few hundred jobs). The problem is that this is just one of many projects that involve displacement.

Displacement of Existing Businesses The city's plan to rezone 175 blocks in Greenpoint and Williamsburg will likely push out more than 100 woodworking companies, specialty food manufacturers and other industrial businesses that are located in the rezoned district. According to the New York Industrial Retention Network (NYIRN), these companies employ roughly 2,800 people. Meanwhile, the Bloomberg administration has implemented or is in the process of executing at least five other rezoning plans that convert manufacturing neighborhoods to residential or office districts—putting thousands more blue collar jobs at risk.

There are indications that other neighborhoods may be next. In Red Hook, many local businesses and residents saw the administration's 2003 decision to hire a consultant to determine the best future use for six piers as a naked attempt to replace several businesses along the neighborhood's working waterfront—including an active container port that employs roughly 500 people—with luxury condos or other non-industrial uses. (The city ultimately decided to build a passenger cruise ship terminal on a portion of the piers it studied, which would add up to 600 new jobs but may force the container terminal to relocate to New Jersey.)

Facing a colossal housing shortage and the long decline of manufacturing employment, the city is right to rezone industrial areas that are no longer full of businesses, including much of the Greenpoint and Williamsburg waterfront. But if the administration is even asking whether there are significant negative cumulative impacts from all of the projects it is pursuing, such deliberation has been kept well out of the public eye. Questions such as how many businesses have been displaced altogether; whether a significant number of the displaced companies are opting to relocate out of the city; and if the conversion of so many loft buildings and warehouses to residential use has left the city with a shortage of affordable commercial space for all small businesses and entrepreneurs, not just manufacturers, have gone not only unanswered, but evidently unasked.

Indeed, dozens of commercial buildings from lower Manhattan and TriBeCa to Long Island City and Red Hook have been converted to other uses in the last few years, and there is much evidence that small business-

"If a sector cannot absorb quadrupling of its rents, City Planning assumes that it's not a strong sector and not a viable economic activity. They're measuring it solely on its ability to pay whatever the real estate sector asks for."

es in a number of different industries are being squeezed by the dwindling amount of reasonably priced real estate.

Shiffman, a professor at the Pratt Institute and a former member of the New York City Planning Commission, gives "high marks" overall to the Bloomberg administration's work on economic development. But like several other urban planners and economic development experts interviewed for this report, Shiffman believes the administration has been too quick to turn over public assets to the highest bidder and overly focused on real estate appreciation. Most disappointing, he says, is the fact that that perspective has guided the Department of City Planning, the agency that's had a prominent role in reshaping neighborhoods from Greenpoint and Williamsburg to the far West Side.

"Zoning should be for the health and welfare of the city, and that is not always the highest return on the property," says Shiffman, who argues that the agency failed to consider innovative planning ideas in rezoning the Greenpoint and Williamsburg waterfront. "City Planning wasn't concerned about inclusionary zoning [a zoning tool that includes incentives for the creation of affordable housing units], they weren't concerned about manufacturing jobs there, they weren't concerned about the need for open space or improving transportation access or promoting sustainable development. They didn't have any vision of creating a socially integrated community. They think their job is to work with the development community."

City Planning has made better efforts to reach out to communities in the past few years than it did during the Giuliani administration. And, when faced with political and community pressure, it ultimately agreed to amend some of its rezoning plans to include groundbreaking provisions, such as the requirement that as much as 40 percent of new housing units developed in the rezoned portion of Greenpoint and Williamsburg be affordable. But many urban planners say the agency remains overly focused on real estate values. "If a sector cannot absorb quadrupling of its rents, City Planning assumes that it's not a strong sector and not a viable economic activity," says another New York urban planner. "They're measuring it solely on its ability to pay whatever the real estate sector asks for."

Pulling the Plug on College Point Early on, it looked like the Bloomberg administration would work to address the space issues facing so many small businesses. Thus far, there has been little evidence that this is a real priority. Indeed, the administration was quick to kill a worthy project in College Point, Queens—a distribution center for 180 small businesses—when faced with opposition from local politicians.

First announced in February 2004, the College Point project involved building a 585,000 square foot import and wholesale distribution center for nearly 200 small firms, including a consortium of Korean-owned businesses that were in jeopardy of being displaced from their current buildings in midtown Manhattan. The development, which would have been built on the long-dormant site of the old Flushing Airport, was notable because it represented one of the only recent attempts to create new space for industrial businesses in the five boroughs. It also would have housed between 600 and 1,000 jobs.

