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New York
New Jobs

The Empire Has No Clothes

Rising Real Estate Prices and Declining City Support Threatens the Future of New York's Apparel Industry

New York City may still be the fashion capital of the world, but the industry behind the runway models is in danger of coming apart at the seams. New York's economy is soaring, and in other cities like Los Angeles, the apparel industry has experienced substantial growth in recent years. However, New York's long-dominant garment industry is shedding jobs and facing new threats to its future competitiveness.

To some extent, this decline is nothing new. Local garment contractors—the businesses that handle most of the sewing and cutting of garments—have been struggling to compete with cheaper overseas labor for decades. Yet New York firms have stayed in business by being able to respond quickly to changing fashion trends, thanks to the close proximity of retailers, designers, manufacturers, fabric suppliers and sewing contractors in the city.

But New York's apparel industry is now facing a new threat: Rapidly rising real estate prices that are pushing some firms out of the city and forcing others out of business. Meanwhile, city support to this vital sector has waned in recent years. This one-two punch—ceding the city's natural advantage of close connections between the design and production of garments and the failure of city officials to help the industry evolve to new economic realities—may cause New York to forfeit its fashion edge and lose thousands

New York City’s dominance of the fashion industry could be in danger.

As part of a multi-year focus on New York’s most vital economic sectors, the Center for an Urban Future conducted a three-month investigation of the city’s fashion industry. The Center interviewed dozens of people working at New York fashion companies—from international designers to local sewing contractors—as well as union officials, city planners, economic development experts and representatives from industry associations.

The news isn’t all bad. Apparel—with nearly 74,000 production jobs—remains the city’s largest manufacturing industry, and the city’s reputation as the place where fashions are launched has only been strengthened in recent years by the arrival of many trendy new downtown designers. More out-of-town buyers still come every year to New York’s garment center showrooms to view new lines of merchandise than travel to any other American city.

However, apparel manufacturing, the most labor-intensive segment of the industry, is reeling. Local garment manufacturers and contractors have been losing business to cheaper labor in Asia, Latin America and other offshore locations for decades. Since 1968, the city has lost 182,000 apparel and textile manufacturing jobs. The most significant losses have occurred at firms that make mass-produced garments that can be ordered well in advance of the time they are needed in stores. And even more business may go overseas as a result of the Clinton Administration’s recent trade agreement with China, which sets a 2005 deadline for ending American import quotas on Chinese textile products.

But local apparel companies have continued to thrive by producing garments that need to be turned around quickly for designers and retailers trying to stay on top of current fashion trends. Industry leaders say this kind of work will remain in New York because firms here have an inherent advantage: The close proximity between retailers, designers, suppliers and manufacturers in the city allows for quick production runs that can’t be duplicated by overseas contractors and gives designers the ability to personally oversee the quality of production.

Today, however, many local apparel firms that they are displaced from the city’s two main garment districts by the high price of real estate. “The prices are going up and people are getting pushed out,” says Linda Dworak, executive director of the Garment Industry Development Corporation (GIDC), a nonprofit consortium of business, government and labor founded in 1984 to strengthen New York’s fashion industry. “Companies are finding they can’t afford to be where they are. They are moving to Long Island City or Sunset Park. And we’re losing some to New Jersey too.”

Many industry leaders fear that driving garment companies out of Manhattan—even simply to Brooklyn and Queens—will result in a loss of business for contractors who suddenly find themselves out of touch with their client base, and hurt designers’ ability to ensure the quality of garments produced locally. New York’s dominance of the fashion industry could be in danger.

These manufacturers are especially frustrated because they are supposed to have a measure of protection against the encroachment of office space. A 1987 law provides special zoning regulations for the garment district, requiring building owners to set aside 50 percent of all space on the garment center’s side streets for manufacturing uses. But many garment firm owners and industry advocates believe that landlords are getting around these rules. According to a 1998 study for the Fashion Center Business Improvement District, only 38.8 percent of the businesses occupying space on side streets in the garment center were manufacturers. Area businesses say the number is even lower today.

While many garment companies have been able to relocate to the other boroughs, dozens of others simply declared bankruptcy or went out of business

Escape from New York

Labor statistics show that apparel manufacturing jobs are rapidly disappearing from Manhattan.

- In 1998, for the first time ever, firms in the fashion industry no longer represented a majority of the employees who worked in the Midtown garment center. Apparel jobs in the district fell to 46 percent, from 51 percent the year before.

- Eighty-six percent of the industry's job losses in New York City between 1993 and 1998 occurred in Manhattan, largely due to the borough-wide rise in real estate prices.

- While total employment in Manhattan increased by 1.6 percent between 1997 and 1998, fashion industry employment in the borough dropped by 4.2 percent.

- The garment industry now only accounts for 4.8 percent of total private sector employment in Manhattan, the lowest level ever. As recently as 1993, it represented 6.1 percent of Manhattan's private sector jobs.

- The strongest sector within the city's garment industry—women's and misses apparel manufacturing—grew significantly in both Queens (1,897 new jobs, a 38 percent increase) and Brooklyn (1,353 new jobs, a 17 percent jump) over the past five years. But in Manhattan, the number of jobs in this sector dropped by 8,454, eclipsing the gains in Queens and Brooklyn by nearly 3 to 1.

when their leases came due. In addition, a significant number of garment manufacturers decided to send their production work overseas and become apparel wholesalers. Doing so has enabled many companies to remain in New York, but it has come with a heavy price: Wholesalers generally have a fraction of the number of employees as manufacturing firms.

The dislocation of garment firms from Manhattan isn't all bad. It's helped to develop industrial areas in Brooklyn, Queens and the Bronx, which offer advantages over Manhattan, such as far cheaper real estate prices and less-congested streets for delivery trucks. And some neighborhoods, like Sunset Park, Brooklyn's fast-growing Mecca for apparel firms, boast a large pool of available workers.

But moving across the East River is no easy task. The firms that have made the jump to the other boroughs are encountering several problems. For one, many companies are simply having a hard time finding space. Local officials say that there are so few affordable industrial properties available in Sunset Park that it typically takes a year or two for companies to locate a suitable facility there. In East Williamsburg, another major hub for garment firms, space is drying up because numerous buildings zoned for manufacturing in the East Williamsburg In-Place Industrial Park are being converted illegally into residential lofts. And in Long Island City, one of the most desirable industrial areas outside of Manhattan, a number of apparel firms are being pushed out by landlords who want to replace them with higher-paying office tenants.

When they do find space in the other boroughs, garment firms—because most operate with low profit margins—often have trouble coming up with the large sums of money needed to move their equipment and inventory. Previously, firms could qualify for moving grants through the city's Business Retention Relocation Corporation. But the city let this important business retention program sunset in 1997.

The pressure on apparel has already had startling consequences. Between competition from abroad and the pressure to move, the city has lost 14,500 apparel and textile manufacturing jobs since 1993. These are positions that the city can ill afford to lose—jobs that provide vital employment and entrepreneurial opportunities, particularly for immigrants who lack the language skills or educational background to find employment in other sectors of New York's economy.

The city's apparel industry is also, of course, notorious for its many illegal sweatshops—factories that do not pay a legal wage to their mostly immigrant workforce. Undoubtedly, the prevalence of sweatshops has tarnished the industry and scared off potential business. However, this high-profile problem affects only part of the city's apparel industry. Garment firms here employ tens of thousands of workers—mostly immigrant women—in jobs that pay above minimum wage. The U.S. Labor Department estimates that the majority of the 74,000 workers they count as New York's apparel manufacturing workforce are at legitimate firms. While it is crucial that this issue be addressed, it should not be used as an excuse for not supporting this industry.

