THE FUTURE OF INDUSTRIAL NEIGHBORHOODS

In 21st Century Brooklyn

JPMorgan Chase Conference Center
April 25 & 26, 2013

Conveners:

Bedford Stuyvesant Restoration Corporation
Bridge Street Development Corporation
Fifth Avenue Committee
Pratt Area Community Council
St. Nicks Alliance / EWVIDCO (East Williamsburg Valley Industrial Development Corporation)

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INTRODUCTION: ORIGINS AND GOALS OF THE INITIATIVE

Recognizing the economic and job creation potential of New York City's manufacturing sector, five Brooklyn Community Development Corporations – Bedford Stuyvesant Restoration Corporation, Bridge Street Development Corporation, Fifth Avenue Committee, Pratt Area Community Council, and St. Nicks Alliance – sought funding from NeighborWorks America to convene a diverse set of stakeholders to explore the future of industrial neighborhoods in north and central Brooklyn and identify strategies to encourage manufacturing business and job growth.

These conveners retained the Pratt Center for Community Development to conduct background research on manufacturing in New York City in general and the north Brooklyn area in particular, and to research examples of best practices nationwide. The research provided context for a full day of workshops designed to lead participants in an examination of how various development strategies might advance business growth and job creation in the north Brooklyn communities and how to ensure that those jobs provide high quality career opportunities to local residents. The convening CDCs hired John Shapiro (Chair of Pratt Institute's graduate planning program) to design the workshops and serve as their lead facilitator.

This report-out covers the key takeaways and salient points that participants made during two days of workshops and discussion about manufacturing in New York City. It is not intended to be a comprehensive record of everything that was discussed to promote manufacturing in Brooklyn and New York City. Nor is it intended to be a policy platform. However, while the focus of much of the background research and workshop discussion was on manufacturing in the north and central Brooklyn neighborhoods in which the convening CDCs work, the conclusions that can be drawn from the assembled information and lively dialogue have the potential to impact future policy for all of New York City's mixed-use and industrial neighborhoods.

PHASE ONE: RESEARCH AND OUTREACH

To prepare for the workshops and discussions, Pratt Center collected and analyzed primary data on manufacturing firms and jobs and conducted qualitative research on emerging trends in manufacturing. They interviewed industrial advocates and experts and ran focus groups with industrial business owners, industrial developers, CDC staff members, representatives of elected officials and government agencies, and other local stakeholders. This process built on Pratt Center's extensive experience working directly with manufacturing business owners throughout the five boroughs, and on an extensive body of research about local manufacturing, including a recently released study of the Brooklyn Navy Yard, the highly successful 300-acre city-owned industrial campus in north Brooklyn.

Following the research phase, extensive outreach was conducted to invite workshop participation from the stakeholder groups that had been the focus of earlier individual and group interviews. The outreach deliberately targeted individuals representing a variety of interests and backgrounds including: representatives from government, financial institutions, private community-based organizations, citywide civic groups, local property owners, and business owners. Pratt Center created an extensive Briefing Book and other background materials to provide workshop participants with information about the current state of manufacturing in Brooklyn and New York City, as well as a set of best practices from New York City and other parts of the U.S. for consideration and discussion. More than 60 people signed up to participate in the workshop event, held at the JP Morgan Chase Conference Center at MetroTech Center in Downtown Brooklyn on April 25 and 26, 2013.

PHASE TWO: STAKEHOLDER WORKSHOPS AND FOLLOW UP DISCUSSION

The workshops were designed to draw stakeholders with different perspectives into a dialogue about the comparative benefits of manufacturing development; and further, to inspire creative thinking on how to make manufacturing uses viable in neighborhoods where real estate pressures and competing uses threaten to drive manufacturing away. The idea was not only to compare the various points of view that different stakeholders have, but to find points of commonality and consensus among them. Indeed, there were many areas of overlap among the various stakeholder perspectives.

