Urban Manufacturing Alliance

Urban Manufacturing Alliance First Report-Out

OVERVIEW

More than 50 representatives of public agencies, industrial development corporations and nonprofit research and policy advocates, based in 13 cities, met on October 18-19, 2012 in New York City to launch the Urban Manufacturing Alliance (UMA). The gathering, convened by the Pratt Center and SFMade, with support from Citi Community Development and the Surdna Foundation, marked the first meeting of a unique platform for U.S. cities to exchange best practices and to collaborate in supporting the urban manufacturing sector. A broad national consensus has emerged that revitalizing the U.S. manufacturing sector is essential to the goals of creating well-paying jobs and rebuilding the middle class. The UMA's formation comes at a moment when manufacturing job growth is leading the nation's economic recovery, as large and small companies are "re-shoring" production, and as manufacturing start-ups are bringing new products to market at an unprecedented pace. While industrial policy is increasingly central to our national economic strategy, most federal, state, and local policymakers have limited experience addressing the challenges and opportunities offered by urban manufacturing. In addition to creating jobs in areas of high unemployment, local production can also help achieve important energy and environmental policy objectives by reducing fuel consumption and carbon emissions from transportation.

The advantages cities offer – access to diversely talented workforces, as well as to customers, suppliers, designers, investors, and the myriad services that enable innovation and rapid response to markets – matter more than ever in a world of increasingly customized, just-in-time production. But "making it" in cities can also present challenges, from competition for scarce land, to aging and obsolete infrastructure. The UMA will enable manufacturers from New York to San Francisco, and from Atlanta to Allentown, to share best practices, learn from each other's efforts and amplify their voice in the national policy discussion. During the coming year and beyond, Pratt Center and SFMade will lead UMA members in developing toolkits, presenting webinars, and sharing hands-on expertise on topics including local branding, land and space solutions, sustainable business practices, workforce development, and more. Through this collaboration, the participants seek to strengthen their local economies, create jobs and rebuild their cities.

About the Urban Manufacturing Alliance

The Urban Manufacturing Alliance (UMA) is a national collaborative of non-profit, for-profit and governmental stakeholders working together to grow urban manufacturing, create living wage jobs and catalyze sustainable local economies.

The UMA is generously supported by Citi Community Development and the Surdna Foundation.

KEY TAKEAWAYS FROM THE FIRST UMA CONVENING

Local Branding Tools and Strategies

Local branding campaigns such as SFMade and Made In NYC enable manufacturers to capitalize on growing consumer interest in distinct local identity and products. SFMade has used its brand to raise the profile of manufacturing in a city where pride of place is already deeply entrenched. SFMade began by recruiting 12 already-iconic local producers, intentionally ranging from established firms to new and sexy companies. From an initial membership of 102 companies in 2010, SFMade grew to include 398 members by 2012. Ninety-nine percent of SFMade's members make consumer products, so the value of local branding is high, and has been enhanced by events like SFMade Week, partnerships with major retailers, and printed materials such as a "where to find SFMade Products" map that is distributed by tourism promoters. Sixty percent of SFMade's members use its logo on packaging, hangtags, shipping labels, and online media. Its ubiquity not only helps members to differentiate their products in local and export markets, but raises the profile of manufacturing with local decision-makers in and outside of government.

Maintaining the integrity and clarity of a brand is essential. SFMade's staff and members review prospective members' applications; to qualify for acceptance, the essential transformation that creates a product must take place within San Francisco's city borders. The sense of cohesion among manufacturers fostered by SFMade enables members to maintain the integrity of its brand, even when that requires nuanced consideration of practices among diverse subsectors.

UMA participants discussed the varying opportunities and challenges to initiating a Local Branding initiative in other cities including how to utilize local branding techniques to foster business-to-business activity and how to join forces with neighboring cities to create a stronger regional identity.

Land Use and Real Estate

The high land costs and intense competition for space that confront manufacturers in high-demand cities like New York and San Francisco are well known. But manufacturers face challenges in both hot and cold markets. Even in cities where demand for land is weak, speculation is common because owners hold industrial property off the market in the hope that new development will eventually raise prices.