Importantly, the trends affecting the garment industry are not irreversible or inevitable. There was actually an increase in apparel manufacturing jobs in the city between 1996 and 1997—the first rise in 18 years. And in Los Angeles, the nation's other major garment center, the number of apparel and textile manufacturing jobs has risen by 22,600 since 1993, a 22 percent increase.

Here in New York, some positive steps are being taken. An incubator facility for small garment start-ups that was spearheaded by the Brooklyn borough president opened on the Sunset Park waterfront in September. In addition, the Garment Industry Development Corporation (GIDC) runs extensive training, marketing and export assistance programs designed to make local apparel firms more efficient.

On the down side, City Hall has not recently demonstrated support for this important industry as it has the new media or financial industries. First, it has failed to address the growing space crunch affecting industrial businesses throughout the city or come up with a coherent strategy to help garment firms thrive and grow outside of Manhattan. Last year, the Giuliani Administration backed away from plans to develop the remaining 900,000 square feet of industrial space at the Brooklyn Army Terminal in Sunset Park, a project that could have created new space for several garment companies relocating from Manhattan.

In addition, the city has reduced its financial support for GIDC by six percent since 1993. While GIDC pulled in funding from other sources, it could clearly use additional resources to expand the services it offers. There are waiting lists for all of GIDC's training courses and its limited staff enable it to provide on-site efficiency training services to just 35 firms a year—a fraction of the businesses that need this help.

On top of its general funding cuts, the Giuliani Administration compelled GIDC to pull the plug on a federally-funded program which retrained nearly 150 unemployed sewing machine operators each year. Its actions also forced the Fashion Center BID to withdraw financial support for several fashion initiatives, including a highly successful program that promotes New York companies to foreign markets. These funding cuts come at time when increased global competition and rising real estate prices highlight the need for more targeted assistance to the industry, not less.

While the city needs to turn around this trend, the biggest changes must be made by the industry itself. More companies are going to have to think

City officials have not yet begun to address the growing space crunch or come up with a coherent strategy to help garment firms thrive and grow outside of Manhattan.

An Industry In Decline

Between 1993 and 1998, apparel and textile manufacturing jobs declined in every borough except Queens. However, the lion's share of the industry's job losses occurred in Manhattan, where real estate pressures have been most intense. Things aren't totally bleak, though. Both Brooklyn and Queens showed hefty employment gains in the largest sector within the city's apparel industry—women's and misses outerwear.

Total Apparel and Textile Manufacturing Jobs

	1993	1998	Gain/Loss in Employment	Percentage Change in Employment
NYC Total	94,637	78,998	-15,639	-16.5%
Manhattan	57,224	43,760	-13,464	-23.5%
Brooklyn	20,303	17,820	-2,483	-12.2%
Queens	13,887	15,013	1,126	8.1%
Bronx	2,360	1,738	-622	-26.4%
Staten Island	157	68	-89	-57.6%

Women's and Misses Outerwear Apparel Manufacturing Jobs

	1993	1998	Gain/Loss in Employment	Percentage Change in Employment
NYC Total	55,322	46,660	-5,662	-10.2%
Manhattan	41,241	32,787	-8,454	-20.5%
Brooklyn	7,840	9,193	1,353	17.3%
Queens	5,058	6,956	1,897	37.5%
Bronx	1,038	694	-344	-33.1%
Staten Island	145	30	-115	-79.3%

(Source: New York State Department of Labor)

Fashion: A New York Original

New York City is still the nation's center for high fashion, and apparel is still one of the city's largest industries. New York is home to high-end designers such as Anna Sui and Donna Karan; major retailers like Macy's, Bloomingdale's, and Saks Fifth Avenue; and a flourishing group of hip new downtown designers and boutiques. The city attracts an international gathering for the bi-annual fashion shows in Bryant Park, and as many as 125,000 buyers from cities and towns across the country come to the garment center several times a year to get a peak at the latest fashion trends and to order garments from wholesalers. And New York's Fashion Institute of Technology (FIT) grooms more than 11,000 students each year for careers in the fashion industry.

All told, the industry employs 132,900 people in fashion-related firms in New York City, and the overwhelming majority are employed by small businesses. Citywide, only 1.9 percent of all fashion industry companies had more than 100 employees, while 82 percent had fewer than 20 employees. The apparel industry's presence in New York also supports several other important sectors of the city's economy, including media and advertising, and is one of the largest export-oriented industries in the city, along with banking, securities, business services and tourism.

Apparel is still the city's largest manufacturing sector, providing 73,900 jobs. The related textile industry employs another 10,400 people in New York. In fact, apparel and textile manufacturing firms together account for 31.6 percent of all manufacturing jobs in the city.

The production of garments and textiles is divided into three types of companies: Manufacturers, jobbers and contractors. Apparel manufacturers perform the entire range of operations to produce garments. Either using their own designs or ones they have licensed, the manufacturers buy the necessary materials, plan and carry out all the production steps including pattern making, grading, cutting, sewing, inspection and pressing, and arrange for shipping and sale to wholesalers or retailers. Apparel jobbers are also responsible for their own designs and acquire the necessary fabric and related materials and arrange for the sale of garments. However, jobbers typically contract out the production operations. Contractors do little more than the nuts and bolts of garment production. They receive cut garment parts from jobbers and provide the labor and equipment—from sewing to cutting—necessary to produce finished garments made to the specification of the jobbers.

The various stages of apparel production, especially sewing and cutting contractors, have long been a crucial source of entry-level jobs and entrepreneurial opportunities for Chinese, Latino and other immigrants without strong English skills. According to the 1990 Census, 67 percent of apparel and knitwear workers in New York City are women and nearly 70 percent are minorities.

New York's apparel firms have always worked within shouting distance of one another. It's not by accident that the overwhelming majority of the city's fashion industry can be found in two small Manhattan neighborhoods. Just as software firms have clustered in California's Silicon Valley and biotech companies have flocked to the Route 128 corridor around Boston, the firms that make up New York's garment industry reap substantial benefits from being so close together.

Traditionally, the fashion industry has been concentrated in the Midtown garment center, which extends between Sixth and Ninth avenues from 35th Street to 41st Street. Designers can walk down the block or hop a cab to place an order with a manufacturer for a garment that needs to be cut, sewn and delivered to retailers in a matter of days. As the work is being done, it's convenient for the designer to do a quick inspection to make sure that the production is going as planned. Meanwhile, manufacturers have a wide selection of nearby shops to comb for the right fabric, buttons or sequins needed for the run.

Additionally, most major designers have offices and showrooms in the garment center because of its central location for out-of-town apparel buyers—who can hit several showrooms in one day without having to travel across the city—and its proximity to major retail stores like Macy's, Lord & Taylor and Bloomingdale's.

In the 1970s, Chinatown emerged as another major center for the production of garments, primarily because the neighborhood had a large supply of recent immigrants willing to work in local factories and an abundance of cheap loft space. Although the designers and showrooms in the Midtown garment center were slightly farther away, they were still close enough to make for a relatively easy trek for consultations and viewings.

Despite the competition from overseas production companies, New York's fashion industry has survived by taking advantage of these two comparative advantages: The city's status as a creative, media and design center and the existence of an unparalleled mix of retailers, manufacturers, suppliers and contractors that operate so close together. New York firms may not have a significant hand in the production of clothes for Gap's spring line, but they do still make many of the dresses, blouses and overcoats for high-end designers that need to quickly respond to fast-changing fashion trends.