In the first workshop of the day, stakeholders from similar sectors were grouped together to review and explore the set of "best practices" for industrial development presented by Pratt. The groupings of stakeholders, by background or professional affiliation, are described in **Figure 1**.

Each group of like-minded participants assessed the viability and replicability of the practices based on their particular expertise and experience. The best practice information presented to participants included a case study or example from another city where the practice has been used to foster manufacturing activity, either by catalyzing investment in the growth of the manufacturing sector, implementing a land use policy or program that promotes stability for industrial development, or helping the local labor force to adapt to the needs of strong and emerging industrial clusters. The best practices and case studies presented during the workshop are listed in **Figure 2**.

Figure 1

Stakeholder Groupings for First Workshop
For-profit Developers, Property Owners, Bankers
Non-profit Developers, Community Development Corporations
Industrial/Manufacturing Advocates and Service Providers; Business Owners
Government Agency and Elected Official Representatives
Workforce Development Providers and Advocates

Figure 2

Best Practice	Case Study of Best Practice
Super M Zone	Super M Zone
Publicly Owned Campuses	Brooklyn Navy Yard
Publicly Supported Districts	Boston New Market Eco-Industrial District
Vertical Mixed Use	Studebaker Building Redevelopment
Not-for-profit Portfolio Management	Greenpoint Manufacturing & Design Center
For-Profit Sector Integration Manufacturer	New York (fashion incubator)
Sponsored Hi-Tech	SUNY Downstate Biotech Incubator
Sponsored Incubator	NYU Poly Incubators
Curated Industrial Complex	American Can Factory
Workforce Support	Brooklyn Workforce Innovations
Infrastructure Improvements	City of Portland Investment
Addressing Climate Change	Newtown Creek Brownfield Opportunity Area

In the second workshop of the day, breakout groups were composed of representatives from different sectors, in order to encourage individuals with different perspectives to engage in conversation with one another. The workshop was designed to have the mixed groups review discussion points and conclusions drawn in the prior workshop, and to think about whether any of the best practices could be applied successfully to a manufacturing-zoned site in New York City. Using real examples of potential industrial development sites in north Brooklyn, the groups deepened the conversation about how to retain and grow industry. The mixed groups worked on solutions to some of the challenges to manufacturing development in New York, drawing on both their own and other sectors' perspectives.

On the day following the workshop sessions, the Pratt team analyzed the findings, conclusions, obstacles, and recommendations identified and discussed by stakeholders. Their analysis was assembled into a presentation of findings presented by John Shapiro in an afternoon plenary session where participants from the previous day's workshops were joined by a number of local elected officials and government agency leaders. The findings, which appear in the following section of this report, prompted a lively and productive follow-up discussion among diverse stakeholders about moving forward on an agenda to strengthen the manufacturing sector in alignment with community goals.

KEY FINDINGS FROM STAKEHOLDER WORKSHOPS

In the Pratt team's analysis, the workshop discussions yielded considerable expert opinion and creative thinking about the potential to locally apply the tools being used nationally to catalyze industrial development. While the workshop participants were arguably a "self-selected" group – i.e., the people who would devote a day and a half to this topic of conversation are likely those most predisposed to wanting to catalyze industrial development – the diversity of backgrounds ensured a checks-and-balances on what could have turned into overly idealistic thinking. On the contrary, in every break out room participants were quick to point to the challenges inherent in the concept of replicating the best practices in New York City. However, because of the diversity of their expertise, the participants' arguments about the efficacy of potential solutions led to useful debate about priorities and productive discussion of trade-offs.

The most prominent ideas that came out of the workshop discussions in response to the participants' review of the best practices can be organized into five main topical areas, as seen in **Figure 3**.

Each topical area received considerable attention by the more than 60 participants in the workshops. The analysis of group discussion on each topic, which follows, points to the need for ongoing development of key ideas and concepts.