Urban manufacturers' space needs vary and older multi-story manufacturing buildings can be a good fit for new urban manufacturers, which tend to be small businesses that value proximity to markets and workforce. However, industrial space brokers often overlook such nuances and tend to unnecessarily focus on generic space – one-story buildings with huge loading docks and high, wide structural bays. The disadvantage that existing multi-story manufacturing buildings face may be compounded by the misperception held by manufacturers and private lenders that exurban/greenfield development is more favorable than developing urban sites. In addition, older buildings often need investment and modernization to make them "move-in ready" for manufacturers who cannot afford a long development process. Underwriters need to account for location efficiency, and incentive programs may need to be tweaked to support the development of flexible, multi-tenant industrial space.

Comparing experiences in strong and soft market cities, UMA participants agreed that in any market, industrial rents are unlikely to support the development of new industrial space, or of needed upgrades to existing buildings. In strong markets, manufacturing is threatened by competing land uses like retail and residential which can pay more for land than industrial users, particularly in locations with important attributes like proximity to workers and transit. Conversely, in weak market cities building owners don't perceive a sufficient return to justify re-investment and municipalities often lack the resources to incentivize the private development necessary to prepare sites in anticipation of potential manufacturing tenants.

Some cities, including Newark, Philadelphia, Chicago, and Detroit, have developed comprehensive inventories and detailed analyses of both vacant and occupied industrial land. They have used data to focus and prioritize remediation and infrastructure investments, as well as to facilitate transactions by matching industrial users to available space and promote clustering.

There was recognition of the need to align zoning and land use policies with the goal of promoting manufacturing. Manufacturing zoning in many cities is both broadly permissive and porous; non-manufacturing uses like hotels that undermine industrial character are often allowed as-of-right, or with minimal review. Chicago's Planned Manufacturing Districts, which combine strong zoning with services and forceful, consistent messaging from the City, offer one successful model of how to reduce real estate pressure in hot markets. Another approach combines ownership and management by a mission-driven nonprofit organization to upgrade space, maintain long-term ownership and provide the security companies need to reinvest in operations. The Brooklyn Navy Yard, which manages a 300 acre city-owned industrial park, and the Greenpoint Manufacturing and Design Center, which owns and manages several buildings scattered throughout one community in Brooklyn, NY, illustrate two models of the nonprofit approach.

Mixed residential/industrial zoning has almost inevitably catalyzed the transition of neighborhoods from manufacturing to higher-paying residential and commercial uses. As a platform for information sharing and advocacy, the UMA can enable manufacturers and cities to work together to craft policies to achieve fiscal and revitalization goals without displacing industry.

Sustainable Business Practices: company-level and place-based approaches

Helping manufacturers to green their operations can improve their underlying competitiveness in order to advance both economic and environmental public policy objectives. While some companies undertake individual greening initiatives because they and/or their customers value sustainability, the "green" that shows up on the bottom line is a more reliable driver of action. Whatever the motivation, small manufacturers in particular may need help recognizing and capitalizing on opportunities to improve their environmental and economic performance. Where state and local incentives do exist, navigating them requires time and attention from owners and managers; and even with incentives, small companies may be unable to allocate scarce capital or intellectual attention to implement a sustainable upgrade when payback may take several years. And because many urban manufacturers rent their space, they may be reluctant, or even unable, to invest in improvements to a building shell they don't own.

Multi-tenant buildings and urban industrial parks enable small manufacturers to green their operations by sharing resources; waste-matching, aggregating waste to bid out for recycling, and shared hauling have cut truck mileage and waste disposal costs for Brooklyn Navy Yard companies. They also create industrial communities where sustainable practices and values can be shared. Boston's Newmarket Industrial Corridor has been a "laboratory for sustainability," enabling businesses and government to pilot new approaches and attract new resources. The 25th Street Collective in Oakland, a small cluster of green businesses, draws on its unifying business traits to attract sustainability-minded consumers and to reinforce sustainable business values.

Concentrations of manufacturing firms, at the building, industrial park, or manufacturing district level, also create opportunities to replace or upgrade worn-out or obsolete "gray" infrastructure with new, green systems, including combined heat and power, stormwater capture and management systems, clean trucks, and more.

And markets for green products can be transformed by city- and national-level policies. Probably the best known example of this is the Energy Star program that has encouraged the purchase and production of energy efficient appliances. On the private side, the LEED rating system developed by the US Green Building Council helped fuel demand for sustainably and locally-produced building materials and components. In New York, the Pratt Center's 'Spec It Green' Initiative built manufacturers' awareness of the growing markets for green products through events that helped them to connect with designers and purchasers while ITAC, the local manufacturing extension program, provided engineering assistance to companies seeking to enter or expand in those markets.

