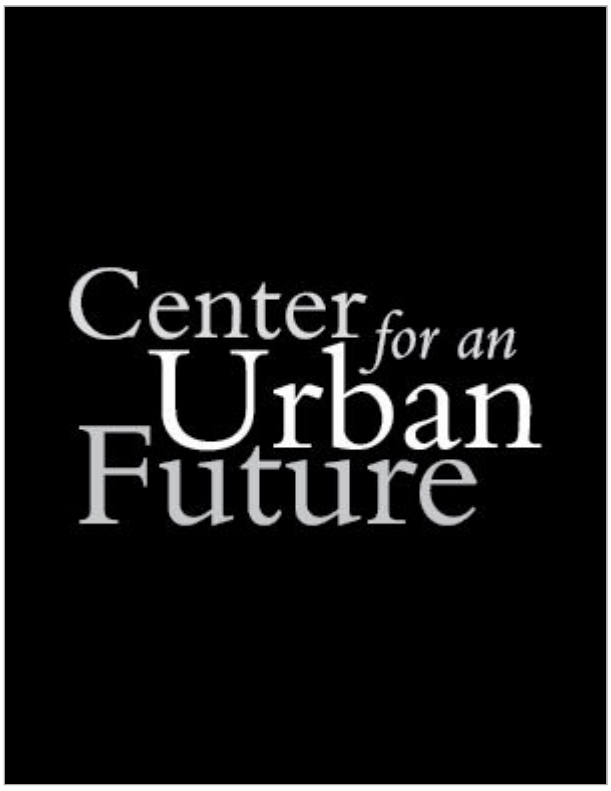


Commentary/Op-Ed - August 2002

Doing Our Marketing

To attract fast-growing, high-wage firms, New York City should talk up our Tudors and our test scores--not our tax breaks.

by David Hochman

Once upon a time, back during the dot-com labor shortage, I heard the chief operating officer of a major Internet company address a Crain's breakfast—a regular event at which readers of the weekly business publication and others socialize, and listen to a panel of journalists interview leading business and political figures.

The COO's company was a classic New York City success story: He and his partners grew a vibrant technology business (still with us today) by feeding off our dominance in advertising. Of all the complaints a new media mogul might have leveled at New York, this entrepreneur chose to vent his wrath against rent control. Why, he asked, should longtime residents of the city lock up a valuable resource that his new employees needed—and at bargain prices, no less—simply because they were longtime residents? If this intolerable and irrational subsidy continued, pretty soon his employees would have to commute from so far away, they would no longer be recruitable. The city would shrivel and die if his newly arrived programmers could not be housed in the style to which they were accustomed and entitled.

Much to his credit, the then-president of the New York City Economic Development Corporation took the floor in response. The COO's complaint was sustainable, he said, only if one ignored the many viable residential neighborhoods outside Manhattan—all substantially cheaper per square foot, and most a fast subway ride away from the business districts. Had the complainant ever seen Brooklyn Heights, or Cobble Hill, or Jamaica Estates? Had he ever been outside Manhattan, for that matter? The EDC head made admirably clear that the city is actually richly endowed with neighborhoods quite suitable for professional, technical and managerial talent.

This exchange opened up for me a much larger question: What does the city do to promote its strengths on the issues that really matter to entrepreneurs and senior executives? And while we're at it, what exactly are the most important issues? How

do we reach the people who actually make the private-sector decision about where a job will be created, and where one will be destroyed? Shouldn't the city that can sell anything learn to sell itself?

When they are shaking down cities for subsidies, companies like to say that they decide where to locate based on tax rates and business costs, and the financial incentives offered to them to offset those costs. But the survey evidence is overwhelmingly clear that what they really value is infrastructure—knowledge infrastructure, in modern times—and easy access to skilled managers, hardworking professionals, experienced technical staff, and reliable ordinary labor.