Figure 3

Types of Best Practices

Land Use Regulations

Including the best practices of Super M Zoning; Vertical Mixed Use; Transfer of Development Rights; and Policy Reform

Campuses and Districts

Including the best practices of Publicly Owned Campuses and Publicly Supported Districts

Managed Spaces and Incubators

Including the best practices of Not-for-Profit, For-Profit, Sponsored, and Curated buildings, centers and incubators

Workforce Solutions

Combining aspects of a number of the best practices

Finance Opportunities

Combining aspects of a number of the best practices

Land Use Regulations

In a city with high real estate costs and strong competition from other land uses (e.g., residential and commercial), many participants felt that land use and zoning policies form the foundation on which other pro-industrial policies should be based. While sound land use regulations may not be the only determinant of the success of the manufacturing sector, many manufacturing businesses have met their demise because of the instability of land use regulations that help fuel real estate speculation. The uncertainty over whether a manufacturing-zoned parcel will be rezoned to residential use causes property owners to deny tenants lease renewals, or to evict them altogether and land-bank the parcel until its future zoning designation is known. The uncertainty of lease renewals discourages investment by manufacturers in their spaces and equipment, which undermines their competitiveness and can cause a downward spiral for the business.

Workshop participants discussed a kit of zoning tools and reforms that could play a strong role in stabilizing and growing the City's manufacturing sector. Underpinning this tool kit is a principle held by many participants that there should be no net loss in industrial space when a community's zoning is altered by the City. Through large-scale rezonings and ad-hoc land uses changes to individual parcels, the City has permanently lost a significant portion of its stock of industrial land over the last decade. Because of the large-scale nature of this irreversible loss, any viable industrial policy must be founded on a commitment by the City to not allow any additional net loss in industrial space.[1]

"Super M" zoning

The "Super M Zone" concept is inspired by Chicago's Planned Manufacturing District (PMD) policy, which is a special zoning designation that places significant restrictions on the uses of industrial land as a way to protect industrial firms from displacement and gentrification. New York City's current Industrial Business Zone (IBZ) policy falls far short of Chicago's PMDs. The Bloomberg administration has committed to not converting the areas in the IBZs to residential use. However, since this "protection" is not codified by zoning regulations and could be reversed by the next mayor, the IBZ policy lacks the permanence and enforcement of a true Super M zone. Workshop participants identified the difficulty of enforcement as a key challenge if the City were to adopt a Super M zone-type policy, particularly with regard to upper floor uses.

Vertical mixed use

There was extensive discussion about how to combine a mix of uses (including manufacturing, commercial, residential and retail) in one district or in a single building. In the past, such mixed use districts which had a diversity of spaces – such as Greenpoint and Williamsburg – became centers of innovation and creativity and attracted a variety of businesses. Within a single building, the potential benefits of a vertical mixed use paradigm include the cross subsidy that a non-manufacturing use could generate, and the physical model's compatibility with emerging trends in Brooklyn's manufacturing sector where businesses are smaller and cleaner and require close connections to high-tech industries.

The tough trade-offs and potential drawbacks inherent in the vertical mixed-use scenario include the likelihood that many of manufacturing jobs that are compatible with vertical mixed-use development require relatively high levels of educational attainment and would not generate the number or type of jobs sought by many of the civic and community-oriented stakeholders. In past mixed-use neighborhoods, industrial activity has generated resident complaints about the noise and truck traffic manufacturing activity can generate. In addition, creating mixed use districts without strong regulatory controls on the amount of space devoted to each use could pave the way for residential gentrification as it did in Greenpoint and Williamsburg. Finally, while vertical mixed use can be a good option for incubating small-scale businesses, it does not solve the challenge of where growing firms that outgrow small spaces can go.