However, the face of New York's garment industry is changing. In recent years, many firms have relocated from the garment center and Chinatown to Brooklyn and Queens. Because of its large immigrant population and proximity to the subway for workers and highways for delivery trucks, Sunset Park has grown into the largest home for garment manufacturers and contractors outside of Manhattan. East Williamsburg has long been home to a cluster of knitwear companies, and Long Island City has recently added a number of garment firms that needed to relocate from Manhattan. Smaller apparel clusters exist in Ridgewood, Rosedale and Flushing, but transportation access issues have kept these issues from really taking off.

While apparel-making firms throughout the city provide an important source of work for New York's large and growing population of immigrants, an embarrassingly high proportion of these companies do not comply with federal minimum wage, overtime and child labor laws. According to a report issued by the U.S. Labor Department in October, only 35 percent of New York garment shops surveyed were in compliance with federal minimum wage and overtime laws.

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There are many reasons that sweatshops proliferate in New York. For one, the abundance of immigrants without strong English language and educational skills helps to push down wages. And since a large number of immigrants are undocumented or unaware of their rights under the nation's immigration laws, workers rarely complain that they are being paid off the books or at wages that are below the government's minimum wage level. In addition, the consolidation of major retailers has given increasing power to a handful of companies such as K-Mart, Wal-Mart and Federated Stores (Macy's). With less competition, these retailers have gained incredible authority to dictate the prices they pay manufacturers for their garments. Manufacturers say they are left with little choice but to contract with companies that produce garments overseas or to hire New York contractors at prices that it make it impossible for them to pay workers legal wages.

The problem is far from a local issue. The Labor Department found only 39 percent of garment firms in Los Angeles to be in compliance with labor laws. But it can be done. In San Francisco, for example, the compliance rate was 74 percent.

Although the existence of so many sweatshops represents an ugly blemish on New York's apparel industry, it should not be used as an excuse for not providing support to this industry. In fact, the simple act of helping manufacturers stabilize their business and become more profitable should provide more well paying jobs.

Squeezed Out of Manhattan

Today, although the garment industry faces several crises, the most critical threatens the cohesive nature of how apparel firms operate in New York. The city's red-hot real estate market has already pushed scores of printing companies out of lower Manhattan and put the squeeze on other small manufacturers throughout the borough. These price pressures have been roiling Manhattan's two major garment districts as well.

Michael Cohen's firm, VC Sportswear, has been in business at its current location in Noho for 28 years—and a total of 55 years in the neighborhood. But the 70-employee firm, which makes children's shorts and t-shirts, has accepted a buyout from the landlord to move out of its building two years before its lease is up. "This whole building was full of factories," says Cohen. "Now it's all offices. We're the last manufacturing company in this building." He knows that his firm simply wouldn't be able to afford the rent increase. It currently pays $10 a square foot, but the building's office tenants pay as much as three times that amount.

Cohen has looked at space in New Jersey, but says that his business will likely move to Long Island City or another location in Queens or Brooklyn—if he can find the space. Most of the companies that are being displaced from Manhattan have been willing to move to the other boroughs, but that option is also becoming too expensive. And some industry leaders argue that displacement from the garment center and Chinatown will have lasting effects on the industry, even if firms can stay elsewhere in New York.

In both the garment center and Chinatown, the amount of available space has shrunk and real estate prices have skyrocketed because advertising agencies, Internet companies, graphic designers, architects and other office-related companies have flocked to these areas. As rising rental prices in their old neighborhoods reach astronomical heights, these once maligned areas provide office tenants a cheap alternative in a centrally located area.

For local landlords, the new interest by office tenants is a golden opportunity to replace garment firms with companies that can afford to pay significantly higher rental prices. In many cases, landlords are refusing to renew leases to apparel businesses. And in some instances, they are providing one-time incentives to garment manufacturers and contractors like Cohen who agree to move out two or three years before their leases are due for renewal. As a result, last year, for the first time, businesses in the fashion industry no longer employed a majority of workers in the garment center.

"The garment center is in decline, but the decline has been accelerated because of real estate pressures," says Neal Kurzner, the owner of Emenee Accessories, a company that's been making buttons for fashion garments on 39th Street between Eighth and Ninth avenues for eight years (see "Buttoned Up By High Rents," p. 10). "As soon as leases are up the firms that have been hanging on are going to be gone. The actual production—the manufacturing—is all going to be gone."

Over the years, the most expensive properties in the garment center have been on Seventh Avenue—known as Fashion Avenue—and Broadway, where the buildings are in better condition and the streets and sidewalks are cleaner and safer. These properties traditionally housed designers and high-end manufacturers, which were in a better position to pay higher rents and needed easily accessible offices for the hordes of out-of-town buyers who visit their showrooms several times a year. Buildings farther west on Eighth Avenue—as well as the side streets between Sixth and Ninth avenues—have long been considered less desirable

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because of their age and the perceived seediness of the area.

But things have changed over the past two years. Fashion Avenue is becoming unaffordable for even the most elite fashion designers. Nicole Miller, one of New York's most successful designers, has rented 30,000 square feet of space on Seventh Avenue and 38th Street for years. But Bud Konheim, the company's CEO, says that out-of-control real estate prices in the area may force him to move a large part of his business to New Jersey when his lease expires in 2001.

"Real estate is an incredible problem for everybody [in the garment center]. We're all living with leases coming up in the next few years," Konheim says. "Prices are going through the roof. I'm scared to death. I don't know what I'm going to do. I'll probably maintain my address in New York and think of taking most of the business to New Jersey."

Meanwhile, scores of the more labor-intensive production companies are being uprooted from buildings on Eighth Avenue as well as the grimy cross streets. "On the side streets, manufacturing tenants were paying $8 to $12 per square foot until recently," says Asher Bernstein, the president of Bernstein Real Estate, a company specializing in garment center properties. "Today, any tenant would pay at least $15 a square foot. And that's on the low end. Office tenants are paying $20 to $25 a square foot, even on the side streets."

Industry advocates and business leaders say that the real estate increases have been the final straw for many companies, recently forcing them out of business. Dozens of other have relocated to the other boroughs and a handful have moved out of the city. Milady Bridal moved its 80 factory jobs to Union City, New Jersey, in September after doing business in the garment center for more than 50 years. The company, which manufactures bridal dresses, a segment of the industry that is still largely produced domestically, decided to move because its landlord wanted to more than double the rent. "It didn't pay to be there any more, especially in an old building like that," says a manager at the firm.

The trend is far from over. The near completed redevelopment of Times Square has already made Eighth Avenue more attractive to office tenants—and more expensive to the garment firms that are going to have to renew their leases in the next few years. City and state plans to redevelop Penn Station and to build an office tower on top of the Port Authority is further hastening the changes on the western portions of the garment center. In what may be a sign of things to come, the *New York Times* has proposed building a new office tower at Eighth Avenue and 41st Street.

Apparel companies aren't faring any better in and around Chinatown, which has the city's largest concentration of garment manufacturers and contractors. Manufacturing buildings throughout the area are being converted into offices and residential lofts. Charles Wang, the former director of the Greater Skirt, Blouse and Underwear Association, says an increasing number of landlords in the district—particularly along the Broadway corridor, north of Canal Street and south of Houston—are refusing to renew leases to apparel firms. Some, he says, are using harassment tactics to get tenants to move out ahead of time.

"One company had three years left on his lease and agreed to move out ahead of time," Wang says. "The landlord shut off the elevator and water supply to make workers there very uncomfortable, even after the company agreed to move out. The landlord wanted to make sure it had no choice but to move out."