For example, when the Bank of Boston surveyed 4,000 "MIT-related" companies nationwide and asked why these generally fast-growing, high-wage employers chose their present locations, respondents ranked "quality of life" as the single most important factor, followed by "skilled professionals" and "proximity to markets." Incidentally, "regulatory climate" and "taxes" were tied for least important, while "labor" and "low business cost" ranked somewhere in the middle.

Such results emerge time and again, in studies by economists at the Milken Institute, from Michael Porter's colleagues at Harvard Business School, in my own work with Battelle Memorial Institute, and from many state-level or regional technology-trade associations. The link is clear: To a business deciding where to locate, "quality of life" means quality as perceived by the key workforce.

Of course, there's one very particular class of worker that business owners and senior executives are very concerned about: themselves. Economic-development practitioners have long privately held that the best predictor for any corporate location was minimization of the decision-maker's driving time! In fact, in a survey of early-stage biotech firms conducted some years ago by the Washington (State) Biotechnology and Biomedical Association, 93 percent of respondents agreed that their choice of location was influenced by the desire of the company founder or CEO to live in the area. That result beat the next-most-frequently cited factor (proximity to an institution of higher education) by 9 percentage points.

Executives of the city's few remaining large multinational corporations can afford to minimize their commute time while satisfying their quality of life needs by allocating their generous compensation packages to Manhattan rents and private-school tuitions. Or, if they want more space, they can commute from a wealthy suburb with good schools. As for the rest of the company—tough luck.

But that system doesn't work so well for the entrepreneurial and technology-driven startup, and everyone knows it. Startups live and die by the talent they can recruit, and even if the primary entrepreneur is wealthy enough to do as he or she pleases, the needs and preferences of other key employees must be considered as well.

With regard to these tastes, a consensus has begun to emerge in the popular literature. Richard Florida of Carnegie Mellon University in Pittsburgh has received much press recently for his theory of the "creative class." Young knowledge workers, he points out, are often intense, unconventional types. They "share a common ethos that values creativity, individuality, difference and merit" and are thus attracted to communities of great diversity that offer amenities demanded by young people (such as nightlife). Joel Kotkin, of Pepperdine University in Malibu, California, and a fellow at the Center for an Urban Future, cites human-scale, mixed-use urban neighborhoods, cultural offerings, and livability in general as big draws for young, single knowledge workers.

While the city does well on nightlife, diversity and cultural offerings—and that may be enough to draw the youngest members of the "creative class" (as it was during the dot-com boom)—when twentysomething workers become thirtysomethings, the city's allure becomes less self-evident. Javascript programmers may want to party all night when they're 22, but what about when they're 32, and managing a division, or 42 and running a company? Florida asserts that as they age, marry and reproduce, they would really rather remain where they are, but there is no question that their needs change in certain fundamental ways—and the need to live in a city that never sleeps generally begins to lose ground to more domestic concerns.

"Hard" technology workers, such as engineers and lab-bench life scientists, are an even tougher sell. According to Kotkin, they tend to be drawn to safety and security from the outset, gravitating toward places such as Irvine, California, which Kotkin dubs "nerdistans": planned communities that "seek to eliminate all...distractions—crime, traffic, commercial blight—that have commonly been endemic in cities," and which are not dependent on commuting into a central city. The nerdistans are self-contained pods of upper-middle-class housing and upper-middle-class jobs. This goes a long way toward explaining why New York has not generated many startups in telecom hardware, biotechnology or advanced materials, for example.

Molecular biology postdocs at age 30 like to know they can work late into the night at the lab and get home safely, and that their spouses will be secure at home alone. They want to live comfortably and give their children every advantage. That they can't see a way to do this in New York City is why pharmaceutical executives and biotech entrepreneurs gravitate to obscure corporate campuses in Princeton, New Jersey, instead of to New York City, which supports far more academic medical research than does the entire state of New Jersey. Eventually, even the programmers and the Internet content providers run into the same problem.