Careful regulation that ensures a true mix of industrial and non-industrial uses, and that guides businesses and residents in successful cohabitation, will be required in order to create stable, balanced, mixed-use buildings (and districts). As with the Super M zones, enforcement is a major challenge presented by the mixed use strategy because there would have to be regular inspection and/or reporting to ensure compliance with the mandate that the

1 The word "space" is specifically used here, as opposed to "land."

building must contain a mix of uses. One way to address the enforcement challenge would be by dividing ownership or management of the manufacturing space from the other uses. Creating coops, condos or vesting ownership in a non-profit would help to insulate the space from real estate conversion pressure and ensure its continuation for industrial uses.

Transfer of Development Rights

A similar strategy of dividing ownership to preserve mixed use in a building might also work to preserve mixed use in a district. A tool like Transfer of Development Rights could help encourage the retention or creation of stable mixed use areas by giving property owners not interested in industrial uses a way to satisfy their requirement to dedicate space to light industrial uses by paying a neighboring property owner to assume the requirement. This is somewhat analogous to current efforts to encourage affordable housing by giving developers a bonus toward market rate housing if they build affordable housing offsite.

Government Reform

Many workshop participants expressed frustration with the process the City's Board of Standards and Appeals (BSA) uses to grant variances that allow landowners to bypass zoning regulations and develop residential or commercial real estate projects in districts zoned for manufacturing. While the BSA has recently tightened its interpretation of the standards for granting variances, they continue to be granted based on overly loose guidelines and lenient interpretations for establishing a property owner's "economic hardship." This continues to fuel speculative real estate practices and thus create uncertainty in industrial and mixed-use neighborhoods. Additional steps are needed to ensure that an appropriate interpretation of the guidelines is applied moving forward and that this policy is communicated to actors in local real estate markets.

Campuses and Districts

The Brooklyn Navy Yard and Boston's New Market Eco-Industrial District were the best practice examples that prompted discussion about publicly supported industrial campuses and districts as spatially-oriented approaches for scaling up clusters and agglomerations of industrial firms and exploiting business-to-business synergies.

Workshop participants discussed the many successful strategies the Brooklyn Navy Yard "campus" model employs to promote manufacturing in New York City. The Navy Yard's mission-driven management was identified as key to its success, in that it provides long-term leases, creates insularity from real estate pressure and speculation, and provides on-site amenities such as security and support services related to workforce and sustainability. However, participants identified a number of challenges to replicating the model: it is more appropriate for government-owned land and requires a consolidated/contiguous land area. Workforce development practitioners and advocates also cited a skills mismatch as a key reason why many local residents cannot access the relatively high-skilled jobs that tend to be found in the Brooklyn Navy Yard.

In New York City, there are limited opportunities to create more publicly supported, mission-driven industrial campuses like the Brooklyn Navy Yard, therefore in order to replicate the advantages that such a campus setting creates, more industrial districts could be created.[1] One way for this to happen is for existing industrial campuses to anchor adjacent industrial areas by going "beyond the gates." (For example, the Navy Yard could extend into industrial Wallabout and the Red Hook Container Port could extend into the Red Hook waterfront.)

Because of its district-wide approach to energy efficiency and waste reduction, Boston's New Market Eco-Industrial District intrigued many workshop participants with its efforts to "green" industry and its potential to address local environmental justice and health issues. Participants said that the model would be difficult to replicate here because of the lack of contiguous vacant industrial land and the Bloomberg administration's preference to tie major infrastructure initiatives to large-scale commercial and

1 For more information on the lessons learned about creating more publicly supported, mission-driven industrial campuses, please go to http://prattcenter.net/report/brooklyn-navy-yard-analysis-its-economic-impact for Pratt Center's recent report on the Brooklyn Navy Yard.

residential developments.

Community Development Corporations have a role to play in the formation and operation of industrial districts. In alignment with the work so many of them already do, CDCs could be effective vehicles for organizing community support for local manufacturing activity, connecting local residents to industrial job openings, and addressing environmental justice and public health issues. They could also potentially partner on industrial development projects and participate in area-wide infrastructure planning.