In Name Only: Special Zoning Rules Ignored

Apparel firms aren't the only manufacturers facing real estate pressures. Over the past two years, numerous printers, bakers and other light manufacturers have been forced to leave Manhattan when their landlords converted manufacturing space into offices that cost two or three times as much. The difference, however, is that manufacturers in the borough's garment center were supposed to be shielded from these kind of speculative rent increases.

In 1987, after studies showed that real estate costs were threatening to put garment companies out of business, industry leaders successfully argued that production companies in the area, which employed thousands of blue-collar workers, would not survive without protections from steep rent increases driven by expansion of the city's office real estate market. That year, the city planning commission passed special zoning rules requiring building owners to set aside 50 percent of all space on side streets in the garment center for manufacturing uses.

However, virtually every garment official, real estate agent and industry expert interviewed for this report believes that landlords routinely get around these zoning regulations. A 1998 report for the Fashion Center Business Improvement District found that manufacturing companies accounted for just 38.8 percent of the 1,961 businesses occupying space on the side streets in the garment center. Industry leaders complain that the city has not been penalizing landlords who fail to comply with the zoning rules.

This wasn't always the case. When the city enacted special zoning regulations for the garment center in 1987, it directed the Mayor's Office of Midtown Enforcement to enforce the rules. Armed with city funds, the unit hired investigators and support staff to mount a concerted campaign of building inspections throughout the district. However, by 1993, City Hall had eliminated the program's funds. "We've done nothing since then," says William Daly, the unit's director. "After the money was gone, we didn't have the resources to continue the enforcement."

Many say that production companies are not only being displaced from the side streets by new office tenants but also by design firms and other showroom fashion tenants that could no longer

Buttoned Up By High Rents

Neal Kurzner isn't optimistic that his 35-employee firm Emenee Accessories will be able to afford to remain in the garment center when its lease expires next January. He isn't even sure the button manufacturing company will be in the city a year from now.

Kurzner's company has been located on West 39th Street, between Eighth and Ninth avenues, for the past eight years. Over that time, he says, 80 percent of his customers in the garment center—makers of women's sportswear, for the most part—have gone out of business or moved out of Manhattan. Most have left because they couldn't compete with overseas competition, but many others simply couldn't afford rental prices that have skyrocketed in recent years. Kurzner sees the handwriting on the wall because the new office-related firms in the garment district—Internet companies, lawyers, graphic designers—can pay much higher rents than he's been paying.

"I'm aware of what market rents are and I know that when my lease is up I probably won't be able to afford to stay here," Kurzner says. "My rent is $8 a foot. I think it will be a minimum of $12 a foot, probably $14 or $15 a foot."

The 1987 zoning law that requires 50 percent of the space on the garment center's side streets to be held for manufacturers is no help, Kurzner says, because landlords have gotten around those laws. "A lot of buildings around here probably don't meet that [guideline]," he says. "If the laws on the books were being followed, there should be plenty of space. But space here is hard to find now."

Kurzner says he would like to stay in the garment center, but he's realistic about his situation: If he can't afford new rental prices in a dingy block between Ninth and Tenth avenues, chances are slim that he'll be able to find any suitable space elsewhere in Manhattan. He plans on looking in the Bronx and Brooklyn, but moving to New Jersey or Connecticut isn't out of the question. "New Jersey has been lobbying me very hard," he says. "Connecticut has been very aggressive. I'd have to be an idiot not to look around."

"You have more showroom-type tenants than ever before on the side streets," says Asher Bernstein, the real estate agent. "Landlords have classified those showroom tenants as manufacturing. Are they? Well, they might have a little dressing room or a sample room with a couple of machines, but they're not manufacturing as you and I would know it, with cutting tables and 60 women sitting in front of sewing machines."

In another blow to the industry, the city's Board of Standards and Appeals recently approved a landlord's application to convert the top eight floors of his building on 36th Street between Eighth and Ninth avenues, which was zoned for manufacturing, to rental apartments. It granted the landlord's request despite objections from UNITE, the garment workers' union, and the city's own Planning Department.

Being in Manhattan Makes Fashion Sense

Bud Konheim, the CEO of New York's designer firm Nicole Miller, worries about the effects of many production and supply firms leaving Manhattan. "If garment companies have to go all over town, it will fracture the industry," he says. "You will slow up the whole process and you will take away the advantages of getting things so fast. It makes us less competitive and it may actually tilt the shift to Los Angeles. More and more, you're encouraging the growth of L.A."

Konheim, whose firm has 75 employees at its office and showroom in the garment center and another 15 at its warehouse in Long Island City, says that in the past his firm has used contractors in Hong Kong and Pennsylvania to save money. But each time he discovered that it took far too long to resolve simple quality questions. As a result, he now uses producers within walking distance from his Midtown office.

"There's nothing like controlling the quality of goods that are being made across the street," says Konheim, noting that because he's ordering production of hundreds—not thousands—of high-end garments, it's important that his contractors get it right the first time to save him both time and money. "When it's across the street, the lapse time is just a few minutes. The quality gets immediately better. What it means to your business is that you're not making mistakes and you don't have to give away any garments."

For their part, garment contract shops fear that designers will stop hiring them if they have to leave Manhattan. "Of course I'm going to lose something by moving, because the fashion is in Manhattan," says Rocco Siccarelli, owner of Primo Coats, which makes custom-tailored suits and overcoats for many of the fashion world's top designers. Primo's suits retail for as much as $3,000 and frequently appear on models during New York's fashion shows.

While most companies that make men's garments have left New York, Primo Coats survived at its location on Broadway and 12th Street for more than 30 years by producing the highest quality garments in a quick time frame. But Siccarelli's landlord wouldn't renew his lease. The building is being converted to commercial offices that will fetch a far larger sum than even the most successful manufacturer can afford. As a result, Siccarelli moved his firm to Long Island City in December. But he knows that he will pay a heavy price by moving out of Manhattan.

"I'm working for a lot of designers that are in Manhattan. Those guys come in and out of here every day. They come up to see what I do. They send me designs and patterns. They send customers here to try the clothes on. By not being in this area, I don't think they'll bring those customers to me. There's definitely going to be a loss of business," Siccarelli lamented weeks before his move.

Siccarelli's concerns are Steve Watman's reality. As owner of Watman Hats, he moved his 10-employee firm from Manhattan to Fulton Landing, a Brooklyn neighborhood that sits between the Manhattan and Brooklyn Bridges, 11 years ago due to high rents. Since then, he has had trouble keeping clients. Watman has even gone to the trouble of offering to send cars to pick up clients in Manhattan and shepherd them to his showroom and factory. But many still won't come. "Nobody comes out to Brooklyn," Watman says.

To be sure, many garment firms have thrived in Brooklyn, Queens and the Bronx, and many of the firms that are now being displaced from Manhattan will be able to survive. But without the natural advantages of the garment center and Chinatown, their jobs will be tougher. To ensure that most companies do not encounter the fallen fortunes of Watman Hats, city and state officials, industry leaders and local development experts need to work closely with garment businesses to provide them with the tools and assistance necessary to stay competitive in their new environment.

Outer Borough Blues

Most of the apparel firms that are being displaced from the garment center and Chinatown naturally look to move their businesses to neighborhoods in the other boroughs that are within a reasonable commuting distance to their Manhattan clients and accessible to the city's large pool of immigrant workers. However, companies are finding that leaving Manhattan is no easy task.