EDC president Alper initially hailed the College Point plan as "the most exciting economic development project we've had in this administration." But in October 2004, just eight months after it was announced, the Mayor did an about-face and postponed the project indefinitely.

There's little doubt that the Mayor pulled the plug for political reasons. Hundreds of neighborhood residents had protested the project, saying it would increase traffic congestion, and several local politicians, including State Senator Frank Padavan and City Council Member Tony Avella, pressured the mayor to reconsider. The mayor has stood firm in the face of significantly greater local opposition to other administration projects, including the proposed West Side stadium, but with a re-election campaign looming, he apparently wasn't willing to alienate an important political constituency over a lower-profile industrial development.

Mounting Fines and Fees The administration also has erred with its overzealous effort to increase revenues from tickets and fines, a decision born out of the city's precarious fiscal situation but which has fallen disproportionately on the backs of small businesses. While administration officials deny there has been a "ticket blitz," small businesses and their advocates claim that enforcement agencies—including Sanitation, Consumer Affairs, Transportation, Finance, Health, Fire and Buildings—have been issuing more summonses. At the same time, many of the fines have doubled or tripled.

All of this has saddled small merchants with hefty new costs during a period of sluggish economic growth when most were already struggling to pay the 18.5 percent property tax increase imposed in 2002 (While homeowners got a $400 rebate in 2004 and again this year, commercial property owners did not).

Sung Soo Kim, president of the Korean American Small Business Service Center of New York, claims that the administration's enforcement policies are driving many small firms out of business. He notes that business bankruptcy rates in the city rose by 37 percent in 2004, with nearly 10,500 firms receiving commercial eviction warrants. "[Mayor Bloomberg] doesn't respect the value of the neighborhood economy, whose agents are mom and pop stores," says Kim.

The administration's insensitivity to the small businesses so vital to the city's economy—90 percent of all businesses citywide have fewer than 20 employees—is, at best, penny-wise and pound-foolish. The overzealous enforcement efforts are also undermining the positive steps SBS is taking to support small businesses. "You can't say you're pro-business while DOS [Department of Sanitation] is over-aggressively handing out tickets," says one economic development specialist based in Brooklyn.

Transfixed by the Stadium A final concern has been the administration's all-consuming push for a city-subsidized football stadium and expanded convention center on Manhattan's far West Side. The proposed multibillion dollar public investment in the redevelopment of Manhattan's West Side rests on several shaky assumptions: that a football stadium will be a catalyst for additional development, that there will be enough demand to fill 24 million square feet of office space, and that an expanded Javits Center will be able to attract a significant number of new conventions at a time when New York's hotel costs are by far the highest in the nation, and when other cities are finding it difficult to attract out-of-town meetings without offering incentives. Beyond being bad public policy and a poor use of public funds, the stadium has distracted officials at EDC and City Planning from other, more worthwhile economic development projects.

It's not that these agencies aren't focusing attention on many other needed projects. As this report details, clearly they are. But even many of the mayor's ardent supporters believe the stadium and West Side redevelopment has consumed too much of the administration's attention and too large a chunk of its finite resources. They say that some projects the administration supports have been stuck in limbo while key agency officials were diverted to work on the stadium initiative. For instance, one economic development leader in Queens says an EDC staff member who usually works with him on local projects suddenly went AWOL for months. "For a while he was only doing stadium projects," he explains.

Several business leaders say the administration's focus on the West Side has resulted in inadequate attention for other important business districts, such as Long Island City, Jamaica and lower Manhattan, an area that arguably should have been the city's top economic development priority over the past four years. "They're not that interested in downtown," says one lower Manhattan business leader.

It's obvious that Mayor Bloomberg views the West Side stadium, like the school reforms he has put in place, as a major component of his legacy. However, it is Bloomberg's decision to embrace smart, strategic economic planning strategies along with his commitment to diversifying the city's economy and supporting a five-borough approach to economic development that has set him apart from his predecessors. Greater recognition of this would better serve both the city and the mayor himself.

This report was written by Jonathan Bowles. It was edited by David Jason Fischer. Additional research by Tara Colton.

CREDITS

The Center for an Urban Future is a New York City-based think tank that fuses journalistic reporting techniques with traditional policy analysis to produce in-depth reports and workable policy solutions on the critical issues facing cities. For more information, visit our website, www.nycfuture.org. To sign up for our monthly e-update, contact cuf@nycfuture.org or 212-479-3341.

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