What do these needs really boil down to? The answer is housing and schools. Aside from physical safety, that's the really bottom line. It's so obvious—why do we miss it? Our competitors in the suburbs certainly don't. Take the D.C. suburbs, which are among Kotkin's key nerdistans. Have a look at the Web site of Virginia's Fairfax County Economic Development Authority, and you'll find a page on living there. You'll find median housing costs (favorably compared with median prices in Boston and New York City), and you'll find this illuminating quote: "The Fairfax County Public School System is consistently rated among the best in the nation, with many special academic programs, and high test scores and graduation rates."

Or take a look at the Web page for the Tustin Unified School District in Irvine: "TUSD has a long history of excellence...nine schools in TUSD have been recognized as either state or nationally distinguished schools...Tustin schools consistently score well on state tests...students receive top scores among state schools on annual standardized tests." Or try the "Destination Irvine" Web site: "Irvine's high school topped the state's average S.A.T. score by more than 150 points."

Across the nation, the pattern recurs: Irving, Texas (a Dallas "boomburb," as Fannie Mae Foundation calls such sprawling high-growth communities), Boulder, Colorado (a Denver edge city)—all these competitors for good jobs emphasize their high-quality housing and schools.

But in New York, the newyorkbiz.com web site of the Economic Development Corporation contains absolutely nothing about residential living in New York City. Nothing about housing costs, nothing about schools, nothing about neighborhoods, nothing about worship or community. It's all about financing and tax-benefit programs. Oh, and don't bother looking at the web page of NYC and Company (the city's visitors' bureau), or the New York City Partnership and Chamber of Commerce, or any other promotional entity. You won't find the information there, either. (About a dozen years ago, the New York City Partnership did publish a guide to residential neighborhoods in all five boroughs, stressing the diversity of architectural and living styles available outside Manhattan. However, its use in economic-development activities was sporadic, and was not continued into the Giuliani years—a time when quality-of-life initiatives focused on attacking problems, rather than on cultivating and marketing assets already in place.)

Now, I know our Board of Ed ain't the Tustin Unified School District. We do have our successes, however, and they are more than Stuyvesant High School and Bronx Science, which are known even to many corporate executives. But take a look at how far you have to dig into the New York City Board of Education web site before you learn that one of the schools that leads the Intel Science Scholarship Competition on a regular basis is Midwood High School in Brooklyn, a racially integrated neighborhood school one block off the Brooklyn College campus! Where can you find us bragging about Townsend Harris in Queens, about Hunter College High School, about Brooklyn Tech, about all those neighborhoods in Brooklyn and Queens and the Bronx and Staten Island that the complaining COO had never heard of? You can't.

Well, we're going to have to start—and we're going to have to be aggressive about it, because the rest of the country doesn't understand very well even the basics of life here, let alone what can make it especially fulfilling. A onetime colleague, who lived in the suburbs of Buffalo and used to come to New York City on business several times a year, once asked me earnestly, "Where do New Yorkers shop for food?" He knew that millions of us lived here, but he'd only ever seen the midtown business district, and he couldn't find anything he identified as "supermarket." And during last year's tussle over the downtown aid package, Senate Majority Leader Trent Lott expressed surprise that people actually lived in Battery Park City's high-rise buildings.

To start winning the fight for high-wage jobs and high-growth companies, we must promote the school successes we have, especially those in the non-Manhattan boroughs. We must promote and further cultivate residential neighborhoods in the boroughs that offer suitable housing for professionals, managers and business owners. And we need to scout for those areas throughout the boroughs that are suitable for—and amenable to—developing residential neighborhoods and commercial districts attractive to the founders and owners of technology-based enterprises. We may even find that some outlying neighborhoods give us the opportunity to emulate the suburban "campus setting," complete with access to nearby living arrangements, aimed at those all-important trained professionals.

Most of all, we must begin to be much more explicit about how daily life actually works in New York City, and how it can work for those whose skills are needed for us to prosper. We need to see New York as a great place to live before we can tell that story believably to others. With all that advertising talent we have, we mustn't stop until our most tranquil and livable neighborhoods, our most functional schools, and our absurdly low real-estate taxes on single-family homes are as well known to those who might consider moving here as are the more-familiar virtues of Princeton or Westport or Scarsdale or Manhasset. •

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