The first hurdle is simply finding a new location. Many companies have a hard time locating quality space in Sunset Park, East Williamsburg, Ridgewood and Long Island City—neighborhoods that are attractive to garment businesses because they already house small clusters of fashion-related firms and because of their proximity to Manhattan. Garment firms are now competing for a handful of available properties with displaced printers, baking companies and other manufacturers. Vacancy rates for industrial properties are as low as two percent in Sunset Park and four percent in Long Island City.

Local officials say that it can take more than a year for garment firms to locate suitable space in Sunset Park, the city's most appealing area outside of Manhattan for companies in the apparel industry—largely because of the neighborhood's sizeable Latino, Vietnamese and Chinese communities and because it is a 15 minute subway ride to Chinatown. There are currently more than 200 garment firms in the area, according to a recent survey by the Southwest Brooklyn Industrial Development Corporation.

Many local companies would like to see the city renovate 900,000 square feet of undeveloped space in Sunset Park's enormously popular Brooklyn Army Terminal. In the 1980s, the Koch Administration responded to a tremendous demand for industrial space by redeveloping the formerly vacant army facility. Overall, the city has spent more than $100 million making the buildings habitable. By all accounts, it was money well spent. The three million square feet that have been developed are more than 98 percent occupied.

In his fiscal year 1999 budget, Mayor Giuliani allocated $24 million to renovate the 900,000 square foot building at the terminal that is currently vacant. But last summer, he withdrew all of the funds. Last month, the mayor included $15 million in his fiscal year 2000 budget for this project. While local economic development officials are hopeful, they say that upwards of $70 million is needed to redevelop all nine floors of this building.

To the distress of garment firms and other manufacturers, the city's Economic Development Corporation hasn't undertaken any other significant projects that would create new industrial space in Brooklyn or Queens or come up with a long-term strategy to entice developers to build or renovate these kind of facilities. Mayor Giuliani recently proposed a series of tax incentives to spur office development outside of Manhattan. But his plan doesn't address the space needs facing hundreds of thriving manufacturers.

The only recent major public project was spearheaded by Brooklyn borough president Howard Golden. With help from the State Assembly and private funders, Golden's office developed a $1 million incubator facility for garment firms in Sunset Park called Brooklyn Mills. The 27,000-square-foot facility opened in October and already has four small garment tenants, but will be able to house six to eight firms at most.

A different kind of space problem is threatening to cause headaches for firms in Brooklyn's East Williamsburg neighborhood. Real estate agents and development officials say that an increasing number of manufacturing buildings in the area, which is located within a city-run In-Place Industrial Park, have been illegally converted into residential units for artists and other urban pioneers. As a result, available space for garment firms and other manufacturers that wish to expand or relocate to the area is quickly disappearing.

Tod Greenfield, who runs Martin Greenfield Clothiers, a 165-employee company in East Williamsburg that makes finely tailored men's suits, says that the new demand for residential units has significantly increased the value of his building, which he owns. He doesn't want to leave his employees high and dry, but if profits continue to sag, he admits that he'll be tempted to sell his building to residential tenants and go out of business.

Once they find space, apparel firms squeezed out of Manhattan have to come up with the money to move equipment and inventory to their new facilities. For garment manufacturers and contractors, many of whom operate with extremely low profit margins, these costs can be prohibitive.

Rocco Siccarelli says that it cost his firm, Primo Coats, roughly $150,000 to relocate to Queens. Other apparel production companies believe their relocation costs will approach $300,000.

Several garment firms have applied to the city's

> A growing number of manufacturing buildings within a city-run industrial park in East Williamsburg are being converted illegally into residential units.

Business Relocation Assistance Corporation (BRAC) for grants that will help offset their moving costs. But the Giuliani Administration allowed BRAC—the city's only program that provides relocation grants to companies that want to move within the five boroughs—to sunset at the end of 1997. BRAC is down to its final $1 million to hand out, a meager amount considering the growing real estate pressures facing industrial firms across the city.

Garment firms that are fortunate enough to receive moving grants from BRAC before its funds dry up can only access $30,000 in city aid, an amount that covers only a fraction of these companies' moving expenses. Previously, the city's two programs that provided moving grants—the Retention Relocation Program and the Relocation Intraborough Program—allowed firms to access up to $60,000 to defray their relocation costs.

The future of BRAC is vital to the city's ability to retain apparel manufacturers, particularly since New Jersey has been aggressive in offering incentives for New York companies to move across the Hudson. Last summer, the City Council helped step into the void by creating an $8 million fund to provide moving grants to the dozens of printing companies that are being squeezed out of Lower Manhattan. The City Council must either create a similar program for garment firms or pressure the Giuliani Administration to restore BRAC.

L.A. Story

In a marked contrast to New York's struggling garment industry, apparel in Los Angeles has not only managed to persevere in the face of international competition, but has actually grown significantly. The number of apparel manufacturing jobs in L.A. rose by 19 percent between 1993 and 1998, from 92,500 to 110,000. During the same period, the number of textile manufacturing jobs there climbed from 10,800 to 15,900, a 47 percent increase. The industry now accounts for about 10 percent of Los Angeles County's $282 billion economy.

Economists and industry insiders say there are many reasons for the recent growth of L.A.'s apparel industry. For one, the city's garment district is significantly bigger and more spread out than New York's. When L.A.-based apparel firms need more space to grow, or if new companies want to open shop, there are several nearby industrial areas where space is plentiful and real estate is affordable.

L.A.'s apparel industry has also benefited from a huge influx of workers from Mexico, Latin America and Asia, which many say have been more entrepreneurial than New York's immigrants involved in the city's garment industry. In fact, the recent growth in L.A.'s apparel industry has largely been driven by companies owned by Iraqis, Iranians and Koreans. "Owners in Los Angeles are more global than they are here," says Elaine Stone, a professor at New York's Fashion Institute of Technology. "The whole West Coast is much more into exporting than we seem to be."

While L.A.-based garment firm owners may be more entrepreneurial than their counterparts in New York, Joel Kotkin, senior fellow with the Pepperdine Institute for Public Policy, says that L.A. itself offers a better environment for incubating new garment companies. "In New York, things are more media-saturated, hierarchical and concentrated. New York apparel is more and more a media play—get in the *Times*, *Women's Wear Daily* and make everything in China. The image helps build brand, and New York is the best at that," says Kotkin. "But image is expensive and hard to break into. Los Angeles is spread out, oblivious and grass roots. In other words, L.A. is a great place for start-ups."

In addition, Kotkin says that New York officials have long discounted the value of industrial sectors like apparel. "Working class jobs are passe in New York. In L.A., where there is no reigning consciousness, things happen on their own."

Finally, the growth of L.A.'s apparel industry has the good fortune to be in the right place at the right time. Like New York, L.A.'s fashion industry has focused on a niche market and specialized in producing garments quickly enough to respond to the fast-changing styles of the fashion industry. But because L.A.'s apparel industry has been built around the sportswear and contemporary clothing market—rather than the higher-end garments that New York is known for—it has been well positioned to capitalize on recent trends favoring casual clothing.

Despite their differences, New York could learn a lot from L.A. Clearly, the city needs to do a better job fostering start-ups and ensuring that there is enough affordable space for new companies. In addition, the city, the Garment Industry Development Corporation and local industry associations must do a better job of encouraging immigrants to open their own design, patternmaking and manufacturing businesses and expand programs that teach workers the skills to become business owners.