Despite all the benefits associated with urban industrial districts, there are important questions that stakeholders and policymakers need to consider when attempting to replicate any Industrial District model. Akin to creating a Business Improvement District, what is the smallest size an industrial district can be and still create benefits and synergies? How can mixed-use development in an industrial district best be handled? Should certain categories of development be tolerated as a way to cross-subsidize industrial businesses that cannot afford market-rate rents? These are just some of the questions raised by participants in the workshops.

Managed Spaces and Incubators

Several examples of a management approach to nurturing and growing manufacturing businesses were discussed, and they ranged from models that are government-owned (Brooklyn Navy Yard) to those that are run by non-profit (Greenpoint Manufacturing and Design Center) and for-profit entities (Manufacture New York). These carefully managed and oftentimes curated industrial "managed spaces" and "incubators" had widespread support as models of urban economic development, but the challenge of replicating them was also discussed at length.

Among the positive attributes of the managed industrial space is the mission-driven management structure that goes beyond merely providing space for tenant businesses. Managers provide shared services (from use of major equipment to security), can offer flexible leases, tend to charge affordable rents, and can – with the exception of incubators who "graduate" their tenants after they reach a certain size – provide long-term real estate security. Some managed spaces employ sector-based strategies (e.g., SUNY Downstate's Biotech incubator), which can attract seed money and other sector-specific funding sources. Sponsorship and management by an educational institution can also be an effective approach for leveraging public dollars and connecting tenant firms to valuable marketing and workforce resources.

The challenges associated with a managed space or incubator model become evident when one considers why successful examples do not abound, in New York City or elsewhere. The high acquisition costs for space and/or land help make it an entrepreneur-driven (or institution-driven) model of business development. While incubators may indeed help individual start-up businesses grow to eventually become profitable, the business of incubation per se is not necessarily profitable. Also, incubators do not tend to be major employers, especially since firms eventually graduate from their spaces and must find space elsewhere.

Workshop participants shared several ideas for how the City could encourage the creation of industrial jobs by facilitating the development of more industrial centers and/or incubators[2]. It could underwrite the cost of acquiring industrial property to transfer it to a non-profit entity. It could also lease property to non-profits for 30 years, thereby providing the opportunity for the non-profit to access Industrial Development Agency (IDA) bonds. The NYC Economic Development Corporation (EDC) should also change its mandate to tie the use of city-owned property to outcomes other than revenue generation, namely job creation and the support for nonprofit development. For example, EDC could develop criteria for the disposition of property that either prioritizes nonprofit ownership or partnerships between private and nonprofit entities to build up a more robust nonprofit development sector. Finally, banks and other lenders should place restrictive covenants on industrial properties for the duration of loans.

Workforce Solutions

Retaining and expanding the number of industrial jobs is one of the key common goals that brought many of the different stakeholders together to discuss the future of Brooklyn's industrial neighborhoods. Industrial jobs have traditionally been well-paying career ladders for people with limited educational attainment and/or limited

2 Many of these suggestions overlap with the Finance section.

English proficiency. However, as the economy continues to polarize into high-end and low-end service jobs, many people of limited socio-economic means are unable to take advantage of available production-oriented jobs. Part of this is the low perceived prestige of manufacturing jobs, and another factor is a skills mismatch between people with limited education and manufacturing sectors that are growing locally (e.g., high-tech and artisanal manufacturing).

Many workforce development programs and organizations are striving to bridge the divide between industrial employers looking for high quality labor and local residents who need jobs and career-building opportunities, but they face formidable challenges in doing so. Lack of awareness is one issue: industrial firms are unaware of the support they could potentially receive from workforce development programs, and local residents are often unaware of how such programs could train and place them in manufacturing jobs. Also, there is the challenge of specificity: it is difficult for the workforce development sector to create job training programs that are applicable across industry types.

Workshop participants offered up several ideas for overcoming the challenges of connecting job seekers with existing and future manufacturing job openings. One is to form partnerships between workforce development programs and industrial employers so that the former can advise the latter on needed types of skills training. Manufacturing firms in need of skilled labor should also invest in workforce development programs.