Workforce

Access to workforce has been a major urban advantage for manufacturers. In cities, workers with a broad range of skills are available within commuting distance of industrial employers, and those workers are often able to get to work by public transit instead of by driving. At the same time, manufacturing offers opportunities to urban workers with limited formal training or education, who would have difficulty finding good-paying jobs in other sectors.

But the growing emphasis on advanced manufacturing may present a challenge to this traditional urban workforce advantage. Our elementary and high schools often fail to provide students with the basic math and science skills they need to succeed on a 21st century factory floor. And many young people enter the job market lacking not only hard skills, but the essential soft skills that enable them to keep a work schedule, and manage relationships with co-workers and supervisors. In addition to its rising skill requirements, advanced manufacturing is more capital intensive and may not create the large number of jobs, skilled or unskilled, needed to help the large number of currently unemployed workers.

Partnerships between manufacturers and high schools, community colleges, and community workforce development organizations have effectively prepared young people for success. These models need to be scaled up, and replicated in cities where manufacturing is growing.

Access to capital

The challenges common to all small businesses in accessing capital are shared by new manufacturers and established companies seeking to grow. Yet manufacturers also have particular needs for not only start-up and growth but for working capital.

Some of these challenges are beginning to be addressed by advances in both production and information technology, including social media, which have supported a wave of manufacturing start-ups. Shared work spaces and resources have enabled start-ups to launch their businesses with modest levels of capital; many of these spaces offer access to machines that enable rapid prototyping and production capability. Meanwhile, Kickstarter has enabled crowd-funding of new production via pre-sales and pre-orders, though IRS and/or SEC regulations may limit the extent to which this approach can be scaled up.

Still, approaches are needed that will drive investment into the sector as a whole. UMA participants envisioned the cultivation of networks of angel investors like those that have launched the tech sector. And mission-investing by foundations might be a source of equity that would enable nonprofit developers of manufacturing space to attract bank financing at levels that their rent rolls could sustain. The UMA could compile an inventory of resources, case studies, and experts on funding and financing urban manufacturing.

NEXT STEPS

The October convening confirmed that there is a reservoir of successful practice and expertise, and a robust appetite for sharing that experience and knowledge, as well as for raising the profile of 21st century urban manufacturing in local, regional, and national discussions of economic policy. The Pratt Center and SFMade have already committed to producing the first two toolkits – one on local branding, and the other on land and space issues. Discussion on October 18-19 suggested additional toolkit topics including those discussed above, as well as enthusiasm for sharing information via webinars, a talent bank of established experts available for local consultation, and a second convening that will further grow the circle of participating cities and organizations.

The Pratt Center and SFMade look forward to working with a growing number of UMA member cities to raise awareness of the vibrant manufacturing activity taking place in urban communities across the country; strengthening networks between urban manufacturers and economic development professionals; and advocating for local, state and national policies that will support the growth of well-paying manufacturing jobs.

For more information on the UMA contact the Pratt Center (www.prattcenter.com) or SF Made (www.sfmade.org)

UMA CONVENING PARTICIPATING ORGANIZATIONS

25th Street Collective/Oakland Made
Allentown Economic Development Corporation
Boston Redevelopment Authority
Brooklyn Navy Yard Development Corporation
Business Outreach Center Network
Citi Community Development
City of Chicago, Dept. of Housing & Economic Development
City of Oakland, Office of Economic Development
Detroit Creative Corridor Center
Detroit Economic Growth Corporation
East Williamsburg Valley Industrial Development Corporation
Estolano LeSar Perez Advisors
Georgia Institute of Technology, School of City & Regional Planning
Greenpoint Manufacturing & Design Center
Illinois Manufacturing Extension Center
Industrial & Technology Assistance Corporation
Industrial Council of Nearwest Chicago
Initiative for a Competitive Inner City
Local First Chicago
Made in Newark
Manufacturing Alliance of Philadelphia
NYC Council Member Brad Lander's Office
NYC Economic Development Corporation
Philadelphia Industrial Development Corporation
Pratt Center for Community Development
SFMade
Southwest Brooklyn Industrial Development Corporation
Surdna Foundation
University of Pennsylvania, Department of City & Regional Planning
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