Apparel Manufacturing Jobs | Los Angeles vs. New York City

	1993	1998	Jobs Gained/Lost 1993-98	% Change
Los Angeles	92,500	110,000	17,500	19%
New York City	82,537	69,479	-13,058	-16%

Textile Manufacturing Jobs | Los Angeles vs. New York City

	1993	1998	Jobs Gained/Lost 1993-98	% Change
Los Angeles	10,800	15,900	5,100	47%
New York City	9,519	12,000	-2,581	-21%

(Source: U.S. Department of Labor)

Keys to Keep New York in Fashion

Finding available and affordable space—either in Manhattan or farther afield—may be the biggest problem for companies in the garment industry, but it is far from the only one. As New York apparel firms struggle to survive in a hostile marketplace, New York must also do a better job helping local firms adapt to changing markets, supplies and demands.

Training: Preparing Firms to Compete

Changes in New York's apparel industry—from the aging of the workforce and the advent of more modern machinery to an increasing demand for higher quality garments made in shorter periods of time—highlight the importance of ongoing training programs. Currently, GIDC offers classes to potential employees to upgrade their skills and to managers to improve their firms' efficiency. But GIDC's resources are already stretched thin. All of its classes have waiting lists. And GIDC has just one engineer and two trainers on staff, while there are 4,000 manufacturers in the city. It can take a GIDC training team more than a year to help one factory and its workers become more technically proficient.

GIDC's limited staff clearly affects its ability to deliver services. For example, industry experts increasingly cite the benefits of modular manufacturing, a relatively new production technique that can dramatically improve the efficiency and quality of garment factories. But Bernie Kahn, a GIDC engineer, estimates that GIDC helps just one firm a year convert their facilities to modular systems. Realizing the importance of productivity in today's global marketplace, the Apparel Technology & Research Center, a Pomona, California-based organization established in 1992 to work with garment companies in the L.A. area, is aggressively marketing a program that teaches modular techniques to firms in that region. It recently partnered with a local consulting firm that has assisted more than 100 companies in converting to modular processes.

In addition, San Francisco has less than a third the number of apparel manufacturing workers as New York City. But Garment 2000, a publicly supported organization that aims to strengthen San Francisco's apparel industry, has worked with roughly the same number of companies as GIDC and trained nearly as many workers.

GIDC isn't alone in helping local apparel firms improve their operations. The Industrial Technology Assistance Corporation, a New York non-profit that aids firms in a number of sectors, provides sales and marketing assistance to dozens of local garment firms. Among other things, ITAC helps companies to develop strategic business plans and explore new markets through catalogues and e-commerce.

The Brooklyn Chamber of Commerce intends to set up a training program at Brooklyn Mills, which it manages. This project, which is in-the-works, could be a boon to local firms if it is marketed sufficiently to businesses throughout Sunset Park.

Find Ways to Market Beyond Manhattan

One of the biggest fears of contractors moving to Brooklyn, Queens and the Bronx is that they will lose business to production firms that remain in Manhattan or that potential clients won't know that they exist. GIDC maintains a database of the city's more than 4,000 apparel factories, but though this includes businesses throughout the five boroughs, GIDC works most closely with firms in Manhattan, particularly union shops in Chinatown.

The Southwest Brooklyn Industrial Development Corporation hopes to find funding to create a sourcing directory for firms operating in Sunset Park. The directory, which would provide all the essential information about local contractors—from their specialty to their capacity—would help GIDC link apparel firms in this growing neighborhood with manufacturers and buyers in Manhattan.

Still, as garment firms become more scattered throughout the city, a better city-wide sourcing system is needed. This will help New York recreate some of the advantages of the close-knit garment district and Chinatown garment areas.

Help Industry Change with the Times

New York's garment industry has always managed to stay competitive by changing with the times. For instance, when domestic retailers began shifting their contracts to overseas producers, the local industry turned to its strengths—being more efficient and producing high-quality goods on a quick turnaround. Today, local apparel companies must respond to another recent change in the industry that is working to the advantage of offshore businesses.

Traditionally, manufacturers have used several different contractors to handle the various aspects of producing a line of garments. The manufacturer would purchase the fabric, a jobber would make patterns and cut the fabric, and a contractor—or several contractors—would do the sewing and produce finished garments. New York-based contractors would usually specialize in pieces—blouses or slacks, for example—but not both.

But today, a handful of large retailers now hold most of the power in the apparel industry. Instead of simply buying garments from an assortment of manufacturers with their own signature labels, major retailers such as Macy's and The Limited have started their own private labels. These companies generally hire one firm to be responsible for every part of the production work. Local firms are at a disadvantage because of the way the New York industry is set up. According to GIDC, only one to two percent of New York contractors are "full package" producers. As a result, retailers' lucrative private label production contracts are going to Hong Kong, which has a number of companies that specialize in doing "full-package" production.

To compete for this work, New York-based contractors must either convert themselves into "full-package" producers or develop partnerships with other local contractors to present themselves as one entity to the buyers. But it won't be easy to make these adjustments. For example, contractors will have to lay out large sums of money to buy fabric long before they're reimbursed for producing finished garments. Since most local contractors are small and short on capital, they will need to figure out a way to finance these hefty expenditures. As it is, many local contractors struggle to keep enough money on hand to pay all of their employees.

But the biggest challenge is coordinating the many small firms to make one bid. "If [the clothing retailer] Eddie Bauer comes to us and says, 'We want to make garments here,' we need to find out who can make the full package. But we don't know the capacity yet and there's a lot of capacity-building to do," GIDC's Dworak says. "New York has the workers and the shops. The strengths are here. The industry just has to reorganize itself a little bit."

GIDC could step into the void by setting up a corporation to serve as a private label packager or by supporting the formation of an entity that would do this kind of work. GIDC and UNITE, the union, have been working on this problem for years, with little progress. They recently applied for a federal grant to study the needs of retailers and to figure out what New York firms were lacking.

The industry will have to transform itself on its own. However, the public sector could help local companies in two ways. First, the mayor and the governor could use the prestige of their offices to bring local retailers to the table and persuade them to consider using New York firms for some of their lucrative private label business. Secondly, the city could modify existing financing programs to address the capital needs of local contractors.

A Taxing Problem—The Outdated Wool Tariff

There's not much local apparel manufacturers can do to convince domestic retailers to stop using overseas businesses that make mass-produced goods at a fraction of the cost of domestic companies. The recently announced trade agreement between the U.S. and China will likely cause even more production work to go overseas. But in at least one area, the U.S. Congress could take action that would

> Ten years ago, city funds accounted for 46 percent of GIDC's budget. Today, it supplies only 20 percent.

immediately make a number of domestic apparel production companies, including several New York-based firms, more competitive.

Currently, American apparel manufacturers that use a special, high-quality type of wool fabric only made in Italy to make men's tailored clothing pay a 31.7 percent tariff to import the fabric. The tariff was imposed by the government decades ago, when some American companies still produced this fabric. This is no longer the case. And since factories in Canada or Mexico don't pay a similar tariff, they start with an immediate cost advantage over American firms. "It's an incentive to produce offshore," says Mark Levinson, UNITE's chief economist. "It hurts domestic manufacturers who use that wool."

Domestic retailers like Macy's also have to pay a tariff to import finished suits using this fabric that are produced offshore, but the tariff on finished garments is only 19.8 percent. This absurd policy actually gives domestic retailers an incentive to use foreign manufacturers.

While only a handful of New York companies are affected by this tariff, this is one thing lawmakers can rectify. Just ask Tod Greenfield. His East Williamsburg firm makes hand-tailored suits and overcoats with the high quality Italian wool, selling to Brooks Brothers and Saks Fifth Avenue, among others. But his firm, Martin Greenfield Clothiers, has been crippled by the outdated tariff. He says it recently lost a long-time contract to make garments for Donna Karan after the New York-based designer decided to buy the same garment from Italian production companies instead. The loss of business forced Greenfield to lay off all 165 employees for two weeks last fall, the first time the firm's had to do that in over 100 years. "The tariff is a major cause of companies closing down and moving elsewhere," Greenfield says.