Local training programs should have paid internships and apprenticeships that are subsidized by the City or another third party. Educational institutions also have a role to play, by providing sector-specific training not offered by existing workforce development programs. Finally, opening the doors of business incubators to engage local residents and expose them to the face of modern manufacturing could be an important way of debunking some of the misconceptions that people have about industrial jobs (e.g., that they are “dirty” and/or monotonous).

Finance Opportunities

While many participants acknowledged that public funding for manufacturing is limited, there was broad agreement that existing government funding tools need to be modified to better suit today’s urban manufacturing. Such tools should facilitate real estate acquisition and renovation to create modern, affordable buildings that are often multi-tenanted. One important reform would be to change the federal Industrial Revenue Bond program, which is virtually impossible for multi-tenanted buildings to access because of the onerous reporting requirements and caps on the cost of projects which do not reflect New York City’s high cost environment. The New Markets Tax Credit program should also be amended to be geared towards smaller firms than is currently the case.

In addition to updating existing government funding tools, opportunities for generating new revenue streams should be created. Examples include TIFs (Tax Increment Financing), Industrial BIDs (Business Improvement Districts), and meaningful impact fees for conversion of industrial space to other uses.

CONCLUSION AND NEXT STEPS

Despite the enormous challenges NYC's manufacturing sector faces, there was a lot of enthusiasm among workshop participants to begin charting a direction for building an industrial development movement. There was broad consensus that the current lack of effective advocacy among stakeholders who care about manufacturing makes it easy for government to decline to aggressively pursue a pro-manufacturing economic agenda, and instead put its resources into other priorities that are less impactful for low-income communities. Building an effective broad-based coalition of business, labor, and community (including but not limited to environmental justice advocates, educators to address the labor skills gap, private real estate developers, economic sectors that are dependent on manufacturing, etc.) is the only real way to create enough political space for the Mayor and city agencies to move a set of policies that will retain and grow industry and manufacturing jobs. A cross-sector working group is one vehicle that could facilitate the creation of broad-based advocacy for the city's industrial future. Existing advocacy groups such as the Association of Neighborhood Housing Developers (ANHD) and the NYC Employment and Training Coalition (NYCETC) would be key places to start. The opportunity created by the upcoming change in mayoral administration makes a strong case for developing an industrial policy brief and/or political platform in the very near future.

There was a lot of discussion surrounding the need for community development corporations, including but not limited to the five convening groups, to engage in industrial issues in ways that they traditionally have not. Their neighborhood perspective and knowledge is critical for supporting local employment and entrepreneurship, improving residents' quality of life, preventing unbridled gentrification, and promoting the balanced growth of neighborhoods. This cannot happen overnight, as it will require many CDCs to expand their definition of "community" to include business owners who live elsewhere, and to recalibrate their missions and expand their skill, capacity and resources.

To complement the critical neighborhood perspective that CDCs can bring to planning for the future of industrial and mixed-use areas, a citywide perspective on the future of manufacturing will also be required. This initiative saw Brooklyn as a jumping-off point for considering what new industrial tools and policies can be deployed to promote manufacturing across the five boroughs, in a manner that does not pit neighborhoods against each other. A geographically comprehensive planning approach will be needed to promote a consistent regulatory framework and to look at land uses – both industrial and non-industrial – through a citywide lens.

Finally, participants in the two days of workshops and conversations discussed the need for a public education campaign to correct some common misperceptions about modern manufacturing, including that it is irrelevant or dying, and/or dirty. Factory tours, initiatives to "beautify" industrial building facades, and cultivating industry spokespeople were some of the ideas put forth.

Figure 4

Summary of Conclusions

- Create a broad-based coalition to build an industrial movement
- Need for CDCs and their unique local perspectives to play larger role in industrial issues
- Citywide perspective on future of manufacturing is also required
- Develop a public education campaign around today's manufacturing