GIDC: Solving Industry Problems

In 1984, after years of watching New York based apparel manufacturers send an increasing amount of their business overseas, city officials came up with an innovative plan to help preserve jobs at the more than 4,000 sewing and cutting contractors that existed throughout the city. Instead of simply trying to help a handful of the largest apparel companies remain in New York, they teamed with labor and business groups to create a permanent entity whose mission was to strengthen the industry as a whole. Ever since, the Garment Industry Development Corporation (GIDC) has provided a real lift to the city's large, but often troubled, fashion industry.

Despite a budget of less than $2 million, from city, state and federal grants and contributions from the main garment workers' union, GIDC acts as a booster for the city's fashion industry and runs an array of critical programs that help improve the competitiveness of local apparel manufacturers and contractors and enhance workers' skills:

Worker Training

In 1998, GIDC opened its Fashion Industry Modernization Center (FIMC), a 10,000-square foot facility in Chinatown that offers classroom education, machine training, and advanced computer instruction. In the last fiscal year, GIDC trained 473 workers and shop supervisors at the center in courses that varied from upgrading apparel workers' skills to instructing shop managers about machine maintenance and repair, labor laws and profit-maximization. The same year, GIDC taught advanced production methods to 127 experienced sewing machine operators at the High School of Fashion Industries, a program for adults that it started in 1989.

Company Training

GIDC provides on-site training services to between 30 and 35 apparel factories each year. This includes helping contractors implement a quality control program required by certain manufacturers and advising firms on how to develop modular manufacturing techniques, a more efficient method of making garments that few local firms currently use.

Export Assistance

In 1991, GIDC launched Fashion Exports/New York, a program that promotes New York apparel worldwide and helps local firms initiate international sales. Since this program's inception, staffers have participated in fashion trade shows in London, Paris and Sao Paolo and directly helped local companies tap into more than $35 million in new overseas business.

The importance of this program, and its New York Fashion International program, cannot be overlooked. By helping local firms export internationally, or even outside the New York region, GIDC makes these firms more competitive and less reliant on the whims of the city's fashion industry. It also brings in revenue to the city's economy and often means more business for area contractors.

Creating Links

One of the most important ways GIDC helps local apparel firms is by helping to connect retailers and manufacturers with appropriate New York contractors. It does this through its extensive sourcing database, which contains information about local companies.

But while GIDC has a directory of more than 4,000 local firms, its computerized database that is available over the Internet has just 60 participating businesses. For a variety of reason—such as a desire to evade labor inspectors—most garment contractors are reluctant to be a part of this directory. Clearly, GIDC needs to make more firms aware of the directory's tremendous marketing potential.

Without a doubt, GIDC has made a significant impact on the companies and workers that have been able to take advantage of its programs. Just ask Shimmy Cohen. GIDC staffers spent several weeks in 1998 training supervisors at Cohen's Woodside firm, Lord West, which makes tuxedos. He says that GIDC provided hands-on direction that improved the skills of his supervisors and increased their morale.

GIDC's work has saved the company money and also allowed it to hike its workers' wages substantially. "We've had a real increase in productivity and we've been able to reduce the cost of making garments and increase the quality of our production," adds Cohen. "I've seen a real benefit from what they do."

Another local factory owner said that a GIDC class that teaches managers to make basic repairs to sewing machines saved him $200 a month—money he used to spend on outside maintenance workers.

But clearly, GIDC could be doing more. The group's limited funding stream prevents it from assisting all the companies that badly need help. With more staff, GIDC could conduct more training classes and do more on-site visits. In particular, it would be able to help a greater number of companies to adopt modular manufacturing techniques.

As GIDC increases the scope of its programs, it also needs to widen the pool of firms and workers assisted. GIDC has a longtime tradition of focusing its resources on unionized companies, a custom that has developed largely because of the group's relationship with the union. While it certainly makes sense to reward union firms, the apparel companies most in need of financial and technical assistance may be the ones that are not unionized, which are more likely to be producing low-end garments and barely making enough money to pay their workers. In addition, most non-union shops are inefficient and almost never make capital improvements, like upgrading their machinery. GIDC should make it a priority to help more of these firms.

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City Support Missing

The apparel industry should not and cannot rely on government to solve its problems. However, just as the mayor and the governor have stepped forward to help assure the future strength of New York's financial and media industries, city and state government must help the city's largest manufacturing industry through some of its current challenges.

In the 1980s, city officials seemed to understand that a relatively small public sector commitment to the apparel industry could provide an important boost to an industry that is one of the city's biggest job and revenue generators. Most notably, in 1984, the city provided key start-up funds to GIDC, which proved to be a sound investment. But in recent years, the city has all but ignored this important industry.

The Giuliani Administration has not yet begun to address the growing space crunch affecting industrial businesses throughout the city or come up with a coherent economic development and planning strategy to help garment firms thrive and grow outside of Manhattan. The few steps the city has been willing to take have been put on hold or have gone by the wayside. Last year, for example, the city backed away from plans to develop the remaining 900,000 square feet of industrial space at the Brooklyn Army Terminal, an undertaking that would have created room for dozens of new garment firms and other small manufacturers.

Worse, existing programs are being de-funded or phased out. For example, the city has failed to protect valuable manufacturing space in the garment district by allowing too many non-manufacturing firms to set up shop on side streets. In addition, funding for the city's Business Relocation Assistance Corporation (BRAC), which is currently holding applications from several garment firms for small relocation grants from, may soon dry up because the Giuliani administration let this important program sunset in 1997.

Moreover, at a time when New York's garment industry is facing more obstacles than ever before, the city is reducing, not increasing, its assistance to the GIDC. The city's Department of Business Services, which provides a significant portion of GIDC's operating funds, has reduced its support by six percent since fiscal year 1993-94, including a drop last year from $379,500 to $367,500. Ten years ago, DBS funds accounted for 46 percent of GIDC's budget. But today, it provides just 20 percent of the organization's funding.

The city's Department of Employment (DOE) effectively terminated a federal program that provided GIDC with between $200,000 and $300,000 a year to retrain out-of-work sewing operators and place them in new apparel jobs. Although GIDC ran the program successfully for several years, the group was unable to reapply when DOE changed the funding guidelines. Prior to last year, organizations qualified if they placed dislocated workers in jobs paying an average of $9 an hour. However, since wages in the garment industry hover slightly above minimum wage, DOE allowed GIDC to qualify for the federal program if it placed workers in apparel jobs that paid an average of $6.25 an hour. But beginning in January 1999, DOE raised the placement wage to $11 an hour and allowed no special exemptions for GIDC.

And because the city's Department of Business Services did not grant the Fashion Center Business Improvement District's request to increase assessments on local companies, the BID was forced to withdraw much of its support for New York Fashion International, a successful GIDC program which helps New York manufacturers to develop export strategies and showcase their designs to markets in Europe, Asia and South America. Previously, the BID kicked in roughly one-third of all funding for the program—$35,000 in cash and $65,000 in-kind.

But last year the BID provided just $20,000 on top of its in-kind contribution. BID officials don't expect to have the resources to contribute to this program at all in the future.

The BID was also forced to cut back funding for its fashion kiosk on Seventh Avenue and 39th Street, a valuable information center that is used by 50 to 75 people a day—mostly designers searching to buy a certain type of fabric or buyers looking for a specific garment. The BID eliminated one of the two staffers who ran the kiosk and plans to cut back on its hours of operations. The group also had to eliminate its designer forums series of networking events for young designers.

Although some new government initiatives designed to bolster the city's garment industry have been launched in the last few years, virtually every one has gone forward without any financial help from the city:

♦ In 1998, GIDC opened a centralized training and technology center in Chinatown for apparel workers and shop owners that was funded with a $400,000 state grant secured by Assembly Speaker Sheldon Silver.

♦ Last year, the city's first incubator for garment start-up firms opened in Sunset Park. The project was funded by Brooklyn Borough Howard Golden, Speaker Silver and private donors.

♦ Last year, GIDC received a $250,000 state grant—secured by the Assembly Speaker—to embark on a new "Made in New York" program to promote apparel that's produced in New York. In 1995, the city's Department of Business Services created a similar program, also entitled "Made in New York." But it was allowed to lapse two years later.

♦ GIDC recently received a $40,000 state grant—from the Empire State Development Corporation—to conduct on-site training to help improve the efficiency of Marcus & Weisen, a Long Island City company that makes undergarments.

It is unclear why the Giuliani Administration has not provided more support to the apparel industry. Its lack of commitment is especially baffling considering that the city enjoys a large budget surplus and this administration has showered financial subsidies on a number of prospering financial and media companies. This trend should be reversed.

"A lot of people take [the fashion industry] for granted," says Elaine Stone, a professor at the Fash-

City Support to the Garment Industry Development Corporation

	Total Budget	Total Amount of Funding from NYC DBS	% of Funding from NYC DBS
1988-89	$561,000	$260,000	46%
1993-94	$1,200,000	$390,000	33%
1998-99	$1,900,000	$379,500	20%
1999-00	$2,000,000	$367,500	18%

(Source: Garment Industry Development Corporation)

Recommendations & Solutions

Proposed by the Center for an Urban Future

Initiate a Sector-Based Economic Development Strategy

City Hall should end its defensive economic development policy of aiding large corporations that come to the city for assistance. Instead, it should undertake a sector-oriented strategy premised on the idea of working closely with industry leaders to forge solutions to immediate problems. By meeting regularly with industry leaders, city economic development officials would know what issues are important and how the city could craft meaningful solutions to help companies throughout the industry.

This kind of approach would be particularly useful to the garment industry, which consists predominantly of very small companies that lack the resources to lobby City Hall but often have similar problems. To begin, the city's Economic Development Corporation (EDC) should assign one staff person to work full-time with the apparel industry.

Better Protect Apparel Companies From Steep Real Estate Increases

More than anything else, City Hall must begin to address the problems garment firms are having with real estate. The city must launch a comprehensive plan that helps apparel firms remain in the garment center and Chinatown and also ensures that there is available space in desirable industrial neighborhoods outside of Manhattan for the manufacturers and contractors that still must relocate. City officials should take several immediate steps:

* *Enforce Current Zoning Laws in the Garment Centers*—City Hall must allocate funds to the Mayor's Office of Midtown Enforcement so that it can ensure that building owners are complying with the 1987 special garment center zoning rules that require them to set aside half of all space on side streets for manufacturing tenants. Meanwhile, the city Planning Department must direct the Board of Standards and Appeals to deny all future applications to convert industrial space in the garment center into offices until this ratio has been achieved.

* *Apply a Moratorium on Residential Conversion in the Garment Center and Chinatown*—City Hall should instruct the Board of Standards and Appeals to reject any future applications to convert manufacturing buildings within the garment center and Chinatown into residential loft buildings.

* *Re-evaluate Anti-Manufacturing Land Use Policies and Create a Super M-Zone*—As it embarks on its study of the city's zoning laws, the City Planning Department must abandon its long-held policy of allowing real estate developers and building owners to dictate land-use policy. The department should plan the creation of industrial sanctuaries, or Super M-zones, where manufacturing tenants would be protected from the threat of zoning changes and the accompanying speculative real estate increases. This would allow businesses to sign long-term leases and re-invest in their company's growth.

* *Enforce Zoning Laws in East Williamsburg*—The city's Department of Buildings must put an end to the illegal conversion of industrial buildings into artists' lofts in East Williamsburg Valley In-Place Industrial Park, a practice that is limiting the available space for manufacturers who wish to relocate to the area and for local companies that want to expand.

* *Support the Renovation of Undeveloped Space at the Brooklyn Army Terminal*—City Hall should reinstate $24 million allocated and then withdrawn from the city budget for the renovation of 900,000 square feet of undeveloped space at the Brooklyn Army Terminal. It is important that this project go forward soon, before the city's economy slows and while demand for industrial space is at a near-record high.

* *Strengthen Incentives for Private Industrial Real Estate Development*—The city's Economic Development Corporation should expand programs that encourage developers and nonprofit organizations to refurbish large, underused properties into modern facilities for rental to small and medium-sized manufacturers. It should support the New York Industrial Retention Network's plan to set up a Trust for Industrial Land, which would own, manage and redevelop manufacturing space.

Restore the Business Relocation Assistance Corporation

The city must immediately restore BRAC, the city's only program that provides relocation grants for businesses that need to move out of their current facility but would like to remain in the five boroughs. Doing so will help convince the growing number of garment firms and other manufacturers being displaced from the garment center, Chinatown, Long Island City, Williamsburg and other neighborhoods to relocate within the city rather than move to New Jersey or simply shut their doors.

Expand City Support for the Garment Industry Development Corporation

GIDC is a national model of how city government can help industries by working closely with business and labor leaders. It also is an amazing bargain. While the city frequently spends tens of millions of dollars to keep financial and media firms from relocating out of New York, GIDC performs many essential services at a cost to city taxpayers of less than $400,000 a year. Yet as the apparel industry faces some of its toughest obstacles, GIDC's budget has been cut by six percent since 1993 and city hall has not been involved in any of the recent initiatives undertaken to bolster the industry.

Instead, the city should expand its support. With additional funds GIDC could bring on more staff to update its sourcing directory to include the scores of firms that have moved to the other boroughs; help reorganize the industry so that it can compete for a share of the fast-growing "full-package" manufacturing business; increase the number of engineers and training experts that help garment contractors become more efficient; assist more firms to convert convert to modular manufacturing techniques; and begin offering training classes in Sunset Park.

In turn, GIDC needs to do a better job marketing its training programs to non-union factories, many of which are among the least efficient apparel companies in New York and those most in need of help.

Help Local Apparel Firms Adjust to Global Changes

In light of increasing international competition and the recent agreement to allow China's entrance into the World Trade Organization, GIDC and local trade associations must turn up the pressure on New York apparel makers to think globally. To survive, companies will have to become more efficient rather than cutting costs by paying slave wages to their workers. More firms should take advantage of the various services offered by GIDC. In addition, City Hall should help GIDC expand its immensely successful export-assistance programs. And city officials should lobby Congress to do away with the inane tariff on the import of wool products.

Crack Down on Retailers that Use Illegal Sweatshops

An expanded effort to weed out illegal sweatshops that survive only by paying workers below the government's minimum wage would benefit legitimate apparel contractors, which stay competitive only by using old equipment, paying low wages and making no capital investments in their business. Fewer sweatshops would give the legitimate companies more flexibility to pay better wages and make their businesses more efficient—improvements that will help them stay competitive in the long run. However, to really put a dent in the number of sweatshops, federal and state labor department investigators will need to do a better job targeting major retailers, which often knowingly hire contractors at pay rates that are so low that is it impossible for factory owners to pay workers a legal wage.

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